

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) is unregulated credit.
- Buy Now Pay Later can easily lead to a debt trap. Be very careful.
- Most Buy Now Pay Later services have signed up to a code of practice, which does give you some protections.
- Free financial counsellors can help if you have problems with buy now, pay later.

In this fact sheet:

[Buy Now Pay Later sounds good, but ...](#)

[Buy Now Pay Later is not regulated like other credit](#)

[Buy Now Pay Later can get you into a debt trap](#)

- Limited protection if you are in financial difficulty

[Check who is getting your personal information](#)

[Keeping Buy Now Pay Later under control](#)

[Complaining about a Buy Now Pay Later service](#)

[The Buy Now Pay Later Code of Practice](#)

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, depending on the lender. 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 is not regulated like other credit

BNPL companies do not have to follow the same laws as companies who provide other forms of credit, like credit cards. They are outside the current laws (as of February 2023) because they do not charge interest, only fees. They are not regulated under the National Consumer Credit Protection (NCCP) Act 2009.

Some BNPL companies (including many of the major ones) have signed up to the Buy Now Pay Later Code of Practice. This will give you some important protections including:

- You have the right to ask for hardship assistance, if you get sick or lose your job and need to postpone or reduce your payments for a while.
- The lender must do some checks on whether you can afford the loan (this is limited though, and depends on the size of the loan, and whether you are an existing customer).
- The lender must be a member of the Australian Financial Complaints Authority (a free complaints service to go to if a problem comes up). [Read our fact sheet about Financial Complaints to AFCA.](#)
- The lender must contact you before they charge late fees.
- Late fees must be fair, reasonable and capped.

[You can check if your lender has signed up to the Australian Finance Industry Association's Buy Now Pay Later Code of Practice.](#)

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.

Limited protection if you are in financial difficulty

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

Only lenders that have signed up to the BNPL Code have agreed to help you if you are in hardship.

If they haven't signed up, the BNPL service might continue to charge late fees, or send your account to a debt collector even if you have given a good reason for asking for more time to pay.

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?

Complaining about a Buy Now Pay Later service

If you have a problem with the service, complain directly to the company.

BNPL services do not have to be members of the Australian Financial Complaints Authority (AFCA), but some have joined voluntarily. [You can find out if they are a member on the AFCA website](#)

[If they are a member, you can complain to AFCA online for free.](#)

If the service is not a member of AFCA, 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.](#)

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](#)
- [are members of the Australian Financial Complaints Authority](#) – a free and independent consumer complaints body you can go to if you have a dispute with the BNPL provider.

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

[A copy of the Code is available on the AFIA website.](#) Under this Code, you have some protections:

- Members will act fairly, honestly, ethically and treat you reasonably.
- BNPL services will not be used for unsolicited sales (such as door to door sales).
- Members will provide clear information about when your payments are deducted and all fees they charge.
- If you miss a payment, you will be contacted before they charge late fees.
- Late fees will be fair, reasonable and capped.
- You will have a right to all documents about your profile and transactions.
- Members will assess whether you are suitable for a BNPL profile and the transaction (although the Code doesn't say how they think you will be suitable).
- You have a right to ask for financial hardship assistance. While the BNPL service is considering how to answer your request, your account must be put on hold, late fees frozen, and no default listing can be listed on your credit file. The BNPL service must respond to you within 21 days (or if they asked you for more information to consider, then 21 days after you provided that information).
- Your debt will not be sold to a debt collector if you are in a financial hardship arrangement.
- BNPL services cannot commence bankruptcy proceedings against you.

If the member has breached these protections or has not acted fairly, get legal advice by calling our Credit & Debt Legal Advice line on 1800 844 949.

Need more help?

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

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