BUY NOW, PAY LATER

DISCLAIMER: This fact sheet is intended to be used as a general guide only. You should not act on the basis of this fact sheet alone without first getting legal advice about your own particular situation.

This was updated in September 2024.

INCLUDED IN THIS FACT SHEET ARE:

What is 'Buy Now, Pay Later'?

Buy Now Pay Later ('**BNPL'**) is a loan to purchase something now and pay for it in instalments over a period of weeks or months.

Some BNPL lenders require the purchase to be paid off within a couple of months. For example, the first instalment paid at the time of purchase, and then three further instalments due every two weeks. You may be able to get more time to repay a higher loan amount, but you may also incur higher fees.

Other BNPL lenders may give you a spending limit, such as $1,000, $2,000 or $3,000. A spending limit usually requires you to pay minimum monthly repayments, such as $100 per month. In these cases, monthly fees are payable in addition to your minimum monthly repayments. It is only when there is no balance owing at the end of the month that no monthly fee will be charged.

BNPL can be arranged through a retailer or a third-party provider, including Afterpay, Zip Pay, PayRight, Openpay, Humm and Apple Pay.

BNPL is usually advertised as "interest free", so it is convenient and easy to get approval compared to other types of loans. While the instalments are interest-free, it is important to be aware that **late payments can attract fees**.

What are the risks of using BNPL?

Before you sign up and use a Buy Now Pay Later lender, or if you already have a BNPL loan, you should consider the risks.

1. Less regulation

BNPL lenders are not closely regulated under the National Consumer Credit Code. This means you have fewer rights and protections as a consumer than if you were borrowing from a bank. There can be high fees and charges and defaults on your behalf may affect your credit report, score and rating.

2. Fees

BNPL is advertised as “interest free”, but providers may charge you:

1. Late fees – if you miss a payment or pay late
2. Monthly account-keeping fees – a fixed monthly fee
3. Payment processing fees – an additional fee each time you make a payment
4. Establishment fees – a fee to set up the account
5. Bank fees:
   - overdrawn fees – if you don't have enough money in your account to cover the repayment
   - interest – if you are paying by credit card.

These fees can add up quickly if not carefully tracked. BNPL payments tend to sneak up on you - the more BNPL services you use, the harder it is to keep on top of spending and repayment schedules.

Therefore, it is important to keep track of your payments to reduce the amount of fees you are liable for.

3. Credit report

BNPL can affect your credit history, report and score if you make late payments or fail to pay.

When deciding whether to give you a loan, such as a car or home loan, banks consider your BNPL spending. If you have regularly missed payments or made late payments your BNPL loans, this may negatively impact your eligibility for a loan.

Tips for managing BNPL repayments

- Set a spending limit that you can afford and stick to it.
- Make one payment at a time to easily track your spending.
- Budget for your payments.
- Link to your repayments to your debit card to avoid credit card interest.

Where to get help and support

- Financial counselling can help you manage your debt. Call the National Debt Helpline on **1800 007 007**.
- If you are in financial hardship, a debt repayment plan can be arranged on your behalf. Call Way Forward on **1300 045 502**.
- For legal assistance, call Youthlaw on **03 9113 9500** or email us at legal@youthlaw.asn.au