



## Buy–Now, Pay–Later

The Ministry of Business, Innovation & Employment (MBIE) is asking for feedback on the discussion paper *Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them*. The Government wants to know how Buy-Now, Pay-Later (BNPL) could trigger financial hardship, and also what the benefits are from BNPL, so that options to address the triggers of financial hardship are fit for purpose. This document provides a summary of the discussion paper.

### WHAT IS BUY-NOW, PAY-LATER (BNPL)?

- › BNPL is a relatively new, innovative and fast growing credit alternative in New Zealand, and is particularly popular for online purchases. Afterpay, Humm, Zip, Laybuy, Genoapay (Latitude), Openpay and, Klarna are examples of BNPL in New Zealand.
- › Unlike credit cards, or other credit products covered by the Credit Contracts and Consumer Finance Act (CCCFA), BNPL contracts do not charge interest or fees (other than missed payment fees) or take a security interest over goods. Therefore, BNPL is not required to comply with the rules under the CCCFA.

### WHAT IS THE PROBLEM?

Financial mentoring organisations that work to help New Zealanders in financial difficulty have made MBIE aware that BNPL could be creating financial hardship for some consumers.

#### Risks of financial hardship

- › Financial hardship can take a range of forms. This could include consumers missing or being late with payments, which adds to the debt they already face. This could also include consumers meeting their BNPL instalment/payment but not being able to afford other expenses (such as a power bill or groceries) because instalments/payments are collected automatically via debit card or credit card.
- › The risk of financial hardship is increased if the consumer uses more than one BNPL provider.

#### Benefits of BNPL

- › There are also benefits to using BNPL. BNPL can be an effective and low-cost way to spread the costs of purchases without paying interest.
- › BNPL can also be useful for businesses as it may generate additional sales.
- › In terms of economy-wide benefits, BNPL disrupts the credit market by providing consumers with a low-cost alternative to existing credit products, resulting in greater innovation and competition, and therefore better outcomes and options for consumers.

## SO HOW CAN THE RISKS OF FINANCIAL HARDSHIP BE BALANCED AGAINST THE BENEFITS OF BNPL?

- › The Government's overall objective is that the BNPL sector delivers long-term benefits to consumers through an effective BNPL sector – one where addressing the risks of financial hardship is balanced against the benefits of BNPL.
- › The interests of BNPL consumers should be protected, so that they are confident and informed participants in a transparent, competitive and innovative BNPL sector.
- › BNPL should be affordable and suitable to the needs of the consumer. A number of features that could help address the risk of financial hardship to consumers are outlined in the discussion paper.

## HOW COULD THESE FEATURES OF BNPL BE ACHIEVED?

Three options have been prepared for how these features could be achieved by the BNPL sector, and the government is seeking feedback on which option is best for consumers and the sector.

- › Option 1: Status Quo – BNPL sector chooses to develop and introduce a voluntary code, which may or may not address the triggers of financial hardship identified in the discussion paper.
- › Option 2: Government establishes appropriate incentives for BNPL providers to develop an industry code which addresses the triggers of financial hardship.
- › Option 3: Apply CCCFA to regulate BNPL products.

## WHO DO WE WANT TO HEAR FROM?

- › Consumers who use BNPL
- › Financial Mentoring Services
- › Consumer Advocacy Organisations
- › Businesses who accept BNPL as a payment option
- › BNPL providers
- › Any other interested parties

## HOW WILL FEEDBACK BE USED?

- › Your feedback will help the Government understand and address potential triggers of financial hardship, to achieve an effective BNPL sector – one where addressing the risks of financial hardship is balanced against the benefits of BNPL.
- › Please visit [www.mbie.govt.nz/bnpl](http://www.mbie.govt.nz/bnpl) to read the discussion document and make a submission. An online survey is also available on this webpage for people who use BNPL – to find out your experiences, both positive and negative, from using BNPL.
- › Submissions close at 5pm on Thursday 16 December
- › If you have any queries please contact: [buynowpaylater@mbie.govt.nz](mailto:buynowpaylater@mbie.govt.nz)

