

BUY NOW PAY LATER
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SWIPE TO LEARN
ABOUT IT



ARE BUY NOW PAY LATER SERVICES A GOOD OPTION FOR YOU?

WHAT IS IT

Buy now, pay later (BNPL) is a type of financial service that allows their users to purchase something without having to pay the full cost of the item or service upfront.

Equal payments are made back to the BNPL service provider over a specific time frame. No interest is payable, however users are charged late fees if they can't make payments on time.

BNPL services charge merchants a percentage of the total cost of what the customer is charged for the flexible payment service that can be provided to their customers.

GOOD

BNPL services have many benefits for their users. They are generally cheaper for their users compared to a credit card, they are easy to use and navigate, accounts are easy to create and approval for spending is fast with funds being accessible as soon as the account is created all through a smart phone.

NOT SO GOOD

Due to their easy approval process and convenience, it is common for users to over estimate their spending limits and consequentially be unable to afford to make their re-payments, putting them in a position where they may owe more than they can afford to pay. This results in late fees, which can put the user into further debt and financial stress.

REGULATION

Currently, BNPL services are self-regulated in accordance with a code of practice created by the BNPL industry body, as opposed to legislation, being the *National Consumer Credit Protection Act 2009* (Cth) like other forms of credit.

This means that BNPL services are not bound by the same lending responsibility than is required from other credit providers, and therefore they are not required to consider the amount of income nor the existing amount of debt a prospective user may have.

Individuals that are already in debt or at serious risk of being in debt, individuals that have reached the maximum spending limit on one BNPL provider and individuals that do not have the income to pay the instalments are all able to sign up and be approved to use and spend using BNPL services.

REGULATION

There are calls for urgent action in relation to the non existence of legislative regulation for BNPL services. As the cost of living and inflation rates rise, and minimum wage not keeping up with these rapid changes, substantive and enforceable regulation is important now more than ever to prevent BNPL users ending up within a debt spiral. Experts argue that as BNPL services have the same or very similar characteristics to credit, that they should therefore be regulated like credit too.

DEVELOPMENT

The Federal Government has recently declared that they will regulate BNPL services as credit products by the middle of 2023, but that the laws will not be exactly the same as legislation that regulates other forms of credit. At this point in time, it is unclear as to how exactly this will be achieved and what it will consist of, but it is most certainly a step in the right direction.

IS IT FOR YOU?

BNPL services can be extremely useful and helpful for many individuals, however if you are considering using these services it is important that you weigh up the potential risks involved with the potential benefits. No two people's personal circumstances or financial situation is the same, and the answer is not as simple as yes or no. It is more so a matter of understanding the terms and conditions of the BNPL service provider and arming yourself with the information needed to make an informed decision that aligns with your personal and financial values.

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If you would like assistance in finding more information in any
of the areas mentioned within this post, please do not hesitate
to reach out.