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Review of the 'Buy Now Pay Later Code of Practice'

Cash Converters welcomes the opportunity to comment on the Buy Now Pay Later Code of Practice (**the Code**).

The Code does not adequately protect consumers from over-indebtedness or overspending. The Code, which itself is voluntary for BNPL providers, is not a substitute for proper regulation by Government under Australian credit laws. While the Code recognises consumers in financial hardship and introduces a requirement for AFCA membership to code compliant members, the Code does little to hold BNPL providers accountable for deteriorating customer positions or increasing commitment levels. As is demonstrated in this submission, the Code does not ensure product suitability for consumers.

A review of Cash Converters' consumer base demonstrates a surge in BNPL transactions appearing on customer bank statements. In many instances, the percentage of income allocated to these transactions exceeds the percentage of income allocated to credit products that are otherwise regulated by the National Credit Code. This can be attributed to the ease with which consumers can source BNPL products in the absence of regulation and responsible lending obligations.

BNPL products encourage and normalise overspending without appropriate accountability for BNPL providers. For example, over 24% of consumers who applied for regulated credit products with Cash Converters had a commitment level of over 100% when factoring in BNPL products. Worryingly, over 7% of consumers who applied for regulated credit products with Cash Converters had a commitment level of greater than 140% when factoring in BNPL products.

The Code falls short of proper regulation and accountability for BNPL providers when compared to providers of regulated credit products under the *National Consumer Credit Protection Act (Cth) 2009*. The Code fails to adequately ensure that BNPL products are suitable for consumers and it is evident that the assessment processes do little to appropriately protect consumers from overcommitment.

The Code imposes no penalties for businesses and BNPL providers escape regulatory oversight. Short of any Government regulation of the BNPL industry, the Code should be substantially overhauled to introduce responsible lending requirements in line with Australian credit laws to ensure that BNPL products are suitable for consumers.