

consumer.

Hon David Clark
Minister of Commerce and Consumer Affairs
Private Bag 18888
Parliament Buildings
Wellington 6160

21 October 2021

Dear Minister,

Unlike other lenders, buy-now, pay-later companies have no legal obligation to ensure their lending is responsible. This is causing many consumers to incur late payment fees and get into debt. They also risk having their credit ratings negatively affected.

Research by Consumer NZ shows one in five consumers are using buy-now, pay-later to purchase essential goods and services, such as groceries and car repairs. The research also shows fourteen percent of users are incurring late payment fees and buy-now, pay-later companies are earning more than \$10 million a year in late fees.

The heavy promotion of buy-now, pay-later is also encouraging many customers to make purchases they would not otherwise have made: 55% of buy-now, pay-later customers agreed the payment option has increased their spending.

Many consumers prefer using buy-now, pay-later services over high interest credit cards and we understand why. We support consumers having a range of payment options available to them but with no requirement to lend responsibly, there is significant potential for consumer harm. FinCap financial mentors have reported an increase in the number of consumers with buy-now, pay-later debts, some with up to eleven debts, and with debts totalling more than \$3000.

Other countries are already taking steps to regulate these services. It's time for our government to act as well.

Seventeen organisations (listed below) across Aotearoa are calling for the government to regulate buy-now, pay-later services under the Credit Contracts and Consumer Finance Act. Doing so will ensure:

- Buy-now, pay-later providers have a legal obligation to comply with responsible lending rules.
- Customers have a cooling-off period to cancel the deal if they change their mind about the purchase.
- If customers get into financial trouble, they will have the same right to make a hardship application as consumers using any other form of credit.

Please feel free to contact us if you require any further information.

Yours sincerely,



Jon Duffy
Chief Executive



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