



COVERSHEET

Minister	Hon Dr David Clark	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Approval to release discussion paper: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them	Date to be published	10 November 2021

List of documents that have been proactively released

Date	Title	Author
October 2021	Approval to release discussion paper: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them	Office of the Minister of Commerce and Consumer Affairs
27 October 2021	Buy-Now, Pay-Later – Understanding the Triggers of Financial Hardship and Possible Options to Address Them: Release of Discussion Paper DEV-21-MIN-0218	Cabinet Office

Information redacted

NO

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Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Buy-Now, Pay-Later – Understanding the Triggers of Financial Hardship and Possible Options to Address Them: Release of Discussion Paper

Portfolio Commerce and Consumer Affairs

On 27 October 2021, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that the Buy-Now, Pay-Later (BNPL) sector in New Zealand is rapidly growing and is not subject to credit regulations under the Credit Contracts and Consumer Finance Act 2003 (CCCFA);
- 2 **noted** that BNPL can provide a convenient low-cost alternative to traditional consumer credit products, but that there are some consumers who are at risk from financial hardship due to the triggers of financial hardship, which include:
 - 2.1 the lack of comprehensive and consistent affordability assessments;
 - 2.2 ineffective hardship policies and processes;
 - 2.3 missed and late payment fees and unreasonable processes;
 - 2.4 consumer psychology of focusing on the initial payment rather than the total cost of BNPL products;
 - 2.5 the use of BNPL to purchase essential goods and services due to lack of suitability;
- 3 **noted** that the discussion paper *Buy-Now, Pay-Later – Understanding the Triggers of Financial Hardship and Possible Options to Address Them* (the discussion paper), attached to the paper under DEV-21-SUB-0218, seeks feedback on:
 - 3.1 the benefits of BNPL for consumers, businesses and the wider economy;
 - 3.2 how the use of BNPL products could trigger financial hardship for consumers – under what circumstances and at which points in the consumer journey financial hardship could occur;
 - 3.3 how the risks of financial hardship from BNPL could be addressed if BNPL exhibited certain desirable features;
 - 3.4 how an effective BNPL sector should be defined – it is proposed that this be one where addressing the risks of financial hardship is balanced against the benefits of BNPL;

- 3.5 what options are available to achieve an effective BNPL sector, including regulatory and non-regulatory options, the costs and benefits of these options, and how their effectiveness could be monitored and evaluated;
- 4 **agreed** to the release of the discussion paper, subject to any minor or technical amendments that may be required, for a six week public consultation commencing in November 2021, with the flexibility to extend this public consultation period if there are COVID-19 Alert Level changes;
- 5 **invited** the Minister of Commerce and Consumer Affairs to report back to DEV on the preferred policy approach to the triggers of financial hardship by mid-2022.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Willie Jackson
Hon Michael Wood
Hon Dr David Clark
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV