

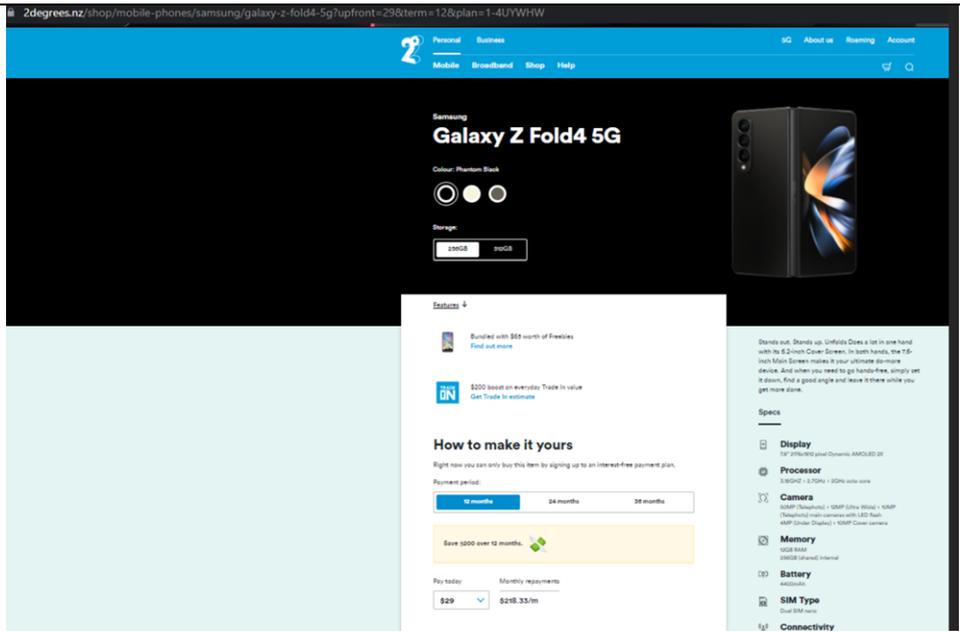
Submission on Buy Now Pay Later: Draft Credit Contracts and Consumer Finance Amendment Regulations 2022

Your name and organisation

Name	Andrew Henderson (Manager) and Charlotte Whitaker (Assistant Manager)
Organisation (if applicable)	Dunedin Budget Advisory Service (DBAS)

Responses

1	<p>Do you have any comments on the definition of BNPL? Are there contracts that should be caught, but are not? Are there contracts that shouldn't be caught, but are?</p> <p>We are concerned that the definition only captures 'third party' lending arrangements and recommend that the definition is broadened, or a strong general anti-avoidance measure also be introduced. These actions should be taken to prevent issues such as large retailers easily replicating this form of lending and associated harm within a direct loan offering, ie, setting up their own version of BNPL within their business model.</p> <p>In Australia, Westpac is launching 'PartPay', allowing credit card users to split purchases into an initial instalment and three fortnightly payments to follow.</p> <p>Currently, and has always been the case, Telecommunications retailers and TV shopping channels are not included in this or the CCCFA definition. This needs to change immediately. The harm this loophole causes is significant. These companies offer goods on credit, do not do affordability assessments and the amount of harm we see to whanau due to this is chronic and escalating. Often these good are well overpriced compared to other retailers and seem to prey on those who can least afford it. These credit providers need to be included in the CCCFA to stop the financial abuse they are getting away with due to this loophole.</p> <p>Please note these screenshots – one from 2degrees and the other from JBHIFI which seems to be perfect example of the price disparity. Although as 2Degrees does not have to disclose the total cost of borrowing, you will need to work this out for yourself.</p>



This budget worksheet for a whanau of 3 adults and 3 children. The debt spiral is clear. C mobile phone contracts are debilitating and the family is still paying off a debt collector for a previous mobile phone purchased and in arrears. You will notice there is also a BNPL debt at a debt collectors as well as 2 current ones. (please note some figures and titles have been handwritten to give an understanding of the expense without putting anonymity into jeopardy)

Debt Schedule

Date 15 Feb 2023

Financial Mentor

Clients name

Case 1: Opened 06 Dec 2022

Session 1: 06 Dec 2022

Main budget

ORDER	CREDITOR NAME	STATE	DEBT	ARREARS	REPAYMENT RATES
1	Ministry of Social development (MSD) advances		\$3897.00	\$0.00	\$10.00 every 1 week
2	Legal Aid		\$4000.00	\$0.00	\$50.00 every 1 week
3	Daycare		\$50.00	\$50.00	\$0.00 every 1 week
4	Latitude Finance GEM Visa (I)		\$2000.00	\$0.00	\$30.00 every 1 week
5	Debt Collector 'GEM Visa' / Old Personal Loan	In debt collection	\$10,000.00	\$0.00	\$0.00 every 1 week
6	Power		\$952.94	\$593.42	\$0.00 every 1 week
7	Debt Collector (TBA) Afterpay	In debt collection	\$200.00	\$0.00	\$0.00 every 1 week
8	Debt Collector (TBA) Layby	In debt collection	\$59.85	\$0.00	\$0.00 every 1 week
9	Afterpay		\$226.00	\$0.00	\$98.00 every 1 week
10	Car Finance Limited Vehicle	Secured	\$16,000.00	\$0.00	\$109.97 every 1 week
11	car finance Vehicle	Secured	\$12,000.00	\$0.00	\$109.00 every 1 week
12	Gym Membership		\$80.00	\$0.00	\$0.00 every 1 week

13	MSD Repayment		\$100.00	\$0.00	\$0.00 every 1 week
14	MSD Rep		\$1000.00	\$0.00	\$2000.00 every 1 week
Total arrears					\$653.42
Total debt owing					\$64,574.29
Total weekly repayments					\$453.12

budgeting information

Case 1: Opened 06 Dec 2022 OPEN

Session 1: 06 Dec 2022

Main budget

Income	AMOUNT	FREQUENCY	WEEKLY SUBTOTAL
Part-time wages/salary	\$700.00	every 1 week	\$700.00 per week
Working For Families	\$530.00	every 1 week	\$530.00 per week
Accommodation Supplement	\$160.00	every 1 week	\$160.00 per week
Other Boarder	\$100.00	every 1 week	\$100.00 per week

Total Income **\$1490.00**
per week

Expenses	AMOUNT	FREQUENCY	WEEKLY SUBTOTAL
REPAYMENT: Ministry of Social development (MSD)	\$10.00	every 1 week	\$10.00 per week
REPAYMENT: Legal Aid	\$50.00	every 1 week	\$50.00 per week
REPAYMENT: <i>childcare</i>	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Latitude Finance	\$30.00	every 1 week	\$30.00 per week
REPAYMENT: Debt Collector (TBA) <i>Gem</i>	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: <i>Power</i>	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Debt Collector (TBA) <i>Afterpay</i>	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Debt Collector (TBA) <i>Layby</i>	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Afterpay	\$98.00	every 1 week	\$98.00 per week
REPAYMENT: <i>Car</i> Finance Limited	\$109.97	every 1 week	\$109.97 per week
REPAYMENT: <i>Car</i> Finance	\$109.00	every 1 week	\$109.00 per week
REPAYMENT: Gym Membership	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: <i>Council - Dog rego</i>	\$0.00	every 1 week	\$0.00 per week
Groceries - General	\$350.00	every 1 week	\$350.00 per week
Rent/Board	\$500.00	every 1 week	\$500.00 per week

Petrol/Fuel	\$90.00	every 1	week	\$90.00 per week
Personal Cash	\$0.00	every 1	week	\$0.00 per week
Liquor - Nil	\$0.00	every 1	week	\$0.00 per week
Childcare/Daycare	\$70.00	every 1	week	\$70.00 per week
Electricity	\$50.00	every 1	week	\$50.00 per week
Vehicle Insurance - 2nd Vehicle	\$15.00	every 1	week	\$15.00 per week
Total weekly expenses				\$1481.97 per week
Gambling - Nil	\$0.00	every 1	fortnight	\$0.00 per week
Vehicle Insurance - 1st Vehicle (.....)	\$35.00	every 1	fortnight	\$17.50 per week
Gym Membership (on Hold)	\$0.00	every 1	fortnight	\$0.00 per week
Takeaways	\$60.00	every 1	fortnight	\$30.00 per week
Total fortnightly expenses				\$47.50 per week
REPAYMENT; Spark NZ <i>Current phone on contract</i>	\$200.00	every 1	month	\$46.15 per week
Tobacco/Vape	\$20.00	every 1	month	\$4.62 per week
Bank Fees	\$0.00	every 1	month	\$0.00 per week
Internet	\$55.00	every 1	month	\$12.69 per week
Gas - 1 (Bottle)	\$160.00	every 2	months	\$18.46 per week
Gas (Connection Fee) TBA	\$0.00	every 3	months	\$0.00 per week
Wheeler Bin	\$40.00	every 1	month	\$9.23 per week
Cell Ph - Spark <i>Partners current phone on contract</i>	\$120.00	every 1	month	\$27.69 per week
Total monthly expenses				\$118.84 per week
Vehicle Registration	\$220.00	every 1	year	\$4.23 per week
WOF (x3)	\$200.00	every 1	year	\$3.85 per week
Vehicle Maintenance - 1st Vehicle	\$750.00	every 1	year	\$14.42 per week
Vehicle Maintenance - 2nd Vehicle	\$500.00	every 1	year	\$9.62 per week
Medical - Dr	\$350.00	every 1	year	\$6.73 per week
Medical - Prescriptions - Nil	\$0.00	every 1	year	\$0.00 per week
Dental - Estimate	\$600.00	every 1	year	\$11.54 per week

Optician	\$40.00	every 1	year	\$0.77 per week
Spectacles	\$537.00	every 3	years	\$3.44 per week
Gifts/Presents - Estimate	\$500.00	every 1	year	\$9.62 per week
Clothing/Shoes - Estimate	\$750.00	every 1	year	\$14.42 per week
Haircuts (free)	\$0.00	every 1	year	\$0.00 per week
Dog registration	\$109.00	every 1	year	\$2.10 per week
Vet Fees - Estimate	\$500.00	every 1	year	\$9.62 per week
Total yearly expenses				\$90.36 per week
Total Expenses				\$1738.67 per week
Total Available				-\$248.67 per week

Financial Mentor Name

Financial Mentor Signature

Date
15 Feb 2023

Client Signature

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A classic example of this loophole is the TV shop. As they are not included in the CCCFA, no potential customer knows the actual cost of the product (or the total cost of the credit, incl postage, returning goods etc) as they do not have to disclose this.

<https://www.youtube.com/watch?v=0eOlgVBqKRQ>

The most common examples we see are mobile phone purchases from the likes of Spark, Vodafone, 2deg etc. No affordability or suitability checks done with the consumer leaves the borrower vulnerable and open to be offering an upgrade of what they initially thought they wanted. Alongside this is the total debt spiral debts like this cause, as clearly seen in the above budget worksheet from a whanau we are working with.

Aotearoa needs the safety of all credit providers (whether they charge interest and/or fees) to be included in the CCCFA. Detailed affordability assessments should always need to be completed to ensure the economic safety to our community.

Should the credit providers not be included in this Act, we will be right back here again in 18 months playing whack a mole with these and other providers who will pop up after having changed their model to fit within yet another loophole not addressed. Now it the time to make this Act robust.

Community ethical lenders – Nga Tangata Micro Finance, Good Shepherd, Moray Foundation Trust, do affordability and suitability assessments. This is best practise on their behalf and it helps to ensure the ethical lending model is sustainable. Knowing people can afford the repayments is just common sense if you want to get your money back.

This whanaus' budget worksheet shows they are in mortgage arrears, rates arrears, Doctor arrears, no longer can pay for insurances and, as they now in an ever increasing debt spiral, cant pay their debts at debt collectors. However they were still able to get a BNPL account due to no regulation.

budgeting information

Case 1: Opened 08 Nov 2022 OPEN

Session 2: 07 Dec 2022

Main budget

Income	AMOUNT	FREQUENCY	WEEKLY SUBTOTAL
Part-time wages/salary <i>Minimum</i>	\$800.00	every 1 week	\$800.00 per week
Part-time wages/salary	\$700.00	every 1 week	\$700.00 per week
Working For Families	\$125.00	every 1 week	\$125.00 per week

\$1625.00

Total Income

per week

Expenses	AMOUNT	FREQUENCY	WEEKLY SUBTOTAL
REPAYMENT: Ministry Of Justice (MOJ)	\$26.00	every 1 week	\$26.00 per week
REPAYMENT: Bank (mortgage)	\$481.90	every 1 week	\$481.90 per week
REPAYMENT: New Zealand Transport Agency (NZTA)	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Bank (personal loan)	\$35.00	every 1 week	\$35.00 per week
REPAYMENT: Mobile	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: BNPL	\$50.00	every 1 week	\$50.00 per week
REPAYMENT: rates	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: New Zealand Transport Agency (NZTA)	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Medical Centre	\$25.00	every 1 week	\$25.00 per week
REPAYMENT: GEM Finance (GE Money)	\$0.00	every 1 week	\$0.00 per week
REPAYMENT: Collection House	\$25.00	every 1 week	\$25.00 per week
Groceries - General	\$250.00	every 1 week	\$250.00 per week
Petrol	\$50.00	every 1 week	\$50.00 per week
Diesel	\$100.00	every 1 week	\$100.00 per week
Liquor	\$40.00	every 1 week	\$40.00 per week

Lotto/Scratchies	\$5.00	every 1	week	\$5.00 per week
After school Care	\$120.00	every 1	week	\$120.00 per week
Gas / Electricity	\$70.00	every 1	week	\$70.00 per week
House Insurance - Nil	\$0.00	every 1	week	\$0.00 per week
Vehicle - Nil	\$0.00	every 1	week	\$0.00 per week
Contents - Nil	\$0.00	every 1	week	\$0.00 per week
Gym Membership (x2) - Check	\$0.00	every 1	week	\$0.00 per week
Pet Food	\$50.00	every 1	week	\$50.00 per week
Total weekly expenses				\$1327.90 per week
Bank - Fees (Basic)	\$5.00	every 1	month	\$1.15 per week
Internet - (Estimate) -	\$75.00	every 1	month	\$17.31 per week
Mobile Phones (x3) - Prepay	\$50.00	every 1	month	\$11.54 per week
Subscriptions Disney plus	\$15.00	every 1	month	\$3.46 per week
Wheelee Bin	\$40.00	every 1	month	\$9.23 per week
Haircuts	\$200.00	every 6	months	\$7.69 per week
Takeaways	\$100.00	every 1	month	\$23.08 per week
Total monthly expenses				\$73.46 per week
Diesel Kilometres (10k)	\$760.00	every 1	year	\$14.62 per week
School Fees / Other School Costs (Estimate)	\$500.00	every 1	year	\$9.62 per week
<i>Council</i> Rates -	\$2002.78	every 1	year	\$38.52 per week
<i>regional</i> Rates -	\$811.71	every 1	year	\$15.61 per week
Vehicle Registration - Petrol	\$102.90	every 1	year	\$1.98 per week
Vehicle Registration - Diesel	\$172.55	every 1	year	\$3.32 per week
WOF x3	\$240.00	every 1	year	\$4.62 per week
Vehicle Maintenance - Petrol Vehicle	\$500.00	every 1	year	\$9.62 per week
Vehicle Maintenance - Diesel	\$1000.00	every 1	year	\$19.23 per week
Heating (wood, coal, etc) Free	\$0.00	every 1	year	\$0.00 per week
Medical - Dr	\$100.00	every 1	year	\$1.92 per week
Pharmacy	\$0.00	every 1	year	\$0.00 per week

Debt Schedule

Date 14 Feb 2023

Financial Mentor

Clients name

Case 1: Opened 08 Nov 2022

Session 2: 07 Dec 2022

Main budget

ORDER	CREDITOR NAME	STATE	DEBT	ARREARS	REPAYMENT RATES
1	Ministry Of Justice (MOJ) Fines		\$580.00	\$0.00	\$26.00 every 1 week
2	Bank Mortgage	Secured	\$271,721.84	\$5416.13	\$481.90 every 1 week
3	New Zealand Transport Agency (NZTA) Diesel Kilometre		\$912.00	\$912.00	\$0.00 every 1 week
4	Bank Personal Loan		\$6255.19	\$360.00	\$35.00 every 1 week
5	Mobile Old Contracts		\$80.00	\$80.00	\$0.00 every 1 week
6	BNPL		\$200.00	\$0.00	\$50.00 every 1 week
7	<i>Council</i> Rates Arrears TBA		\$0.00	\$1728.64	\$0.00 every 1 week
8	New Zealand Transport Agency (NZTA) Registration		\$110.00	\$0.00	\$0.00 every 1 week
9	Medical Centre		\$570.65	\$570.65	\$25.00 every 1 week
10	GEM Finance (GE Money) Personal Loan		\$10,000.00	\$0.00	\$0.00 every 1 week
11	Collection House <i>Bank Debt</i>	In debt collection	\$3029.12	\$0.00	\$25.00 every 1 week
Total arrears					\$9067.42

Total debt owing	\$293,458.80
Total weekly repayments	\$642.90 per week

We do not support the definition capturing deferred payment from services where there are no additional costs to whānau at all, including for late payment.

<https://www.stuff.co.nz/business/300414411/consumer-shoppers-paying-10m-in-buynowpaylater-late-fees>

2

Do you have any comment on the proposed threshold of \$600? Should the threshold be higher than \$600? Lower? Why?

\$600 is a ridiculous figure to come up with. We understand this was taken as an average of the amount spent on BNPLs. This does not mean this figure is safe for consumers. \$600 appears to be plucked out of the air. This figure needs to be zero.

When applying for a credit card, a car loan etc, there is no difference between applying for either \$60 (a bank overdraft), \$600, \$6000, \$60,000 or \$600,000 (a home loan). Why should the BNPL and other no interest lending be treated differently? They all have the very real capability to cause irreversible harm if not done responsibly.

\$600 is not safe, no figure except zero is safe. All lending needs to have the proper checks and due diligence completed to ensure safety for all.

As the BNPL model clearly shows, the majority of the profits gathered are made by missed or deferred payments. This opportunity to make changes to this type of predatory behaviour, preying on those who can least afford the lending or understand the consequences, is now and we urge you to make it happen. Our records show BNPL debts first starting negatively impacting on

our community in 2019.

Of course \$600 owing over 6 weeks from a beneficiary or lower or minimum paid wage earner is going to adversely impact that borrower. That's \$100 per week that person will not have for food, power, etc. None of our clients we work with have a spare \$100 per week to be taken from their extremely modest income.

Where would that \$100 per week come from this persons budget worksheet we are working with?

budgeting information

Case OPEN

Session 1: 15 Dec 2022

Main budget

Income	AMOUNT	FREQUENCY		WEEKLY SUBTOTAL
Jobseeker Support	\$353.00	every 1	week	\$353.00 per week
				\$353.00 per week
Total Income				per week

Expenses	AMOUNT	FREQUENCY		WEEKLY SUBTOTAL
REPAYMENT: Work and Income	\$20.00	every 1	week	\$20.00 per week
<i>tithing</i>	\$10.00	every 1	week	\$10.00 per week
power, internet	\$75.00	every 1	week	\$75.00 per week
petrol	\$15.00	every 2	weeks	\$7.50 per week
groceries	\$80.00	every 1	week	\$80.00 per week
rent	\$79.00	every 1	week	\$79.00 per week
Total weekly expenses				\$271.50 per week
car insurance	\$185.21	every 3	months	\$14.25 per week
mobile phone	\$40.00	every 1	month	\$9.23 per week
insurance	\$49.40	every 3	months	\$3.80 per week
netflix	\$12.70	every 1	month	\$2.93 per week
Wheelle bin	\$17.53	every 1	month	\$4.05 per week
Total monthly expenses				\$34.26 per week
car rego	\$109.00	every 1	year	\$2.10 per week
chemist	\$150.00	every 1	year	\$2.88 per week
dental	\$80.00	every 1	year	\$1.54 per week
clothing/shoes	\$300.00	every 1	year	\$5.77 per week
car wof	\$70.00	every 1	year	\$1.35 per week

car maintenance	\$300.00	every 1	year	\$5.77 per week
presents	\$140.00	every 1	year	\$2.69 per week
medical alarm	\$60.00	every 1	year	\$1.15 per week
St Johns sub	\$55.00	every 1	year	\$1.06 per week
Total yearly expenses				\$24.31 per week
Total Expenses				\$330.07 per week

Total Available **\$22.93 per week**

Financial Mentor Name

Financial Mentor Signature

Date
15 Feb 2023

Client Signature

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The full affordability assessment requirements of the Credit Contract and Consumer Finance Act regulations should apply to all Buy Now Pay Later lending and other lending not captured in the CCCFA (TV shopping, Tel Co's, etc). Full application would prevent the known harm caused by outright unaffordability on a single loan.

Full application would also address the well-known harm that is caused by substantial hardship from the culmination of multiple loans from separate providers. The multiple loans issue could otherwise continue where each loan is permitted when below a set threshold.

This proposal is not clear. Is it one provider only being able to offer \$600 credit to a borrower or is it the total of all BNPLs equalling \$600 owed by the borrower? \$600 to 5 individual BNPL providers = \$3000! Either way it is oppressive, unfair and irresponsible with no thought to communities and whanau.

3 What do you consider the financial impact of a \$600 threshold would be?

We consider a \$600 threshold would continue the blatant harm seen from these loans, especially for people on low incomes where repayments will often default or cause substantial hardship. We reiterate our recommendation in response to Q2 for this reason.

Not only does having unaffordable BNPL cause harm now, but it also strongly negatively affects future credit opportunities. We see many clients who cannot get rental properties, power and other credit due to their previous BNPL defaulting and ending up at debt collectors. We notice most major banks now specifically ask whether BNPLs are being used, by potential borrowers. See budget worksheet in Q1 for BNPL sitting with debt collectors.

4	<p>Aside from the dollar amount, do you have any comments on how the threshold is drafted in regulations 18I(1) and 18I(2), or the exemption condition requiring comprehensive credit reporting is drafted in regulations 18I(3)(a) and 18I(3)(b)?</p>
	<p>In our experience, we repeatedly see clients who do not see BNPL as debt.</p> <p>It dangerous and prohibitive to building financial capability for many of our clients who use BNPL and do not think of it as debt.</p> <p>A credit report does not show a client not buying enough kai each week as they are over committed with BNPL debt.</p> <p>Credit reports only show default payments and credit limits, not money owing to other creditors, whanau, how much is being spent on kai, adequate insurance cover, whether the car is legal (warrant, rego etc), how many tamariki, and many other commitments.</p> <p>We have a systemic issue with credit reporting in Aotearoa because we have 3 credit reporting agencies and creditors have the choice on which one to report to. This also causes a real problem when gathering reports as, to have the fullest picture from a credit report (which are flawed anyway) the creditor will need to access all 3 agencies. This costs the creditor money which of course are passed onto the borrower, if in fact the creditors actually does it. We only need 1 credit reporting agency.</p> <p>All creditors also need to be obliged to positively report so this becomes an incentive for the consumer and shows a clearer picture than what is shown currently.</p> <p>We do not support the threshold approach. Please see our above response to Q2 and our response to Q10</p>
5	<p>Should regulations 4AC–4AN apply to BNPL? Why, or why not?</p>
	<p>The full affordability assessment requirements of the Credit Contract and Consumer Finance Act regulations should apply to all Buy Now Pay Later loans and other interest free lending as previously stated. Full application would prevent the known harm caused by outright unaffordability on a single loan.</p> <p>Full application would also address the well-known harm that is caused by substantial hardship from the culmination of multiple loans from separate providers.</p> <p>As you can see from the budget worksheet and debt schedule below, BNPL is fast becoming a way of life for many in Aotearoa, with no regard to harm.</p>

Debt Schedule

Date 15 Feb 2023

Financial Mentor

Clients name

Case

Session 1: 30 Sep 2022

Main budget

ORDER	CREDITOR NAME	STATE	DEBT	ARREARS	REPAYMENT RATES		
1	Debt collector	In debt collection	\$1337.78	\$45.00	\$15.00	every	1 fortnight
2	Debt collector	In debt collection	\$225.76	\$0.00	\$10.00	every	1 fortnight
3	Debt collector ⁵	In debt collection	\$1298.63	\$0.00	\$0.00	every	1 fortnight
4	Zip		\$26.00	\$0.00	\$26.00	every	1 fortnight
5	Zip		\$70.00	\$0.00	\$70.00	every	1 fortnight
6	Zip		\$50.00	\$0.00	\$25.00	every	1 fortnight
7	Zip		\$51.00	\$0.00	\$17.00	every	1 fortnight
8	Zip		\$90.00	\$0.00	\$30.00	every	1 fortnight
Total arrears					\$45.00		
Total debt owing					\$3149.17		

Phone	\$20.00	every 1	month	\$4.62 per week
Spotify	\$15.00	every 1	month	\$3.46 per week
Alcohol	\$200.00	every 1	month	\$46.15 per week
Rego (expired)	\$65.00	every 6	months	\$2.50 per week
GP	\$50.00	every 2	months	\$5.77 per week
Haircuts	\$250.00	every 4	months	\$14.42 per week
<i>personal grooming</i>	\$50.00	every 3	months	\$3.85 per week
Total monthly expenses				\$80.77 per week
WOF (expired)	\$70.00	every 1	year	\$1.35 per week
Car maintenance	\$1500.00	every 1	year	\$28.85 per week
Dental	\$100.00	every 1	year	\$1.92 per week
Presents	\$1000.00	every 1	year	\$19.23 per week
Clothing/Shoes	\$700.00	every 1	year	\$13.46 per week
Vet	\$250.00	every 1	year	\$4.81 per week
Travel	\$2500.00	every 1	year	\$48.08 per week
Total yearly expenses				\$117.70 per week
Total Expenses				\$960.17 per week
Total Available				-\$177.67 per week

Financial Mentor Name	Financial Mentor Signature

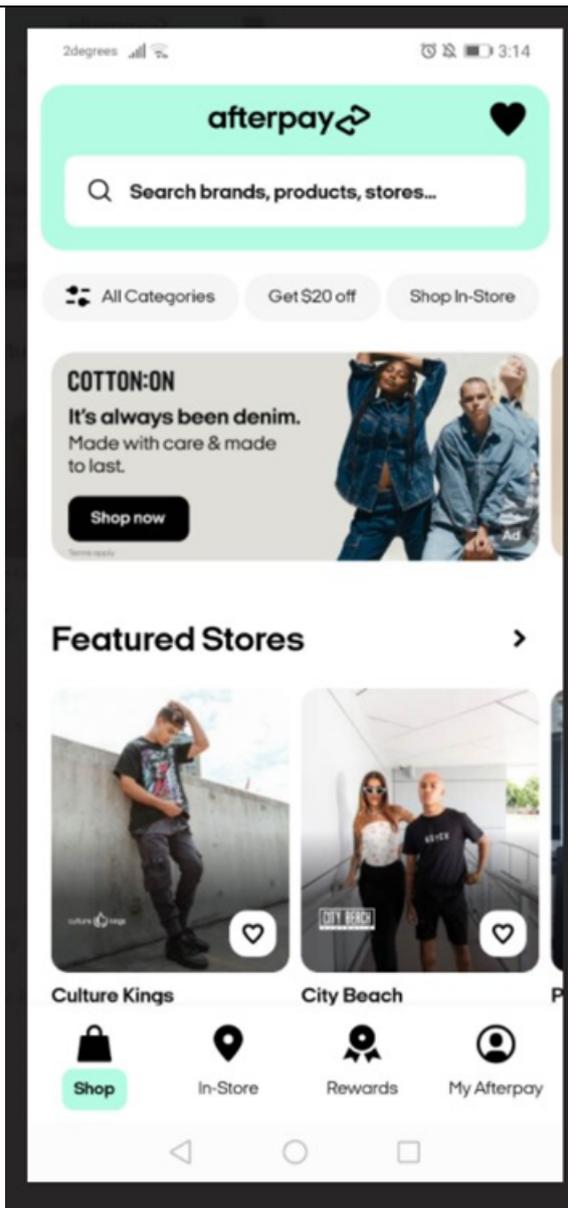
Date	Client Signature
15 Feb 2023	_____

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Principles led requirements did not adequately protect whānau in the previous credit law regime. Such an approach could lead to inconsistent consumer protections rather than clear pathways away from hardship when unaffordable loans are made by Buy Now Pay Later lenders.

We welcome BNPLs and similar, to be included in the CCCFA as this gives the consumer rights and protection, and also a clear pathway for dispute resolution which, at present, is non-existent.

6	What would the impact be of applying regulations 4AC–4AN on BNPL lenders and consumers?
	<p>Applying these regulations in full would give clear mechanisms for whānau to realise consistent consumer rights and would enable clear guidance for lenders on how to lend responsibly.</p> <p>Retailers would no longer be able to offer easy, no questions asked, credit. BNPL providers and other no interest lenders, would have to behave responsibly and consumers would have all the protections they are entitled to.</p> <p>Just a minor but important point we make here is the lack of contact details supplied for some BNPL providers. Sometimes it is only possible to contact a provider through the online portal the client has access to. This is not helpful and in fact, prohibitive, to consumer advocates.</p>
7	If regulations 4AC–4AN do not apply to BNPL, what guidance (if any) should be given to BNPL lenders through the Responsible Lending Code about compliance with section 9C(3)(a)(ii) of the CCCFA?
	<p>These regulations need to apply. The RLC is only a code, not regulation and as such, is not enforceable, useful like a wet bus ticket.</p> <p>The talk of BNPL self-regulating is disturbing to us as there needs to be transparency, accountability and independence from the regulator. Not profit driven, but consumer protection driven.</p>
8	Do you have any comments on the drafting of regulations 18I(3)(c)?
	<p>Buy Now Pay Later lenders and other no interest lenders, need to be required to disclose details of payments amounts, due dates and fees for late payment for all loans as per all other credit contracts. How else is a consumer to know their obligations?</p> <p>In recent times, part of our mahi has been supporting clients in discovering when their BNPL payments are due, how much is left owing and what the total cost was. We find this oppressive and clients feel overwhelmed and disempowered.</p>



In our experience, BNPL users are focused on the available credit to them, not the debt owed by them. This is not building financial capability.

Afterpay, for example doesn't clearly show a client on their online app, how much is owing, but shows plenty of advertising based on the clients' previous spending habits. This is not responsible or ethical.

Do the BNPLs providers get paid to have all the advertisements on their apps to lure clients into buying them? Yes they do. These advertisements obviously would be captured in the CCCFA to give the consumer advertising protection, putting a stop to this click bait practise.

9 Are there other CCCFA requirements that should be adjusted or exempted for BNPL? If so, what would the impact be of applying current CCCFA requirements? What would the benefits be of adjusting or exempting from them?

We say no exemptions. BNPL is like any other credit product and should be treated as such. The

	harm this disruptive fintech model has caused to whanau in the very short space of time it has been in Aotearoa harks back to the loan shark days. As previously stated, our records reflect BNPL debt our clients have incurred commenced as far back as 2019. Previous to this, the most damaging financial products were unregulated shopping trucks and high cost lenders. When these models of lending were regulated, BNPL filled the loophole left. Unaffordable mobile phones purchased on credit and other no interest lending have always been an issue and completely under the radar.
1	Do you have any other comments or suggestions for the drafting of the regulations?
	Needs to be regulation not Responsible lending code.
1	Do you have any comments on when the regulations should commence? Please provide reasons for your answer.
	No BNPL provider (or any other no interest lenders) should give any more credit to their existing customers until such time as the consumer has paid off their total balance owing. Then the provider and borrower will be able to confidently complete all required affordability and suitability checks.

Other comments

	<p>There are issues with the way in which some Buy Now Pay Later lenders extend unsolicited increases to total credit limits that could lead to substantial hardship. If not otherwise addressed through the regulations (such as through our recommended approach in response to Q2) we also see this as a potential gap that needs to be specifically addressed in the drafting.</p> <p>An example of this is a client who is working with us to alleviate her dire financial situation. Each time she makes a payment onto her BNPL account, she contacts the provider and asks them to reduce her total credit available. We are so proud of the many clients trying to do this. However, it does not work as the BNPL providers totally disregard the clients' wishes for a reduced credit limit and actually increase the limit as the clients as 'good payers'. This is another form of oppression and predatory lending practises in our view.</p> <p>We believe that the BNPL business model is flawed. Giving interest free unsecured credit to consumers is a very risky business. We are already seeing BNPL businesses collapse. The BNPL sector needs to be saved from itself so that investors are also protected</p> <p>https://www.stuff.co.nz/business/131258269/laybuy-how-one-companys-share-price-fell-from-2-to-3c</p> <p>In Australia, where BNPL closely mirrors what is offered in New Zealand to consumers, ASIC and AFCA are backing stronger regulations for BNPL and we would like to see the same in New Zealand. https://www.news.com.au/finance/business/other-industries/asic-afca-back-stronger-regulations-for-bnpl-industry-as-4000-complaints-lodged/news-story/2449a5e3fa94cdbcdbf7a9807196e429</p> <p>For Aotearoa to be a sustainable society we all need to be living within our means, hopefully putting some money aside for emergencies, retirement, house/vehicle maintenance, whanau</p>
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commitments, etc. Unregulated BNPL is not contributing to building the financial capabilities of New Zealanders.

*All budget worksheets and debt schedules included in this submission are from actual clients our service is working with and all care has been taken to protect their anonymity.