

## ANNUAL REPORTING ON ACTIVITIES OF THE AFIA CODE COMPLIANCE COMMITTEE (CCC) IN RELATION TO THE AFIA BUY NOW PAY LATER (BNPL) CODE OF PRACTICE

Financial Year 20/21 marked the commencement of AFIA’s Buy Now Pay Later (BNPL) Code of Practice, and the inception of the Code Compliance Committee (CCC) to oversee the Code. The CCC began meeting in early 2021 to administer the Code and assess and accredit members to the Code. The Code itself formally commenced on 1 March 2021. A total of eight BNPL providers applied for accreditation and are now Code Compliant Members.

On behalf of the CCC, and as outlined in section 12.1 of the Terms of Reference for the AFIA BNPL Code of Practice, we are delighted to table our report for the 12 months ending 30 June 2021 for inclusion in the AFIA Annual Review.

Terms of Reference – clause 12.1	Commentary
(a) information collected under clause 9.2, 9.3 and 9.4 of any reported or investigated Alleged Breaches and any corrective measures agreed with the relevant Code Compliant Member(s) (CCMs)	<p>Three complaints about CCM conduct were received to 30 June 2021. One of the complaints also included an alleged breach. The alleged breach related to an underwriting assessment and was not proven.</p> <p>The three complaints about CCM conduct related respectively to:</p> <ol style="list-style-type: none"> <li>1. an inability to unsubscribe from payment reminders</li> <li>2. placing a stop on an account when the customer was in arrears</li> <li>3. a complaint about vendor conduct, which had not yet been addressed through AFCA.</li> </ol> <p>Items one and two were closed with correspondence provided to the customer. In relation to item three, the CCC will monitor AFCA’s and the CCM’s actions.</p>
(b) consolidated analysis of Code compliance by CCMs for the period of the report as collected under clauses 9.2, 9.3, 9.4	<p>As outlined in its Terms of Reference, the CCC monitors code compliance and collects data to gain insights into potential areas of non-compliance. For the year to 30 June 2021, there was no evidence is available to suggest non-compliance.</p>
(c) information as to any Sanctions imposed by the CCC	<p>No sanctions were imposed by the CCC.</p>

(d) information about any serious and systemic issues of breaches of the Code which have come to the CCC's attention	None arising.
(e) information as to the number of CCC meetings held and the attendance of CCC Members at them	<p>The CCC formally met on nine<sup>1</sup> occasions during the financial year:</p> <ol style="list-style-type: none"> <li>1. 22 January 2021</li> <li>2. 28 January 2021</li> <li>3. 1 February 2021</li> <li>4. 9 February 2021</li> <li>5. 24 February 2021</li> <li>6. 26 February 2021</li> <li>7. 5 March 2021</li> <li>8. 9 April 2021</li> <li>9. 9 July 2021</li> </ol> <p>All CCC members attended every meeting.</p>
(f) any recommendations on Code improvements and industry issues relevant to the operation of any Code arising out of its experiences of Code compliance in the relevant period, including where non-compliance with a Code indicates an industrywide issue or weakness of a Code	<p>After only four months of formal operation of the Code, the CCC is not yet able to identify any recommendations for code improvements.</p> <p>The focus of CCMs and of the CCC is on initial embedding of the Code.</p> <p>The CCC looks forward to CCMs continuing their strong engagement.</p> <p>In addition, the CCC is undertaking ongoing constructive dialogue with key stakeholders, such as ASIC, ACCC, AFCA, the Privacy Commissioner, and various consumer advocates. This will allow consideration of changes that can be made to practices that will further support customers.</p>
(g) a statement that the CCC has complied with its Terms of Reference and any binding obligations on it under a Code or other relevant Protocol document and, if there has been any non-compliance, the report must identify that non-compliance and the reasons for it, including any action that may have been instituted by the CCC to ensure that such non-compliance does not occur in the future	The CCC has complied with its Terms of Reference and any binding obligations on it under the Code and other relevant Protocol documents, if relevant.

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<sup>1</sup> While the 9 July 2021 meeting falls into FY22, the agenda included issues relating to FY21, therefore, it has been included in this report.

(h) any other matters that the CCC considers should be included that are consistent with the functions of the CCC

As part of the accreditation process, the CCC examined in detail relevant processes within each BNPL provider to ensure compliance with the Code and protection for consumers.

All applicants were required to make some changes to existing practices and operational issues to ensure they were compliant before accreditation was granted. Changes included, for example, improving hardship policies, amending internal and external dispute resolution policies, and updating their internal policies to align with the specifics of the Code.

The CCC looks forward to commencing the re-accreditation process in early 2022.

Kind regards

A handwritten signature in black ink that reads "M Schaper". The signature is written in a cursive, flowing style.

Dr Michael Schaper

Chair

BNPL Code Compliance Committee