



Making Buy Now Pay Later safer.

Dear party spokespeople & independent candidates,

Together our organisations support and advocate for hundreds of thousands of people across Australia. Some of our services include emergency relief, financial counselling, legal advice and advocacy and support.

We are writing to you about the harm we are seeing from the use of unregulated buy now pay later (BNPL) and wage advance credit products.

As the cost of living is increasing and interest rates are likely to rise, we are deeply concerned that many people are turning to credit products like BNPL and wage advance to simply get by.

Our next federal Parliament needs to legislate for greater consumer protections to prevent financial harm from the use of BNPL and wage advance products.

BNPL and wage advance credit products have become mainstream and are used by millions of Australians. BNPL alone accounts for around 20 per cent of online retail transactions by value. As of June 2021, there were more than 5 million active BNPL customer accounts.¹ These numbers have increased dramatically year on year.

BNPL's reach is expanding rapidly and can be used for purchases from fashion, food and childcare, through to utility bills and rental payments. Limits can range from a few hundred dollars to \$30,000. Wage advance products offer an

¹ <https://www.rba.gov.au/publications/bulletin/2021/mar/developments-in-the-buy-now-pay-later-market.html>

advance of an individual's upcoming pay for a flat fee – usually around 5%. Wage advance products are similar in many ways to payday loans.

Our consumer protections are not keeping pace with these new credit products, and the consequences are being felt by people and families.

Our consumer laws have not kept pace with innovation in the credit market. These products are not covered by our National Credit Code because their business models fall outside of the definition of credit used in the Code.

As a result, BNPL and wage advance providers are not legally required to assess the ability of their customers to repay debts or offer adequate hardship support. The commitments in the current, voluntary, industry code are woefully inadequate. It doesn't cover wage advance, is not properly enforced, and only eight out of more than 16 BNPL companies have signed up to it.

As use of these credit products grow, so does the harm they cause. Financial counsellors are seeing large numbers of clients struggling to pay their BNPL and wage advance debts, with many people having become overcommitted, and some having debts with multiple providers. Some people are also accessing BNPL and wage advance on top of other forms of debt, such as payday loans.

These problems were identified in research undertaken by ASIC in November 2020, which found 20% of people using BNPL cut back or went without essential items, such as food, in order to make payments. It also found that 15% of people took out other loans to make a BNPL payment.²

Credit should not be unduly harmful to people's financial, mental, and physical wellbeing. When people cannot safely repay credit, it risks pushing them into a debt spiral that can exacerbate poverty and inequality.

The next Federal Parliament needs to pass regulation that will make these products safer.

² <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-280mr-asic-releases-latest-data-on-buy-now-pay-later-industry/>



Given what we are seeing on the ground across Australia and the research demonstrating this harm, we are calling on political parties and independents to commit to supporting greater consumer protections for these credit products in the next Parliament.

As a first step, as in the UK, we recommend an independent inquiry that should involve an expert panel, which includes a consumer perspective. This work should inform new regulatory protections.

Without greater consumer protections, these credit products will continue to cause unnecessary harm and have long-term consequences for people, families, and communities.

Signed by

Financial Counselling Australia
Anglicare Australia
CHOICE
Financial Rights Legal Centre
Consumer Action Law Centre
Youth Action
Youth Affairs Council of Victoria
Brotherhood of St. Laurence
St Vincent de Paul Society National Council of Australia
Wesley Mission
Anglicare NQ
Anglicare Southern Queensland
WorkVentures
UnitingCare Australia
Anglicare Tasmania Inc
Anglicare Victoria
NILS Network of Tasmania
Good Shepherd Australia New Zealand
Australian Council of Social Service (ACOSS)
Anglicare WA
The Rocks Care Network
Midlas
HK Training & Consultancy
South Australian Financial Counsellors Association
Centacare Catholic Country SA Limited



Uniting Communities
St Vincent de Paul
Queensland Council of Social Service (QCOSS)
Womens Legal Service WA
CareWorks (SA)
City of Cockburn Financial Counselling Service
Care Incorporated
The Spiers Centre
Victorian Council of Social Service (VCOSS)
Way Forward
Centacare Family Services
Shelter Housing Action Cairns
Broome CIRCLE
Share & Care Community Services Group Inc.
Federation of Community Legal Centres Victoria
Hume Riverina Community Legal Service
Community Legal Centres Australia
Consumers' Federation of Australia
Consumer Credit Legal Service (WA)
Financial Counselling Hunter Valley Project Inc.
Northern Community Legal Centre
Hobart Community Legal Service Inc
Bravery Trust
The Salvation Army Australia
Community Information & Support Victoria
CFSS WA Ltd.
Marra Worra Worra Aboriginal Corporation
Rural West
Pilbara Community Legal Service
LawRight
The Salvation Army - Moneycare Qld
Cumberland Multicultural Community Services
Tenants' Union of NSW
Money Mentors
UnitingCountrySA
Financial Counselling Network
Gosnells Community Legal Centre
Tenants Victoria
Darwin Community Legal Service
The Wyatt Trust



Youth Affairs Council of Western Australia
Lifeline Central West
Financial Counselling Victoria
Financial Counselling Association of Western Australia
Financial Counselling Association of New South Wales
Financial Counselling Association of South Australia
Financial Counselling Association of Queensland
Financial Counselling Association of Tasmania
Financial Counselling Association of the ACT
Caxton Legal Centre
Shoalcoast Community Legal Centre
Bush Money Mob
NSW Council of Social Service
Economic Abuse Reference Group
Consumer Policy Research Centre
Mallee Family Care
Anglican Community Care Inc.
Louisa DaCosta Trust
Inner Melbourne Community Legal
Kimberley Community Legal Service
National Shelter
Women's Legal Service NSW
ACTCOSS
WACOSS
Catholic Social Services
TASSCOSS
Redfern Legal Centre
Public Interest Advocacy Centre
Centre For Women's Economic Safety
South East Community Links
Variety Children's Charity Queensland
Economic Justice Australia
Youth Affairs Council of Victoria
Brotherhood of St. Laurence
ICAN
Youth Network of Tasmania
FamilyCare
St Pats Community Support Centre
Anglicare ACT

Regional Alliance West
Uniting WA
Ethnic Communities Council of WA Inc. (ECCWA)
Indigo Junction
Queensland Consumer Association

