

## Buy Now Pay Later

This fact sheet is for information only. You should get professional advice about your personal situation.

### Main ideas

- Buy Now Pay Later (BNPL) can easily lead to a debt trap. Be very careful.
- From 10 June 2025, Buy Now Pay Later providers must comply with responsible lending laws and offer hardship if your situation changes.
- Most Buy Now Pay Later services have signed up to a code of practice, which gives you some additional protections.
- Free financial counsellors can help if you have problems with Buy Now Pay Later.

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## Buy Now Pay Later sounds good, but ...

Buy Now Pay Later (BNPL) services market themselves as quick and easy – get what you want now and pay it off later.

You pay for the goods in instalments (a bit like lay-by but you get the goods right now). Instead of charging interest, BNPL services usually:

- charge the shop a fee for using their service
- charge you late fees if you don't pay your instalments on time.

Shops need to cover the BNPL fees, and this can increase their prices for all customers. Always ask about the cash price of any items before agreeing to pay by BNPL. Compare prices with other retailers to check you are not paying hidden BNPL costs.

If you want to return an item to a shop, make sure the shop will process the return to the BNPL service. You don't want to be caught in the middle – the BNPL may expect instalments to pay for items you no longer have.

Using a BNPL service can be cheaper than a credit card or other forms of credit, **as long as you pay the instalments on time**. Some people who can't get a loan or credit card may be able to access BNPL.

BNPL can affect your credit report. All BNPL providers are now required to conduct a credit check when someone applies for a BNPL product. It may affect your ability to get other loans. Applying for BNPL may show up as an enquiry on your credit report. Repayment history information may be reported. If you miss repayments, you may get a default on your credit report, impacting your credit rating.

## Buy Now Pay Later can get you into a debt trap

A debt trap is when you need to keep on borrowing money to pay back the last loan, and you never get out of debt. BNPL is debt that needs to be paid. Every time you use the service, you are adding to your total debt.

This is a problem if you could not afford the item in the first place. Buying with BNPL does not make it more affordable, it just spreads out how long you have to pay. And it can leave you with late fees adding up.

If you have multiple BNPL loans because you have bought multiple items, or you've signed up with more than one company, trying to work out who you need to pay, and when you need to pay them, can be very difficult.

It is easy to fall into a debt trap if you don't have the money to pay the next instalment. If the payment instalment is due just before your pay day, you may have no money left in your account. You will then be charged late fees by the BNPL service and dishonour fees by your bank.

This can quickly spiral out of control, making it harder to pay your other debts and regular expenses (like food and petrol).

If you start paying your instalments with your credit card instead of a debit/savings account, you may pay credit card interest and charges on top of your instalments.

## **Buy Now Pay Later is now regulated like other credit**

From 10 June 2025, BNPL companies must follow the same laws as companies that provide other forms of credit, like credit cards. BNPL is defined as a Low Cost Credit Contract (LCCC) under the National Consumer Credit Protection Act 2009 (NCCP Act). This gives important protections including:

- The right to ask for financial hardship assistance. The BNPL provider must respond to your request within 21 days (or if they ask you for more information, then 21 days after you provide that information).
- Responsible lending obligations under the NCCP Act apply to new BNPL contracts entered into on or after 10 June 2025.
- The BNPL provider must be a member of the Australian Financial Complaints Authority (a free complaints service if there is a problem). [Read our fact sheet about Financial Complaints to AFCA.](#)
- The BNPL provider will provide clear information about when your payments are deducted and all fees they charge.
- You will have a right to all documents about your profile and transactions.
- The BNPL provider will act efficiently, honestly and fairly.

To qualify as an LCCC, the BNPL contract must cap fees. In total all fees or charges cannot exceed \$320 per year in the first year, and \$245 per year in every subsequent year.

- If a BNPL provider only charges default fees, the total is \$320 in the first and \$245 in subsequent years.
- If a BNPL provider charges other fees in addition to default fees, the totals per year remain the same – \$320 and \$245. But there is a maximum of \$200 for other fees, and \$120 for default fees in the first year. In subsequent years, the maximum is \$125 for other fees and \$120 for default fees.

## **Responsible lending obligations**

The existing responsible lending obligations under the NCCP Act applies to BNPL contracts entered into after 10 June 2025.

These require BNPL providers to carry out a suitability assessment by:

- asking reasonable questions about your needs and goals

- asking reasonable questions about your financial circumstances
- taking reasonable steps to check the information about your financial circumstances is correct.

[Read our fact sheet about Responsible Lending.](#)

The new laws allow BNPL providers to opt in to a new, 'modified' responsible lending framework. The suitability assessment requirements may be reduced depending on certain risk factors.

From 10 June 2025 a minimum standard will apply to assessments. If the value of the BNPL contract including other BNPL contracts you have with the BNPL provider is less than \$2,000, the BNPL provider has to perform a 'negative credit check'. This includes collecting your ID, details of any information requests, default information, payment information, personal insolvency information, and court proceedings. If the BNPL contract is \$2,000 or more, the BNPL provider must perform a 'partial credit check', which includes the negative credit check, plus information about any other debts you may have.

[Read our fact sheet about Credit Reports.](#)

What are 'reasonable' questions and steps will depend on many different factors. [Read ASIC's new Regulatory Guide 281 for a description of what is reasonable in the BNPL context.](#)

## **Protection if you are in financial difficulty**

Unexpected things happen. You might lose your job, get sick, or your car could break down.

From 10 June 2025, BNPL providers must work with you if you are in financial hardship.

BNPL products for personal use are regulated like consumer credit. This means the National Credit Code generally applies, and your BNPL provider must consider your request for a hardship variation.

[Read our fact sheet about Financial Hardship.](#)

Defaulting on BNPL services may affect your credit rating. Some BNPL schemes will list on your credit file, and that makes it harder to get credit from other lenders.

## **Check who is getting your personal information**

BNPL services store your personal information (like your name, date of birth, contact number). They also store a record of your purchases. This information is very valuable to other businesses and for the BNPL service's own marketing.

Check if the BNPL contract gives the company the right to sell your personal information to other businesses, and to market directly to you.

## Keeping Buy Now Pay Later under control

BNPL can let you take an item home straight away. But be very careful about making impulse purchases. Always have a clear plan for paying the debt back.

Make sure you will have enough money left each pay day to meet the BNPL instalment plus all your other bills – including other debt payments.

Before signing up to a BNPL service, ask:

- Have they signed up to the Buy Now Pay Later Code of Practice?
- What happens to my personal information (data)? What is the BNPL service's privacy policy?
- What goes onto my credit report?
- What other debts do I already have?
- What other repayments do I need to make with my pay, including other BNPL payments?
- Are there hidden costs? What if I can't afford a payment?
- What if I return the goods?
- What if I want to complain?

Before buying something using BNPL consider:

- How many payments do I need to make and how much is each payment?
- Will I be able to make all payments on time?
- How much are the fees if I miss repayments?
- When are the payments deducted from my account? (Line up your purchases with your pay day.)
- Am I being charged extra for the items? Shop around. Am I paying more because I'm using a BNPL service?

## The Buy Now Pay Later Code of Practice

The BNPL Code of Practice is a voluntary code. Most of the big BNPL providers have signed onto the Code. [You can check which companies have signed the Code of Practice through AFIA's website.](#)

From 10 June 2025, some of the most important provisions of the BNPL Code of Practice are covered by the NCCP Act (such as rules about financial hardship and assessing affordability). These provisions apply to all BNPL providers, regardless of whether they are signed on to the BNPL Code of Practice.

However, the BNPL Code of Practice continues to provide some specific protections for consumers when dealing with a BNPL provider who has signed on to the Code. [A copy of the Code is available on the AFIA website.](#)

Some of the additional protections include:

- If you miss a payment, the BNPL service must contact you before they charge late fees.
- BNPL services will not be used for unlawful unsolicited sales.
- While the BNPL provider is considering how to answer your request for financial hardship assistance, your account must be put on hold, late fees frozen, and no default listing can be listed on your credit file.
- Your debt will not be sold to a debt collector if you are in a financial hardship arrangement.
- BNPL providers will never commence bankruptcy proceedings against you.
- Late fees must be fair, reasonable and capped.

If you think a BNPL provider has breached their obligations under the BNPL Code of Practice, you can complain to the BNPL Code Compliance Committee. The Code Compliance Committee is an independent committee responsible for the administration and enforcement of the Code of Practice. This includes monitoring and investigating a BNPL provider's compliance, and imposing sanctions for non-compliance. It does not provide a dispute resolution service in relation to individual complaints.

## **Complaining about a Buy Now Pay Later service**

If you have a problem with a BNPL service, in the first instance complain directly to the company. For most complaints the BNPL provider should respond within 30 days. If you are requesting a financial hardship variation, they should respond within 21 days.

If you are not happy with the response from the company, or they have not responded to your hardship request within 21 days or other complaint within 30 days, you can complain to the Australian Financial Complaints Authority (AFCA).

As of 10 June 2025, all BNPL services must be members of AFCA.

AFCA can consider breaches of the law, the BNPL Code of Practice, and best business practices generally. [Read our fact sheet about Financial Complaints to AFCA.](#)

If a BNPL provider has breached their obligations or has not acted fairly towards you, get legal advice by calling our Credit & Debt Legal Advice line on 1800 844 949.

For problems involving [faulty or returned goods, talk to NSW Fair Trading](#).

## **Need more help?**

[For a list of other resources, visit our Useful Links page.](#)

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