

Buy Now Pay Later Regulations

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New Zealand Council Of
Christian Social Services

Contact Name:	Nikki Hurst Hamish Jarvie
Organisation Name:	New Zealand Council of Christian Social Services (NZCCSS)
Organisation description:	<p>The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on possible regulation in Buy Now Pay Later.</p> <p>NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches.</p> <p>Through this membership, NZCCSS represents over 250 organisations providing a range of social support services across Aotearoa. We believe in working to achieve a just and compassionate society for all, through our commitment to our faith and Te Tiriti o Waitangi. Further details on NZCCSS can be found on our website www.nzccss.org.nz.</p>

Tirohanga Whānui | Overview

Buy Now Pay Later (BNPL) is a for-profit financial service, offering access to short-term interest free finance if paid in full over an agreed period of time. For many, it is a useful opportunity to purchase what is needed, when needed, while spreading the cost. For others, the very low criteria to access these schemes are compounding financial issues. NZCCSS believes clearer regulation and oversight of these service providers is timely. Our main points are:

- 1: Disclosure of applicable contract law must be made clear.**
- 2: Concerns around BNPL and the purchase of intoxicants.**
- 3: More consultation needed on the cut-off for affordability assessments.**
- 4: Implementation of a clause including potential retailer-owned alternatives.**

Taunakitanga | Recommendations

Comment One: Disclosure of applicable contract law must be made clear:

In order to avoid debt and affordability issues it is imperative that consumers be made aware that BNPL is, in fact, a form of credit. It is well known that many people do not read lengthy terms and

conditions statements and some statements are purposefully made to be too long to feasibly read¹. However, as a financial service provider, transparency of service is key. Potential avenues for this are in pop-ups as applications/web-pages open. Consumers, regardless of financial literacy, must be made aware of their obligations by clear and easy to access methods.

Recommendation One: Clarification of legal responsibilities of service users should be mandatory and legislated for.

Comment Two: Concerns around BNPL and the purchase of intoxicants:

NZCCSS has serious concerns about the potential for Buy Now Pay Later credit being used in the purchase of alcohol and/or other intoxicants in bars and other venues.

Allowing users to make choices to extend credit limits while under the influence of alcohol would seem to be against the intention of our contract laws. If each new transaction is seen as a new credit line, making these choices while intoxicated differs materially from using existing credit (e.g., on a credit card).

Recommendation Two: NZCCSS recommends some legislative restriction of Buy Now Pay Later usage in the purchase of alcohol and other intoxicants in licensed venues.

Comment Three: More consultation is needed on the cut-off for affordability assessments:

Our members advise that those who find themselves in difficult circumstances are most often using BNPL credit for purchases well below \$600. This amount is significant as it appears to be the default initial “credit limit” set for most users.

We believe that there is a strong correlation for those users in trouble, and the high limit offered when signing up. We do not believe that these financial service providers are adequately assessing people’s ability to meet their obligations. The failure of this initial assessment is creating substantial debt.

Recommendation Three: NZCCSS recommends further consultation and analysis of data collected by advocates and BNPL providers in order to provide a safer service to consumers.

Comment Four: Implementation of a clause including potential retailer-owned alternatives:

While regulation of the current providers of Buy Now Pay Later services is welcome, there is potential for similar retailer-run alternatives to take their place if regulation does not encompass this possibility.

Should this eventuate following the implementation of this legislation, the same affordability issues will pass on to the retailer-run alternative systems. NZCCSS holds the view that this potentiality must be covered in order to future-proof this legislation and avoid the need for an amendment process.

Recommendation Four: NZCCSS recommends that retailer-run alternative Buy Now Pay Later schemes are legislated for in advance.

¹ Obar, J. A., & Oeldorf-Hirsch, A. (2018). *The Biggest Lie on the Internet: Ignoring the Privacy Policies and Terms of Service Policies of Social Networking Services*.