

Submission to the Ministry of Business, Innovation and Employment on the **Buy-Now, Pay-Later** Discussion Document

Community Action on Youth and Drugs (CAYAD) is a Ministry of Health community-based initiative operating in 20 locations across Aotearoa. In Tāmaki Makaurau / Auckland, the CAYAD team are based within the Community and Social Innovation Department in Te Kaunihera o Tāmaki Makaurau / Auckland Council. CAYAD works with communities to help them increase wellbeing and positive social protective factors, understand, and identify alcohol and other drug issues that cause harm to rangatahi / young people and support communities to respond to these issues by creating change through community action. CAYAD seeks to represent the voice of the communities we work with across the Tāmaki Makaurau region. CAYAD honours Te Tiriti o Waitangi and aims to specifically improve hauora (well-being) for Māori.

1. CAYAD Tāmaki Makaurau acknowledges the Ministry of Business, Innovation and Employment for the opportunity to provide feedback on the policy options to regulate the fast-growing credit alternative of the Buy-Now, Pay-Later (BNPL) service.
2. While there are obvious benefits to the BNPL services, financial mentoring organisations have shared their concerns that these services can create or put people at risk of financial hardship. Consumers of BNPL services can be impacted greatly if payments are missed or late.
3. BNPL services also make it easy for consumers to incorrectly budget their finances, and therefore not be able to afford essential or every-day expenses. This risk can be further increased if a consumer is tied to more than one BNPL provider, especially in an unregulated environment.
4. Despite the wider risk, CAYAD will focus our feedback on alcohol being excluded from any BNPL service or other unregulated credit-like service and that the sector should be regulated by the Ministry of Business, Innovation and Employment.

Alcohol

5. CAYAD are concerned about the potential significant risk associated with allowing alcohol to be purchased using BNPL services. Purchasing alcohol (whether online or in-store) using BNPL services could increase alcohol-related harm by allowing individuals to purchase more alcohol than they may be able to afford. Making alcohol more economically accessible could result in increased harmful drinking amongst individuals and their community.
6. According to research conducted by the New Zealand Drug Foundation, almost 80 percent of New Zealand's adult population reported drinking alcohol at least once in the last year, equating to 3,248,00 adults, and around 20 percent drink in a way that risks physical or mental harm (New Zealand Drug Foundation)
7. Rangatahi between 18-24 years old were among the heaviest drinkers in 2020/21 (41% males, 28.5% females) with hazardous drinking prevalence remaining high across males in every older age group.

8. Research by Te Hiringa Hauora – The Health Promotion Agency (formerly the Alcohol Advisory Council) in 2012 found that New Zealanders spent \$85 million NZD on alcohol per week, equating to \$4-5 billion per year (Health Promotion Agency, 2012).
9. Since the beginning of the COVID-19 pandemic and lockdowns, there has been a significant rise in online alcohol retailers seeking to sell alcohol as an ‘essential item’. As online alcohol purchases become more popular, there is great potential for alcohol retailers to use BNPL services to further increase sales.
10. Rapid online delivery (within 2 hours of purchasing) of alcohol has also caused significant concern and allowing BNPL services in this market would essentially allow individuals to “drink now, pay later” which would lead to increased alcohol-related harm.
11. Many New Zealanders have turned to alcohol over this lockdown period to cope with the stresses and challenges of the COVID-19 pandemic. Anecdotal evidence has shown a surge in demand for addiction services, including for alcohol and drug overdoses (Keogh, 2021)
12. Inequities in drinking have also been observed, with a higher proportion of Māori drinkers continuing to drink more than usual coming out of lockdown (20% drinking more than usual in Level 1, July 2020) compared to non-Māori (14%) (Health Promotion Agency, 2020). This further exacerbates the disproportionate harm experienced by Māori from alcohol.

Supporting evidence

13. Alcohol harm can be reduced if restrictions are put in place regarding accessibility and availability of alcohol products (World Health Organisation, 2017).
14. Research consistently shows that the economic accessibility of alcohol is a key driver of alcohol use, harm and inequities in harm (Wall & Casswell, 2013). Price appears to be particularly important for low income, heavy drinkers, a population group that experiences disproportionately more harm from each drink. As BNPL services offer products at a perceived lower cost, it is concerning that this may cause an increase in the sale and consumption of alcohol.

Recommendations

15. CAYAD encourages robust regulations be put in place to protect individuals and communities from increased alcohol harm and financial hardship. We support the recommendations put forward by Alcohol Healthwatch that:
 - Alcohol products should be excluded from any BNPL services or other unregulated credit-like services;
 - Alcohol products should not be advertised or sold with fractional costing;
 - Apply the Credit Contracts and Consumer Finance Act 2003 to regulate the BNPL sector (i.e. option 3 in the discussion document); and
 - Conduct a public inquiry into the online promotion, sale and delivery of alcohol.

Conclusion

Thank you for considering CAYAD Tāmaki Makaurau’s feedback on the BNPL discussion document.

Ngā mihi nui,

Community Action Youth and Drugs (CAYAD) Tāmaki Makaurau

Contact Email: cayad@aucklandcouncil.govt.nz

References:

Health Promotion Agency. Impact of COVID-19: Topline results - Wave 2. Wellington, N.Z: Author, 2020 <https://www.hpa.org.nz/research-library/research-publications/post-lockdown-survey-the-impact-on-health-risk-behaviours> (accessed Oct 8, 2020).

Health Promotion Agency. The Real Story of Kiwis and alcohol. 2012.
https://www.hpa.org.nz/sites/default/files/imported/field_publication_file/KiwisAlcohol.pdf

Keogh B. Covid-19: Addictions services see spike in relapses, fear people will die in lockdown. Stuff. 2021; published online Oct 30.
<https://www.stuff.co.nz/national/health/coronavirus/126666805/covid19-addictions-services-see-spike-in-relapses-fear-people-will-die-in-lockdown> (accessed Nov 24, 2021).

NZ Drug Foundation: <https://www.drugfoundation.org.nz/policy-and-advocacy/drugs-in-nz-an-overview/>

Wall M, Casswell S. Affordability of alcohol as a key driver of alcohol demand in New Zealand: a co-integration analysis. *Addiction* 2013; 108: 72–9.

World Health Organisation. Tackling NCDs Best Buys - ‘Best buys’ and other recommended interventions for the prevention and control of noncommunicable diseases. 2017