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12 February 2025

The Treasury
Langton Cres
Parkes ACT 2600
Via email: CreditReforms@treasury.gov.au

To whom it may concern,

Re: Buy Now, Pay Later (BNPL) – Draft Regulations 2025

Anglicare Australia welcomes the opportunity to provide feedback on the National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025 (the draft Regulations).

Regulating Buy Now Pay Later (BNPL) products is vital for minimising harm to vulnerable Australians who mistakenly believe these products can help them manage their finances. We know that this is not the case. While there is a place for BNPL products, many Australians on low incomes or in financial hardship have turned to these products to pay for essentials, such as groceries and utilities.

As members of the Close Lending Loopholes Coalition, Anglicare Australia and 21 other consumer organisations jointly submitted to the Australian Government Treasury's consultation on *Regulating Buy Now Pay Later in Australia* in December 2022. The Coalition's recommendations noted that late fees imposed by BNPL providers can be incredibly predatory and often escalate very quickly, trapping consumers under mountains of debt.[i] Anglicare Australia Network financial counsellors have reported that many customers trying to cover the cost of essentials with BNPL services have found themselves trapped in unaffordable debt and an avalanche of late fees.

We welcome the proposed draft Regulations, which provide for capping of fees for low cost credit contracts. Further, we support amendments that require BNPL providers to undertake reasonable inquiries about the consumer's ability to borrow.

Despite providing a credit product, BNPL companies have been able to skirt credit check requirements. This presents vulnerable Australians with a misleading perception of their financial situation or ability to borrow. For some, they may be aware that they are overcommitting themselves financially, but they are simply doing whatever they can to make ends meet. This leads people to

borrow more than they can sustain, leading to the inevitable and crushing debt spiral. Responsible lending practices are key to ensuring Australians don't get led into a product they cannot afford.

While Anglicare Australia welcomed the passage of the *Treasury Law Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024*, we remain disappointed that the Act includes concessions for the BNPL industry. In our submission to the Senate inquiry on the Act, we raised concerns that not enough distinction was made in the legislation to define BNPL products as the credit products that they are. Additionally, we raised concerns that the changes did not go far enough in extending the protections of the *National Consumer Credit Act 2009* to BNPL products.[ii]

The measures included in the draft Regulations will help mitigate the risk consumers face through BNPL products. These changes will help ensure that Australians facing financial hardship are not exploited and manipulated by BNPL services offering cheap and easy credit products. The simple truth is that these products are credit, and for too long, have tried to masquerade themselves as something else. These regulations will help bring this deception to an end.

We would welcome the opportunity to discuss the matters raised in this letter further, or answer any questions that you may have.

Yours sincerely

Kasy Chambers
Executive Director

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[i] Closing Lending Loopholes Alliance (2022) Regulating Buy Now, Pay Later in Australia
[ii] Anglicare Australia (2024) Submission to Responsible Buy Now Pay Later Bill 2024