

December 2021

Re: Buy Now Pay Later (BNPL) Discussion Paper Submissions

Debtfix – The Debt Relief Foundation

We are a Debt Solution Provider, with charitable status, and work alongside the building financial capability sector to assist clients into manageable debt solutions. We have been providing this service for over three years now however, I myself, have been involved in this sector for over 15 years. We see over a thousand clients each year and can see the effect that the BNPL products have impacted their situation especially over the last 12 months.

Whilst we are not making our own formal submission we are in support of the submissions from Christians Against Poverty, Salvation Army and FinCap.

We would like to add the following points –

- We have experienced a higher volume of our clients presenting with BNPL debts over the past 12 months.
- It is rare for one client to only have commitments to one or two payments; most of them have, in our experience, more than 6 payments and usually to more than one BNPL provider.
- Like others in the sector we see clients not recognising these debts as an actual debt, so don't register it on their budget worksheet, and often they seem to ensure that they make this payment before food, rent and other bills and debts.
- We agree with both Christians Against Poverty and the Salvation Army in that, if used correctly, this product could be beneficial to some of our clients so whilst we agree that it should come under the CCCFA – as it is a form of credit – we also would like to work with the BNPL providers to see how we can make it work more in the interests of those currently getting indebted through it.
- There does need to be restrictions on how many such arrangements one client can have and a limit on the weekly payments. The arrangements entered into do need to be affordable to the client, so it does seem that an affordability test is the correct approach to take for this type of credit.
- Most of the BNPL providers say they undertake a credit check but as most of the BNPL accounts are not visible on the reports we would question how accurate this would be.
- Another cause for concern is that credit limits are increased on payment performance rather than at consumer request. This is a practice which was ceased in relation to credit cards and therefore should be ceased in relation to this product also.

With regards to the Options presented in the discussion paper -

We would not be in favour of Option One: Status Quo. It is clear that some change and regulation is needed in this area.

Option Two: Government establishes appropriate incentives for BNPL providers to have an industry code which addresses the triggers of financial hardship – whilst this sounds like a good option it is clear from the recent report from the Financial Counsellors Association in Australia (**See link at end**) that this Code has not worked in Australia with the same BNPL providers and therefore unlikely to address the problem in New Zealand.

Option Three – Apply CCCFA to regulate BNPL products – **we would support this option**. BNPL is a form of credit and therefore the same rules should be applied as to other forms of credit. Some exemptions may be considered; however, the overall objective of trying to reduce the hardship effects this product is causing must not be lost.

Kind Regards

Christine Liggins

Cofounder and Director of Debtfix – the Debt Relief Foundation

See the full report from Financial Counselling Australia here -

<https://www.financialcounsellingaustralia.org.au/docs/its-credit-its-causing-harm-and-it-needs-better-safeguards-what-financial-counsellors-say-about-buy-now-pay-later/>