



479 St Kilda Road,
Melbourne 3004,
Australia.
www.illion.com.au

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Competition and Consumer Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand
Via Email: buynowpaylater@mbie.govt.nz

Consultation — Buy-Now, Pay-Later: Understanding the triggers of financial hardship and possible options to address them

Dear Sir/Madam,

As a major Credit Reporter in the New Zealand credit landscape, illion (formerly Dun & Bradstreet Australia and New Zealand) welcomes the opportunity to provide this submission to the Ministry of Business, Innovation and Employment (MBIE), regarding the discussion paper, *Buy-Now, Pay-Later: Understanding the triggers of financial hardship and possible options to address them*.

illion believes that creditworthiness and affordability to repay any credit should be verified in order to support better credit decisioning and to prevent consumers from taking on unsustainable credit. In this context, our view is that making a credit enquiry and supplying comprehensive credit reporting (“CCR”) data assists in providing a complete picture of a consumer’s credit situation. We note that BNPL providers neither enquire nor provide CCR data, the absence of this data from the credit reporting landscape increases the risk of causing harm to the consumer as credit may be incorrectly extended.

The inclusion of CCR data will support a more holistic understanding of the consumer’s financial situation, assist in complying with responsible lending practices and preventing consumers from taking on unsustainable credit.

When making credit decisions concerning consumers illion’s view is that all available data should be utilised. Consumer credit enquiries, electronic ID verification and affordability assessments are now highly automated processes that can be implemented with a minimal effort and result in better outcomes for both the consumer and industry.

About illion

We are a leading supplier of data, analytics and software services for the banking, finance, telco and energy services sectors in Australia and New Zealand. Our market leading data solutions and unique



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insights enable organisations to make confident decisions across the entire customer lifecycle – from customer prospecting, credit originations and identity verification to on-going customer management and collections.

Our general position with regards to BNPL due diligences

illion's general position is that the BNPL industry should consider both creditworthiness and affordability prior to providing financial services, this should include credit assessment and affordability checks.

Conducting a credit and affordability check will ensure that the consumer is protected against excessive levels of debt as a result of BNPL commitments as well as protecting Credit Providers from avoidable losses.

It is to the benefit of the individual to make the more information visible and ensure that all credit providers are able to view credit reports with the detailed history, including BNPL data, of the customer.

For that reason, credit checking for BNPL should be encouraged to ensure that the consumers are suitably protected and to prevent credit being extended to consumers who can't afford it.

If there are any questions or concerns arising from this submission, please feel free to contact me at any time at [REDACTED]

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Atkinson', written over a light grey rectangular background.

Richard Atkinson
General Manager Consumer Bureau

Submission on Buy-Now, Pay-Later: Understanding the triggers of financial hardship and possible options to address them

Your name and organisation

Name	Richard Atkinson
Organisation (if applicable)	illion

Responses

Responses

Economic regulation	
1	<p>Do you agree with our assessment of what the benefits are from BNPL?</p> <p>Yes / No / Not sure</p> <p>Are there others? Please provide details.</p>
	N/A
2	<p>As a consumer (or consumer representative), please outline what are the benefits of BNPL?</p>
	N/A
3	<p>As a business accepting BNPL to pay for goods and services, please outline the benefits of BNPL? If you are a small business, are there any additional benefits from accepting BNPL?</p>
	N/A
4	<p>Do you agree with our assessment of how BNPL will evolve in New Zealand? If not, please provide details.</p>
	N/A
5	<p>How do you think emerging BNPL business models eg partnerships with credit cards, banks etc. will impact consumers? Please provide details</p>
	N/A
6	<p>Do you agree or disagree with our summary of the types of financial hardship that could occur from BNPL? Please provide details</p>
	N/A
7	<p>As a consumer (or consumer representative), have you faced financial hardship from BNPL?</p>

	<p>Yes / No / Prefer not to answer</p> <p>If yes, under what circumstances have you faced financial hardship from BNPL? Please select all that apply and provide details, if possible:</p> <ul style="list-style-type: none"> • You had multiple BNPL accounts • Your credit limits were increased beyond what you could afford • Because of the timing of your BNPL instalments and other expenses • Because as a household, you were unable to afford the BNPL instalments • You focused on the first payment rather than the total cost of the product or service • You responded to BNPL marketing and as a result purchased more than you could afford • You missed an instalment and faced missed fees (default fees) • Your circumstances changed (e.g. change in employment) and you were no longer able to afford the instalments • Other
	N/A
8	<p>Do you live in a household with multiple BNPL accounts? Yes / No / Prefer not to answer</p> <p>(If Yes), has your household experienced financial hardship because as a household you could not afford the full cost of the good or service?</p> <p>Yes / No / Not sure</p>
	N/A
9	<p>As a BNPL consumer (or consumer representative) (select one only)</p> <p>A) Do you value having a hard credit check being conducted OR</p> <p>B) Would you prefer a soft credit check that doesn't leave a 'footprint' on your credit score?</p> <p>C) Please explain the reasons for your answer</p>
	N/A
10	<p>What are the advantages and disadvantages (including costs) from credit checks being used to determine approval for BNPL?</p>
	<p><i>In our opinion BNPL facilities are a form of Credit. Regardless of the relationship between the consumer and the BNPL provider the result of the BNPL transaction or BNPL facility is a credit liability for the consumer that will need to be repaid.</i></p> <p><i>Promoting credit checking of the consumer before extending a BNPL facility will ensure that the consumer is better protected against over-extending themselves from excess credit. Often BNPL credit facilities are a last resort for consumers who already have defaulted on regular credit facilities. Introducing a mandatory credit check may not only protect the consumer but also can be used to ensure that BNPL providers consider responsible lending criteria.</i></p>

11	<p>What other/additional steps could BNPL providers take to assess affordability for consumers?</p> <p>What are the disadvantages (including costs) of these steps?</p> <p>What are the benefits of these steps?</p>
	<p><i>Credit checking and affordability check are two safe guards that can be introduced to protect the consumer from getting into financial hardship.</i></p> <p><i>A disadvantage of additional checks are that the onboarding process becomes less frictionless for the consumer but the disadvantages are far outweighed by the additional protection the consumer gets from the credit check and the credit checking process can be fully automated and can be performed using Name, Address and Date of Birth (so not additional fields need to be collected from the customer)</i></p> <p><i>Conducting a credit and affordability check will ensure that the consumer is protected against racking up high levels of debt as a result of BNPL commitments they can't honour.</i></p>
12	<p>How might affordability assessments be conducted when BNPL credit limits are increased?</p>
	<p><i>Integration with Bank Transaction data (either sourced from Digital Data Capture or from CDR) provides a useful additional tool for the BNPL provider to fully understand the financial health of a specific consumer before increasing credit limits.</i></p>
13	<p>What are the costs and benefits of conducting affordability assessments when BNPL credit limits are increased?</p>
	<p>N/A</p>
14	<p>Are there any other ways to ensure BNPL credit limits are increased responsibly?</p>
	<p>N/A</p>
15	<p>Are there any other issues with consumers having multiple BNPL accounts that we have not identified?</p>
	<p><i>BNPL information can be made available in the credit reporting system. Having multiple BNPL accounts might have an adverse impact on the overall health of a consumer's credit file, limiting their options when it comes to accessing alternative credit facilities in the future. (ie. Mortgage, Personal Loan).</i></p>
16	<p>How effective and practical would it be to share information with other BNPL providers of consumer accounts which have been frozen?</p> <p>Not effective / Somewhat effective / Very effective</p> <p>Not practical /Somewhat practical / Very practical</p> <p>Please provide details.</p>
	<p>Sharing the information in the existing credit reporting environment would be very effective as the adverse information will be displayed on a consumer's credit file.</p>
17	<p>How could information about consumers having multiple BNPL accounts be appropriately shared across the BNPL sector?</p>
	<p><i>Mandating the participation in the Comprehensive Credit Reporting Regime.</i></p>

18	<p>What are the costs (including disadvantages) of the approaches you describe in Question 17?</p> <p>What are the benefits of the approaches you describe in Question 17?</p>
	<p><i>It creates a level of transparency across the credit landscape and offers protection from obtaining excess credit for the consumer.</i></p>
19	<p>What tools and processes could be introduced for the timing of BNPL instalments to be better aligned to income and other expenses?</p>
	<p>N/A</p>
20	<p>What are the costs (including disadvantages) of such tools and processes?</p> <p>What are the benefits of such tools and processes?</p>
	<p>N/A</p>
21	<p>When making BNPL transactions, how could consumers be made more aware of the total costs of their purchases?</p> <p>What are the costs of these tools?</p> <p>What are the benefits of these tools?</p>
	<p>N/A</p>
22	<p>As a consumer (or consumer representative), what has been your experience of receiving help from BNPL provider/s if you missed an instalment and/or faced financial hardship?</p>
	<p>N/A</p>
23	<p>How could BNPL providers be more responsive to consumers relying on BNPL to pay for essential goods and services?</p> <p>What are the costs of these tools?</p> <p>What are the benefits of these tools?</p>
	<p>N/A</p>
24	<p>Do you have any comments on the diagrams above summarising the triggers of financial hardship, how they occur, and the features which could mitigate financial hardship?</p>
	<p>N/A</p>
25	<p>Do you agree with our view that the lack of affordability assessments is likely to be a key reason why some consumers using BNPL face financial hardship?</p>
	<p>N/A</p>
26	<p>Do you have views on the overall objective of the BNPL sector?</p>
	<p>N/A</p>
27	<p>Do you have any views on how the interests of consumers could be protected?</p>

	N/A
28	Do you have any views on the criteria used to assess how to achieve an effective BNPL sector?
	N/A
29	Do you have any comments on the discussion of Option One: status quo? Please provide evidence if available.
	N/A
30	What are the costs and benefits of Option One for any relevant parties eg consumers, BNPL providers, businesses accepting BNPL as a payment option, competitors to BNPL? Please provide evidence if available.
	N/A
31	Do you have any comments on the discussion of Option Two: Government establishes appropriate incentives for BNPL providers to have an industry code which addresses the triggers of financial hardship? Please provide evidence if available.
	N/A
32	What are the costs and benefits of Option Two to any relevant parties eg consumers, BNPL providers, businesses accepting BNPL as a payment option, competitors to BNPL providers? Please provide evidence if available.
	N/A
33	How could Option Three be designed (including the timing of requirements) to ensure the BNPL delivers long-term benefits to consumers? Please provide evidence if available.
	N/A
34	What are the costs and benefits of Option Three and how it is designed to any relevant parties eg consumers, BNPL providers, businesses accepting BNPL as a payment option, competitors to BNPL providers? Please provide evidence if available.
	N/A
35	Do you have any suggestions on how we could measure and track progress against whether BNPL is delivering long-term benefits to consumers? Please provide evidence if available
	N/A
36	Do you have any suggestions on how we could measure and track progress against whether BNPL is delivering long-term benefits to consumers? Please provide evidence if available.
	N/A

Other comments

N/A