

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

## Your name and organisation

Name	Sandy Fage
Organisation (if applicable)	Whanganui Budget Advisory Service Inc

## Responses

1	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?
	We feel the definition could be broader – not limited to ‘third party’ lending
2	Do you have any comment on the proposed threshold of \$600? Should the threshold be higher than \$600? Lower? Why?
	We cannot see the sense in setting any sort of threshold. All lending should be covered by the CCCFA. Affordability assessments must be done. Many of our clients present with smaller (\$100 to \$400) amounts but with more than one account. Our estimated average is 4. The first client I had, was brought into our office by her Mum. Mum was very concerned, as her daughter stated she couldn't afford to pay her board. She had 9 BNPL accounts and couldn't grasp the fact that her budget would not allow her to make the required payments. Similar examples are now happening weekly. Most recently a beneficiary getting \$325 income was paying \$300 to a single BNPL provider – To survive, he was ‘borrowing’ money from his elderly mother...
3	What do you consider the financial impact of a \$600 threshold would be?
	We will continue to see the issues we currently see. Most of our clients do NOT borrow large amounts. Most can understand that they cannot

	<p>afford to pay back a big loan, but many get confused when they tried to consider how to repay accumulative amounts when they make multiple purchases.</p> <p>Since the changes to the CCCFA have come in, our service has had great success in challenging and ‘sorting’ inappropriate lending, with some very good outcomes for our clients.</p>
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>We do Not support any threshold – so have no further comment</p>
5	<p>Should regulations 4AC–4AN apply to BNPL? Why, or why not?</p>
	<p>Affordability assessment under the CCCFA should apply to all Buy Now Pay Later loans.</p> <p>Affordability assessment help to prevent harm caused by unaffordability for single and multiple applications with multiple providers.</p> <p>Before the recent changes to the CCCFA, the Responsible lending codes did not adequately protect our people 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.</p>
6	<p>What would the impact be of applying regulations 4AC–4AN on BNPL lenders and consumers?</p>
	<p>Lending to our client will only go ahead if they can ‘really’ afford to make the required payments. It would reduce the stress and anxiety our clients present with when they find themselves unable to manage unaffordable payments.</p>
7	<p>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>
	<p>This regulation MUST be applied. There is no acceptable option or guidance that can be given to stop the harm we are seeing on a daily basis.</p>
8	<p>Do you have any comments on the drafting of regulations 18I(3)(c)?</p>

	BNPL lenders should have to disclose details of payment amounts, date payments are due on and all possible fees.
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?
	BNPL is lending and so should be covered by all CCCFA requirements – there should not be any exemptions.
10	Do you have any other comments or suggestions for the drafting of the regulations?
	The current drafting does not include an explicit prevention of multiple Buy Now Pay Later lenders extending credit simultaneously without checking if loans will be unaffordable from the start.
11	Do you have any comments on when the regulations should commence? Please provide reasons for your answer.
	Credit limits on current accounts should be reviewed and adjusted. Not just applied to new lending.

### Other comments

Our country is experiencing some major economic impacts. Food crisis, housing crisis and more recently the devastating weather. Many people have been struggling for a long time already – now they are barely managing to survive. Desperate people will do desperate things – such as accessing multiple forms of BNPL lending. While it may seem a way out – a way to buy meat to last the next few weeks. The fact that it may take 2 months to pay it back, doesn't enter their calculations / thoughts. When you are trapped into poverty you live one day at a time.

BNPL Must be regulated with affordability assessments done for each application and if there are multiple accounts – that data must be correlated and be part of each application / assessment.