

# Buy Now Pay Later – A critique of the 2024 reforms

Report on stage 2 of a research project on buy now, pay later products in Aotearoa New Zealand and of the regulatory reforms effective from September 2024

By Consumer NZ and FinCap with research by  
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## Introduction

Buy Now Pay Later (BNPL) is a type of financial arrangement that allows consumers to access goods or services on the spot but pay for them at a future time in a series of interest-free instalments. BNPL arrangements do not involve interest charges, credit fees, security interests or set-up fees.<sup>1</sup> However, if payments are missed or delayed, the BNPL service provider may charge the consumer late payment fees. Because BNPL arrangements allow consumers to purchase goods and services while deferring paying for them, in economic substance, such arrangements are providing a form of credit.<sup>2</sup>

This is the second report in a two-stage research project about BNPL. The project has the overall purpose of investigating whether the changes to New Zealand’s consumer credit laws applicable to BNPL products in New Zealand, which took effect on 2 September 2024 (referred to this report as the September 2024 Regulation), go far enough to protect consumers in New Zealand.<sup>3</sup> The project has been funded by a grant from the Michael & Suzanne Borrin Foundation. The research is being jointly led by Consumer NZ<sup>4</sup> and FinCap,<sup>5</sup> with assistance from Victoria University of Wellington Te Herenga Waka.

Stage 1 of the research was completed in 2024 and resulted in a report dated 18 October 2024.<sup>6</sup> Stage 1 research was conducted before the regulatory changes came into force. It addressed:

- (a) the state of the BNPL market in New Zealand as at mid-2024
- (b) the harm that BNPL products was causing to consumers (in particular, vulnerable consumers) in terms of contributing to unmanageable debt
- (c) how BNPL providers in mid-2024 set credit limits, treated customers in hardship, collected debt and used credit reporting information

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<sup>1</sup> MBIE. 1 November 2024. ‘Buy Now Pay Later’ Ministry of Business, Innovation and Employment (MBIE). URL: [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (accessed 26 November 2025).

<sup>2</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 (explanatory note). URL: [Credit Contracts and Consumer Finance \(Buy Now, Pay Later\) Amendment Regulations 2023 \(SL 2023/221\) – New Zealand Legislation](#) (accessed 18 December 2025).

<sup>3</sup> The relevant regulations are the Credit Contract and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023, which took effect on 2 September 2024 and declared BNPL contracts to be consumer credit contracts.

<sup>4</sup> Consumer NZ is an independent, non-profit consumer advocacy organisation in New Zealand.

<sup>5</sup> FinCap is a charitable trust and the umbrella organisation for financial mentors in New Zealand.

<sup>6</sup> Consumer NZ, FinCap and Victoria University. 18 October 2024. “[Report on Stage One of a Research Project on Buy Now, Pay Later Products in New Zealand and of the Regulatory Reforms Effective September 2024](#)” Consumer New Zealand.

- (d) how the New Zealand Government reached the point where it decided to regulate BNPL products in New Zealand and the potential issues that were thought to arise from relaxing affordability assessments
- (e) how other provisions in the Credit Contracts and Consumer Finance Act 2003 (CCCFA), which would apply to BNPL products once the September 2024 Regulation came into effect (2 September 2024), might provide protections for consumers who use BNPL products
- (f) how selected other jurisdictions regulated or proposed to regulate BNPL products.

The researchers from Victoria University Te Herenga Waka during Stage 1 of the research were Olivia Overfield (primary researcher) and Victoria Stace (supervisor).

The research in Stage 2 of this project considered the overarching question: Are consumers better protected from the potential harms of BNPL than they were before the September 2024 Regulation? The report on this research comprises eight chapters.

- Chapter 1 provides an overview of BNPL.
- Chapter 2 explores BNPL and the legal landscape in New Zealand in the context of the September 2024 Regulation.
- Chapter 3 looks at relevant regulation by local government and licensing authorities.
- Chapter 4 considers the harms of BNPL that were present (across multiple jurisdictions) before BNPL's regulation as a consumer credit contract.
- Chapter 5 analyses the terms and policies of the major BNPL providers in New Zealand following the September 2024 Regulation.
- Chapter 6 discusses the harms of BNPL following the September 2024 Regulation.
- Chapter 7 sets out how the United Kingdom and Australia have chosen to regulate BNPL.
- Chapter 8 concludes this report by offering recommendations for BNPL regulation in New Zealand moving forward.

The main conclusions to be drawn from this stage 2 report are as follows.

- **Consumer harm following the September 2024 Regulation:** Presentations of people in hardship with BNPL have continued to increase.
- **The level of consumer protection provided by the September 2024 Regulation:** Before the September 2024 Regulation, the central harm caused by BNPL was that it contributed to

consumers facing financial hardship and overcommitment. The September 2024 Regulation has not fully removed these problems. Problems continue particularly regarding the following.

- Affordability assessment exemption: Under the September 2024 Regulation, BNPL providers can choose to be exempt from the obligation to undertake affordability assessments on the condition they engage in credit checking and reporting. All BNPL providers have chosen this option. The fact that BNPL providers must obtain a credit report on new customers and when increasing an existing customer's spend limit (that is, the amount of credit available) is positive to a degree, in that it means that the BNPL provider will have a more informed picture of the customer's financial position. However, BNPL providers are not legally required to use the information obtained through the credit report to assess whether the customer can afford the loan. Further, even if the BNPL provider purports to use the credit report as a means of assessing whether the customer can afford the loan, a credit report does not provide all the relevant and necessary information for a complete affordability assessment and only provides limited information about the customer's ability to meet future debt obligations. Therefore, the September 2024 Regulation does not appear to prevent consumers from getting into problem debt through use of BNPL. This is supported by the FinCap data and information gathered from financial mentors (discussed in chapter 6).
- Unreasonable fees exemption: Under the September 2024 Regulation, initially, BNPL contracts were required to comply with the requirement under s 41 of the CCCFA to not provide unreasonable credit fees or default fees. However, this was amended in November 2024, meaning BNPL providers are now exempt from s 41. The result is that consumers are at risk of financial hardship from late payment fees as BNPL providers can continue to charge unreasonably high late fees and impose late fees across multiple purchases at the same time.
- Quasi-BNPL arrangements: Not all instalment payment arrangements that are contributing to consumer harm are caught by the September 2024 Regulation. There are some quasi-BNPL arrangements<sup>7</sup> that appear very similar to traditional BNPL arrangements. In these arrangements, the consumer can receive a good or service

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<sup>7</sup> 'Quasi-BNPL arrangements' is not an official term but a term we use throughout this report. It means a contract that has many of the hallmarks of a BNPL contract but does not meet the definition of a BNPL contract in the September 2024 Regulation.

instantly and repay it in instalments, and they may be subject to late fees in the event of a missed repayment. However, a BNPL payment arrangement is only caught by the September 2024 Regulation if it meets the definition of a BNPL contract. Some arrangements do not meet this definition because the goods or services are not offered by a third party or because of the particular payment arrangement that exists between the third-party merchant and lender. This regulatory gap means that consumers are not protected from BNPL-type harms in relation to these types of arrangements in the same way they are with BNPL.

- **September 2024 Regulation compared with the United Kingdom and Australian BNPL regulations:** The September 2024 Regulation exempts BNPL providers from having to undertake affordability assessments if (in particular) they complete credit reporting requirements. By contrast, the United Kingdom and Australian regulation require or will likely require (once the final details are determined) more comprehensive affordability assessment. This leaves New Zealand's BNPL regime out of step with those jurisdictions.

This stage 2 report makes three recommendations.

- Impose on BNPL providers the obligation to undertake affordability assessments.
- Undo the November 2024 exemption relating to unreasonable fees.
- Require quasi-BNPL arrangements to be subject to the CCCFA by relying on the power in s 137A of the CCCFA.

The researchers from Victoria University Te Herenga Waka involved in stage 2 of the research were Samantha Romijn (primary researcher) and Victoria Stace (supervisor).

# 1. Buy now, pay later

This chapter consists of six sections. Section A explains what buy now, pay later (BNPL) is and how it is defined in New Zealand law. Section B identifies certain products that, though appearing to be BNPL, are not BNPL products (under the current legal definition). Section C identifies current BNPL providers in New Zealand. Section D explains the relationship between the parties in a BNPL transaction. Section E discusses how BNPL providers generate revenue. Section F briefly outlines the general benefits of BNPL products.

## A. What is buy now, pay later?

As outlined in the introduction, BNPL is a type of financial arrangement that allows consumers to access goods or services on the spot but pay for them at a future time in a series of interest-free instalments. BNPL arrangements do not involve interest charges, credit fees, security interests or set-up fees. However, if payments are missed or delayed, the BNPL service provider may charge the consumer late payment fees. Because BNPL arrangements allow consumers to purchase goods and services while deferring payment for them, in economic substance, they are providing a form of credit.<sup>8</sup>

Chapter 2 discusses the details of the September 2024 Regulation in more depth. It is nevertheless useful to note that under the Credit Contracts and Consumer Finance Regulations 2004 (CCCFR), a BNPL contract is now defined as “... a credit contact:<sup>9</sup>

- (a) that provides credit to enable the debtor to purchase goods or services offered by a third party; and
- (b) that would be a consumer credit contract in the absence of a declaration under section 137A(1) of the [Credit Contracts and Consumer Finance Act 2003], but for the requirements of section 11(1)(c) of the Act;<sup>10</sup> and

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<sup>8</sup> MBIE. 1 November 2024. ‘Buy Now Pay Later’ Ministry of Business, Innovation and Employment (MBIE). URL: [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (accessed 26 November 2025); and Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 (Explanatory Note).

<sup>9</sup> CCCFR, s 3 (as amended by the Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023).

<sup>10</sup> The Credit Contracts and Consumer Finance Act 2003 (CCCFA), s 11(1)(c) provides that, in order for a credit contract to be a consumer credit contract, one or more of the following must apply:

- (i) interest charges are or may be payable under the contract;
- (ii) credit fees are or may be payable under the contract;
- (iii) a security interest is or may be taken under the contract.

- (c) in respect of which the creditor or any one of their associated persons—
- (i) is paid fees by the third party or payment services provider; or
  - (ii) is required to pay an amount to the third party that is less than the amount to be repaid by the debtor”

## B. Similar financial products

Some arrangements may appear very similar to BNPL because they involve payment by instalments, but they are slightly different. One example is Westpac’s PartPay payment option.<sup>11</sup> Westpac customers with a Westpac credit card can obtain credit from Westpac to purchase third-party goods or services over \$100 and repay the price in four interest-free instalments over 6 weeks. There is no charge to use this payment option, and there are no interest charges, assuming payment is made on time. However, if a customer defaults on a payment, they will be charged interest.

Because PartPay is part of the customer’s existing credit account, and interest can be charged to the customer, it is not a BNPL contract as defined in regulation 3 of the CCCFR. Other financial products that appear to be BNPL products (or very similar) but are nevertheless unregulated are discussed in more depth in section C of chapter 2. Sometimes, these kinds of products are subject to affordability assessment requirements (for example, the Westpac PartPay, because it is connected to a Westpac credit card), but sometimes they are not.

## C. The leading buy now, pay later providers in New Zealand

BNPL providers began operating in New Zealand around 9 years ago, with LayBuy and Afterpay both commencing business in New Zealand in 2017.<sup>12</sup> Following that, other providers entered the market, including Zip, Klarna, Payright, Openpay, Humm and Genoapay. As at May 2025, the only BNPL providers the Commerce Commission is aware of operating in New Zealand are Afterpay NZ Limited (Afterpay),

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<sup>11</sup> Westpac ‘Partpay’ URL: [PartPay | Westpac](#) (accessed 26 November 2025).

<sup>12</sup> Consumer NZ, FinCap and Victoria University. 18 October 2024. *Buy Now Pay Later – A critique of the 2024 reforms report on stage one of a research project on buy now, pay later products in New Zealand and of the regulatory reforms effective September 2024*. Wellington: Consumer New Zealand, page 5. URL: [Final BNPL report 18 October 2024.pdf](#) (accessed 27 November 2025).

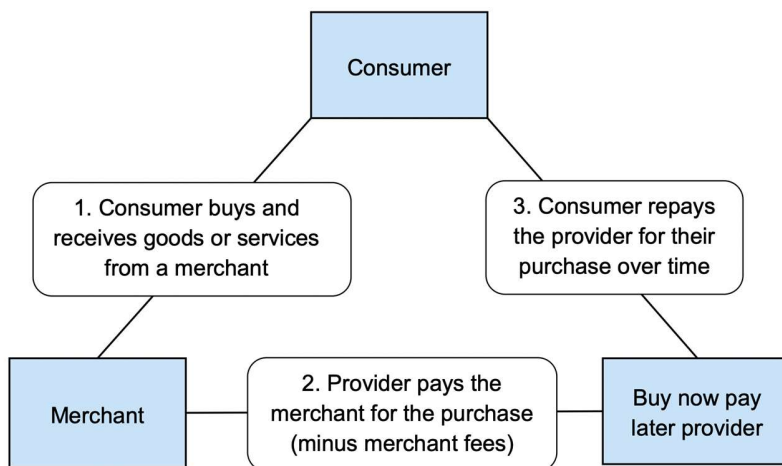
Klarna New Zealand Limited (Klarna), Zip Co NZ Finance Limited (Zip) and Devizo Finance NZ Limited trading as Payright.<sup>13</sup>

This report will focus on Afterpay, Zip and Klarna. We have not been able to obtain any New Zealand-specific terms for Payright. In addition, in July 2025, we were informed that Payright, while still operating in New Zealand, was not accepting new loan applications. For these reasons, we have not researched Payright for this report.

## D. The relationship between parties in a buy now, pay later arrangement

The typical BNPL arrangement involves three parties: the consumer, the merchant providing the goods or services and the BNPL provider. The central relationships are between the merchant and BNPL provider and between the consumer and BNPL provider. The Australian Securities and Investments Commission (ASIC) has mapped out the relationship as shown in figure 1.<sup>14</sup>

**Figure 1: How a buy now pay later arrangement works**



Note: This figure illustrates that when a consumer uses a buy now pay later arrangement to buy goods or services, the merchant is paid by the provider of the arrangement. The provider then collects repayments from the consumer to recover the upfront payment over time. Consumers can receive the goods or services immediately, well before the purchase price has been fully repaid.

The relationship between the merchant and the BNPL provider is as follows. Retailers typically do not have to pay a sign-up fee to partner with BNPL providers and can partner with multiple different providers of

<sup>13</sup> Information obtained under an Official Information Act 1982 request to the Commerce Commission on 19 May 2025.

<sup>14</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 6.

their choice. However, the merchant is charged a merchant's fee for successful purchases made through the BNPL provider—usually around 5–8% of the product or service price.<sup>15</sup> Retailers may also incur processing costs to integrate BNPL options into their checkout systems and business terminals, but these fees are set by the payment service provider and are outside the BNPL provider's control.<sup>16</sup> Once this relationship between the merchant and the BNPL provider has been established, consumers making purchases from the merchant will be offered the option to finance their purchase using the BNPL service provider.

The relationship between the BNPL provider and the consumer is as follows.<sup>17</sup>

**Signing up:** The consumer must sign up and create a BNPL account with a provider. Usually this involves the consumer downloading the app and verifying certain information about themselves. Before 2 September 2024, the consumer did not legally need to undergo a credit check, whereas now they do (a point that will be discussed further in chapters 2, 5 and 6).

**Allocation of a spend limit:** The BNPL provider will allocate the consumer, now a customer of the provider, a spend limit. Before the September 2024 Regulation, providers tended to allocate an automatic spend limit for users when they signed up. For example, Afterpay used to give all new customers a \$600 limit.<sup>18</sup> (It is unclear whether the requirement under the September 2024 Regulation that BNPL providers conduct credit checks has impacted how BNPL providers allocate spend limits. See chapters 5 and 6 for more details.)

**Purchasing goods and services:** The consumer can then use the BNPL service to buy from merchants that have partnered with the BNPL provider. They can use the BNPL service at a physical store or online. The

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<sup>15</sup> Consumer NZ, FinCap and Victoria University. 18 October 2024. *Buy Now Pay Later – A critique of the 2024 reforms report on stage one of a research project on buy now, pay later products in New Zealand and of the regulatory reforms effective September 2024*. Consumer New Zealand, page 5. URL: <https://www.afterpay.com/en-NZ/business/afterpay-merchant-fees> [Final BNPL report 18 October 2024.pdf](#) (accessed 27 November 2025). See also, for example, Afterpay "Afterpay Merchant Fees" <[afterpay.com](https://www.afterpay.com)>.

<sup>16</sup> For example: [What are the fees to accept Zip as a payment method? – Zip Co NZ](#) (accessed 27 November 2025).

<sup>17</sup> Zip "Buy now, pay later. Interest free." <<https://zip.co/nz/how-it-works/>>; Afterpay "How it works" <<https://www.afterpay.com/en-NZ/how-it-works/>>; and Klarna "Customer" <<https://www.klarna.com/nz/pay-in-4/>>.

<sup>18</sup> Edmunds, Susan. 25 July 2024. "Here's why it could get harder to extend your Afterpay" Radio New Zealand. URL: [Here's why it could get harder to extend your Afterpay | RNZ News](#) (accessed 27 November 2025).

total cost of the purchase will be split into instalments, and the first instalment usually must be paid at the checkout. The consumer will then receive the goods or service.

**Repayment:** The remaining instalments are paid in the manner determined by the provider's repayment schedule. Zip, Afterpay and Klarna models involve three repayments over 6 weeks after the first instalment payment at the checkout. There is no interest charged on these instalments.

**Late payment fees:** If a consumer misses a scheduled repayment, they may be required to pay late payment fees. The specifics of this are discussed later in this report.

## E. Buy now, pay later providers and revenue

BNPL providers earn revenue through the late payment fees they charge customers who default on scheduled payments and by charging merchant fees to the merchant providing the goods or services. The Ministry of Business, Innovation and Employment (MBIE) noted that, in 2020/21, around 68–82% of revenue from some BNPL providers in New Zealand was generated through merchant fees.<sup>19</sup> MBIE also noted that the percentage of revenue generated by default fees (or late payment fees) from consumers had fallen from an average of 29% in 2019–20 to 26% in 2020/21.<sup>20</sup>

## F. The general benefits of buy now, pay later schemes

### Benefits to consumers

ASIC noted that BNPL arrangements can provide a cheaper form of credit as consumers are not charged interest and are not subject to extra charges if they pay on time.<sup>21</sup> However, a BNPL arrangement may not be cheaper than other forms of credit where the consumer misses repayment deadlines and is charged late payment fees.<sup>22</sup>

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<sup>19</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 7. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>20</sup> Ibid.

<sup>21</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 7.

<sup>22</sup> Ibid, pages 21–22.

MBIE also observed the following consumer benefits.

- (1) BNPL provides an effective way for consumers to spread the costs of their purchases at peak purchase times (for example, holidays or the start of the school year).
- (2) BNPL is tied to a specific good or service and therefore does not have risks that the consumer will use it to fund other transactions (unlike a personal loan, for example).
- (3) BNPL allows consumers to purchase goods and services in bulk or in one payment to the business, allowing consumers to take advantage of any discounts.
- (4) BNPL enables the consumer to demonstrate credit worthiness by successfully paying off a BNPL transaction, which may be particularly beneficial for consumers who do not hold other credit products.<sup>23</sup>

### Benefits to businesses

MBIE has noted the following benefits to business from BNPL.

- (1) Businesses (retailers and service providers) that accept BNPL at the point of sale may generate additional sales from consumers who may not be able to pay the full cost of goods and services at point of purchase.
- (2) BNPL poses less risk to businesses compared with other types of credit where the business may need to follow up on missed payments.
- (3) BNPL providers can provide marketing and customer analysis services to businesses, which can help generate sales.<sup>24</sup>

### Economy-wide benefits

BNPL offers competition in the credit sector.<sup>25</sup>

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<sup>23</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 9.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

## 2. Buy now, pay later and the legal landscape

This chapter has three sections. Section A outlines the law that applied to BNPL providers and products before the September 2024 Regulation came into force. Section B discusses what the law is for BNPL providers and products following the September 2024 Regulation. This section considers why the changes were made, what the new obligations for BNPL providers are and exemptions for BNPL providers under the CCCFA. Section C looks at providers who might appear to provide BNPL services but are not subject to the changes that took effect under the September 2024 Regulation.

### A. The law for buy now, pay later providers before 2 September 2024

Because BNPL arrangements allow consumers to purchase goods and services while deferring payment for them, BNPL arrangements provide a form of consumer credit.<sup>26</sup> However, before 2 September 2024 (the date that the September 2024 Regulation took effect), BNPL lenders were not subject to the consumer credit lending requirements under the CCCFA. This was because BNPL arrangements were not caught by the definition of “consumer credit contract” under s 11(1)(c) of the CCCFA: BNPL arrangements do not involve interest charges, credit fees or security interests.

Significantly, BNPL providers were not subject to the responsible lending obligations outlined in the CCCFA. They were able to exploit what might be considered a regulatory gap, that is, they were not required to comply with certification, lender responsibilities or disclosure requirements. In short, borrowers under BNPL contracts did not have the full consumer credit protections provided by the CCCFA.<sup>27</sup>

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<sup>26</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 (Explanatory Note). URL: [Credit Contracts and Consumer Finance \(Buy Now, Pay Later\) Amendment Regulations 2023 \(SL 2023/221\) – New Zealand Legislation](#).

<sup>27</sup> Commerce Commission. December 2024. *Buy Now Pay Later Guidelines*. URL: [Buy-Now-Pay-Later-Guidelines-December-2024.pdf](#) (accessed 27 November 2025). Note that BNPL providers were still subject to laws that applied more generally, including the Fair Trading Act (in particular ss 7 and 9), and to certain requirements of the CCCFA that apply to all credit contracts (for example, s 120), and some BNPL providers offered CCCFA regulated products, such as credit cards.

## B. The law for buy now, pay later providers following the September 2024 Regulation

In October 2022, Cabinet agreed to bring BNPL contracts within the CCCFA.<sup>28</sup> This decision was implemented through the Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 (the BNPL Regulations 2023), which became effective on 2 September 2024. Per reg 5 of the BNPL Regulations 2023, which inserted reg 5B into the CCCFR, a BNPL contract is declared under s 137A(1) of the CCCFA to be a consumer credit contract. Per reg 4 of the BNPL Regulations 2023, which amended reg 3 of the CCCFR, a BNPL contract is “... a credit contract:

- (a) that provides credit to enable the debtor to purchase goods or services offered by a third party; and
- (b) that would be a consumer credit contract in the absence of a declaration under section 137A(1) of the Act, but for the requirements of section 11(1)(c) of the [CCCFA]; and
- (c) in respect of which the creditor or any one of their associated persons—
  - (i) is paid fees by the third party or payment services provider; or
  - (ii) is required to pay an amount to the third party that is less than the amount to be repaid by the debtor.”

The BNPL Regulations 2023 outline several reasons why declaring BNPL contracts to be consumer credit contracts was considered to be a necessary or desirable regulation to protect consumers and promote the purposes of the CCCFA. In summary, these are as follows.

- (1) BNPL contracts provide, in economic substance, a form of credit.
- (2) BNPL contracts can materially contribute to financial hardship for some consumers.
- (3) Applying the protections of the CCCFA in a proportionate manner would:
  - (a) ensure information about BNPL contracts is disclosed in a complete and timely manner and require lenders to assist borrowers to make informed decisions,
  - (b) ensure any default fees charged are reasonable and borrowers in default are treated reasonably and ethically,

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<sup>28</sup> Beehive.govt.nz. 8 August 2023. “Government acts on consumer credit protection” (Commerce and Consumer Affairs) (press release). URL: [Government acts on consumer credit protection | Beehive.govt.nz](https://www.beehive.govt.nz/news/government-acts-on-consumer-credit-protection) (accessed 27 November 2025). See also Cabinet Minute of Decision “Preventing financial hardship caused by the use of Buy-Now, Pay-Later” (27 October 2022) CAB GOV-22-MIN-0038. URL: [Preventing Financial Hardship Caused by the use of Buy-Now, Pay-Later – Minute of Decision](https://www.beehive.govt.nz/cabinet/minutes/2022/27-october-2022/preventing-financial-hardship-caused-by-the-use-of-buy-now-pay-later) (accessed 27 November 2025).

- (c) ensure BNPL lenders are part of an external dispute resolution scheme and borrowers can be referred to appropriate services where they miss payments or have complaints, and
- (d) lessen the risk of financial hardship.<sup>29</sup>

As a result of the September 2024 Regulation, all BNPL providers in New Zealand (Afterpay, Klarna and Zip) are required to comply with the CCCFR and CCCFA when providing new BNPL contracts after 2 September 2024, or increasing the credit limit on a new contract, or increasing the credit limit under a pre-September 2024 BNPL contract after 2 September 2024.

### C. New obligations on buy now, pay later providers

Per reg 5 of the BNPL Regulations 2023 (which inserted reg 5B of the CCCFR), BNPL contracts are declared to be consumer credit contracts. This means that, if a BNPL arrangement meets the definition of a BNPL contract, it will be deemed a consumer credit contract. As a consumer credit contract, consumers using this form of credit will receive many of the same protections as borrowers under other consumer credit contracts, such as credit cards and personal loans.

For example, some of the key provisions of the CCCFA that apply to BNPL providers from 2 September 2024 include the following.

- (a) BNPL providers must be certified under Part 5A of the CCCFA, which includes satisfying the Commerce Commission that the directors and senior managers of the provider are fit and proper persons to hold their respective positions.
- (b) BNPL providers must disclose key information about the BNPL contract and any variations throughout the lifetime of the BNPL contract, to borrowers, in accordance with Part 2 of the CCCFA.
- (c) BNPL providers must comply with certain responsible lending obligations under Part 1A of the CCCFA, such as: helping borrowers to make informed decisions; exercising the care, diligence and skill of a responsible lender; and treating the borrower reasonably and in an ethical manner, including during breaches of the agreement or when the debtor suffers unforeseen hardship.

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<sup>29</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023, (Explanatory Note, statement of reasons). URL: [Credit Contracts and Consumer Finance \(Buy Now, Pay Later\) Amendment Regulations 2023 \(SL 2023/221\) – New Zealand Legislation](#)

- (d) In accordance with s 59B(1) of the CCCFA, directors and senior managers of a BNPL provider have a personal obligation to exercise due diligence to ensure that the provider complies with its duties and obligations under the CCCFA.
- (e) BNPL providers must be part of an external dispute resolution scheme and provide details of the scheme if borrowers make a complaint or hardship application. They must also provide information about financial mentoring services to borrowers who miss payments.<sup>30</sup>

Per Part 4 of the CCCFA, consumers will be able to receive compensation and statutory damages from BNPL providers that breach relevant CCCFA rules. Merchants can also face liability from BNPL contracts under Part 4, sub-part 3.<sup>31</sup>

### Exemptions for buy now, pay later providers

The government has been conscious of the need to be “striking a balance between reducing risk for vulnerable consumers and ensuring fit for purpose rules for the sector”.<sup>32</sup> As such, BNPL contracts are exempt from some of the requirements that other types of consumer credit contracts must comply with. Regulation 6 of the BNPL Regulations 2023 inserted three exemptions that apply to BNPL contracts (now regulations 18J, 18K and 18L of the CCCFR).

First, under reg 18J of the CCCFR, BNPL providers are exempt from the requirement under s 9C(3)(a)(i) of the CCCFA to make reasonable inquiries to ensure the credit or finance provided by the agreement will meet borrower’s requirements and objectives.

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<sup>30</sup> MBIE. 1 November 2024. ‘Buy Now Pay Later’ Ministry of Business, Innovation and Employment (MBIE). URL: [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (accessed 26 November 2025) MBIE ‘Buy Now Pay Later’, above n 1. See the Financial Service Providers (Registration and Dispute Resolution) Act 2008, s 48, the CCCFA, s 26B and the CCCFR, reg 5A. Note that in terms of membership of a dispute resolution scheme, it would seem that BNPL providers would previously have been exempt from this requirement by reason of the definition of credit contract in the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

<sup>31</sup> For example, see s 107A of the CCCFA, where a merchant can be liable for being directly or indirectly knowingly concerned in, or party to, the contravention by any other person (the BNPL provider) of certain CCCFA responsibilities.

<sup>32</sup> Beehive.govt.nz. 8 August 2023. “Government acts on consumer credit protection” (Commerce and Consumer Affairs) (press release). URL: [Government acts on consumer credit protection | Beehive.govt.nz](#) (accessed 27 November 2025).

Second, under reg 18K of the CCCFR, BNPL providers are exempt from the requirement to carry out affordability assessments (otherwise required under s 9C(3)(a)(ii) of the CCCFA) if they:

- (a) obtain information from a credit report (as defined in the Credit Reporting Privacy Code 2020) on the borrower when the borrower signs up as well as before credit limits are increased, which includes all the information listed in reg 18K (3)(a)<sup>33</sup>
- (b) provide the credit reporter with all the information relating to the applicant listed in reg18K(3)(a)<sup>34</sup>
- (c) inform the borrower of the dates and amounts of payments required for the purchase, and details of any default fees that may be payable<sup>35</sup>
- (d) have in place at all times a credit policy that explains how credit report information will be used when assessing whether to provide credit to a borrower, and that policy is complied with and made available to the Commerce Commission on request.<sup>36</sup>

Third, under reg 18L of the CCCFR, BNPL providers are exempt from s 17 and para (s) of Schedule 1 of the CCCFA (which requires lenders to give written notice of the right to cancel the contract under s 27 of the CCCFA) if the BNPL provider discloses details of its cancellation policy to the borrower.

The explanatory note to the BNPL Regulations 2023 outlines why these exemptions were considered to be appropriate: —<sup>37</sup>

- requiring a suitability assessment in accordance with section 9C(3)(a)(i) of the Act would impose unduly onerous and burdensome requirements because it would require significant changes to BNPL lender processes, and there is a low risk that the products will be unsuitable, given the simplicity of the product:
- requiring an affordability assessment in accordance with section 9C(3)(a)(ii) of the Act would impose unduly onerous and burdensome requirements, given that an affordability assessment is time-consuming and requires seeking detailed information from borrowers, and BNPL credit is interest-free and does not have a cost to the consumer if repaid on time:

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<sup>33</sup> Regulation 18K(3)(a).

<sup>34</sup> Regulation 18K(3)(b).

<sup>35</sup> Regulation 18K(4)(a).

<sup>36</sup> Regulation 18K(4)(b).

<sup>37</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023, (Explanatory Note, statement of reasons). URL: [Credit Contracts and Consumer Finance \(Buy Now, Pay Later\) Amendment Regulations 2023 \(SL 2023/221\) – New Zealand Legislation.](#)

- the requirement to disclose the right to cancel a BNPL contract under section 27 of the Act may result in conflicting and unnecessary information being given to consumers because BNPL lenders currently provide a right to cancel by allowing the borrower to repay the full balance owed at any time. It is preferable, and would avoid confusion, if borrowers are informed of the lender's cancellation policy, rather than rights of cancellation under section 27 of the Act:
- exempting the credit contracts from the specified requirements will not cause significant detriment to borrowers because—
  - buy-now, pay-later lending is predominantly focused on smaller amounts of credit:
  - the exemption only covers interest-free lending:
  - under the conditions of the exemption, lenders will still have to seek credit information about borrowers:
  - other key lender responsibilities, such as those under section 9C(2)(a)(ii) of the Act (exercising the care, diligence, and skill of a responsible lender before entering into an agreement to provide credit), will still apply:
  - other provisions in the Act, such as those relating to disclosure (subpart 2 of Part 2), will still apply:
- the purposes of the Act to protect the interests of consumers, to promote confident and informed participation of consumers in markets for credit, to promote fair, efficient, and transparent markets for credit, and to provide remedies for consumers in relation to oppressive conduct will continue to be met if this exemption regulation is made.

On 1 November 2024, the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations 2024 (the BNPL Regulations 2024) came into force. Reg 4 of the BNPL Regulations 2024 inserts two further new exemptions for BNPL contracts into the CCCFR, found in regs 18M and 18N of the CCCFR.

First, under reg 18M of the CCCFR, BNPL contracts are exempt from the requirement under s 41 of the CCCFA to not provide for unreasonable credit fees or default fees.

Second, under reg 18N of the CCCFR, BNPL contracts are exempt from s 44A of the CCCFA. This means that BNPL providers are not required to ensure default fees set out in BNPL contracts do no more than

reasonably compensate the BNPL provider for any cost incurred by the provider or do not exceed a reasonable estimate of any loss incurred as a result of the borrower's acts or omissions.

The Explanatory Note to the BNPL Regulations 2024 outlines why these exemptions were considered to be appropriate:<sup>38</sup>

- requiring BNPL providers to comply with the Act's fee requirements (such as the requirements in sections 41 and 44A) would impose unduly onerous and burdensome requirements, as—
  - BNPL providers are unique compared with other credit providers who are captured by the default fee requirements as they do not charge interest and do not charge fees to consumers, provided payments are made on time; and
  - it would weaken current BNPL business models, as general operating costs would need to be fully covered by merchant fees, and BNPL providers' profitability would more heavily rely on merchant fees; and
- exempting BNPL contracts from the specified requirements will not cause significant detriment to borrowers, as—
  - BNPL providers do not currently charge excessive default fees and do not charge interest; and
  - other disclosure requirements in the Act will still apply and protect the interests of consumers. Examples of disclosure requirements include section 9K, which requires all the costs of borrowing to be publicly available, and section 17, which requires key information to be disclosed before the contract is entered into including describing default fees that may be payable under the contract and how and when default fees would become payable; and
  - the regulator has the ability to monitor the default fees BNPL providers charge in accordance with other provisions of the Act; and
- the purposes of the Act to protect the interests of consumers, to promote confident and informed participation of consumers in markets for credit, to promote fair, efficient, and transparent markets for credit, and to provide remedies for consumers in relation to oppressive conduct will continue to be met if these exemption regulations are made.

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<sup>38</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations 2024, (Explanatory Note, statement of reasons).

## D. Examples of providers not caught by the September 2024 Regulation

Some merchants of goods or services appear to offer a BNPL-type payment or ‘quasi-BNPL’ option, but the arrangement is not subject to the CCCFR or CCCFA. This is because not all payment options where the customer can buy the product now and pay for it later are caught by the BNPL contract definition in the CCCFR.

For the regulations to apply, and the arrangement be treated as a consumer credit contract, the payment option needs to fall within the definition of a BNPL contract under reg 3 of the CCCFR. Under this definition, the payment arrangement must provide credit to enable the customer to purchase goods or services offered by a *third party*.<sup>39</sup> This means that, in situations where the merchant is providing both credit and the goods or services, there is no BNPL contract for the purposes of the regulations. For example, 2degrees offers an interest-free repayment plan where customers can buy a phone or mobile device and repay the price over a series of monthly interest-free instalments.<sup>40</sup> This kind of arrangement is not caught by the regulations, because 2degrees is not providing credit to enable the customer to purchase third-party goods (or services).

Red Rat Clothing Limited (Red Rat) similarly appears to offer a BNPL-like product. Red Rat is a clothing store that offers a payment option called SplitPay. If a customer makes a purchase using SplitPay, then they will receive the goods and repay the price in 12 equal weekly instalments or six equal fortnightly instalments. There are no interest charges, but late fees can apply if the customer defaults on a repayment.<sup>41</sup>

When a customer uses SplitPay, SplitPay performs credit checks and risk assessment as part of the customer’s application, checking information, such as the customer’s credit history, existing credit accounts, payment behaviour and any defaults or collections listed on their credit file. These are hard credit checks, which are recorded on the customer’s credit file and can impact the customer’s credit score. SplitPay also sometimes engages in credit reporting with credit bureaus depending on the nature of the customer’s account activity. This may include reporting information relating to application enquiries;

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<sup>39</sup> Regulation 3(1)(a).

<sup>40</sup> 2degrees. 11 July 2025. “Buying a phone with an interest-free repayment plan”. URL: [Interest-free phones and payment | 2degrees](#) (accessed 27 November 2025).

<sup>41</sup> Redrat. “Splitpay: Spread out the cost, interest free with Splitpay!”. URL: [Red Rat](#) (accessed 27 November 2025).

payment history, such as on-time or missed payments; and defaults if a customer fails to meet their obligations and the account is sent to collections.<sup>42</sup>

On its face, this kind of arrangement seems very similar to a traditional BNPL arrangement and could be caught by the CCCFR. However, SplitPay is not a separate company or other entity,<sup>43</sup> and cannot be used to purchase goods or services from any merchants other than Red Rat.<sup>44</sup> SplitPay is therefore not credit for customers to make purchases from a third party as required by the BNPL contract definition. The definition of a BNPL contract does not seem to capture payment options like SplitPay, and subsequently, SplitPay falls outside the CCCFR.<sup>45</sup>

Another example payment option is Visionplan. OPSM, which is a business that sells glasses and offers an eye examination services, is owned and operated in New Zealand by Luxottica Retail New Zealand Limited. Under its Visionplan option, OPSM customers receive a credit allowance to buy OPSM products, repayable through weekly, fortnightly or monthly instalments.<sup>46</sup> Debitsuccess Limited is an incorporated company that offers payment collection services to a range of industries and is contracted by OPSM to collect the instalments due from OPSM customers.<sup>47</sup> Debitsuccess does not charge interest, but a \$10 late payment fees is payable to Debitsuccess when a consumer fails to repay the instalment amount when it is due.<sup>48</sup> If the consumer fails to repay, their account can also be passed on to a debt collection agency.<sup>49</sup>

Unlike the 2degrees and Red Rat Clothing Ltd payment options discussed above, the arrangement would appear to enable the consumer to purchase goods or services offered by a third party. This is because OPSM and Debitsuccess Ltd are clearly separate entities.<sup>50</sup> An OIA request to the Commerce Commission

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<sup>42</sup> Personal communication (email) with Red Rat, 10 July 2025.

<sup>43</sup> Confirmed through a search of the New Zealand Companies Office Companies Register.

<sup>44</sup> Redrat "Splitpay Terms & Conditions" URL: [Red Rat](#) (accessed 27 November 2025).

<sup>45</sup> Red Rat Clothing Limited is registered on the New Zealand Companies Office Financial Service Providers Register as "Creditor under a credit contract–consumer credit contract" and is certified by the Commerce Commission for that service under Part 5A of the CCCF Act. However, this probably solely relates to Red Rat's service "EZpay", which is a different Red Rat service that loans consumers money and charges interest, so this activity falls squarely within the CCCFA as a consumer credit contract.

<sup>46</sup> OPSM "OPSM Visionplan Terms & Conditions". URL: [VISIONPLAN T&Cs.pdf](#) and "Visionplan: See Now Pay Later, Interest Free Eyeware". URL: [Visionplan | OPSM New Zealand](#) (accessed 20 November 2025).

<sup>47</sup> OPSM "Debit Success Terms & Conditions". URL: [VISIONPLAN T&Cs.pdf](#) (accessed 20 November 2025).

<sup>48</sup> Ibid, at "Late payment fee".

<sup>49</sup> OPSM "OPSM Visionplan Terms & Conditions". URL: [VISIONPLAN T&Cs.pdf](#), at 7.4 (accessed 20 November 2025).

<sup>50</sup> Confirmed through a search of the New Zealand Companies Office Companies Register.

revealed that Debitsuccess Limited is not registered on the Financial Service Providers Register (FSPR) as “Creditor under a credit contract – consumer credit contract” and is not certified by the Commission under Part 5A of the CCCFA for that service. However, Debitsuccess Limited is registered on the FSPR as “Operating a money or value transfer service”.<sup>51</sup> We have been unable to gain information from Debitsuccess Ltd on how they are regulated. Debitsuccess may simply be acting as an agent of the retailer in collecting payments due and is therefore not itself providing credit to any customer (meaning the services it provides are outside the definition of BNPL contract).

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<sup>51</sup> Information obtained under Official Information Act 1982 request to the Commerce Commission on 18 August 2025.

### **3. Buy now, pay later regulation by local government and licensing authorities**

As well as nation-wide changes, there has been BNPL-related regulation at a local-government level (Porirua City Council) and lower court judicial level (Auckland District Licensing Committee), relating to the use of BNPL and alcohol purchasing.

#### **A. Porirua City Council**

On 25 May 2025, Porirua City Council adopted a new local alcohol policy, which commenced on 18 July 2025. The policy contains discretionary conditions that can be imposed on off licenses. One such condition is restricting the use of BNPL options in bottle stores.<sup>52</sup>

The new policy was informed by a social impact assessment (SIA).<sup>53</sup> The SIA found that the local community was concerned about the access to alcohol within Porirua and use of BNPL in bottle stores: “The concerns are that payment options such as this can make alcohol more easily accessible for vulnerable people and encourage people to spend beyond their financial means, also leading them into debt.”<sup>54</sup>

The SIA also briefly discussed the harm of BNPL, for example, in promoting impulse spending and making “alcohol more accessible for those more vulnerable to alcohol harm”.<sup>55</sup>

#### **B. Auckland District Licensing Committee decision**

A 2024 decision of the Auckland District Licensing Committee has impacted an Auckland bottle store’s use of BNPL services.<sup>56</sup> The following details are taken from the Licensing Committee’s decision.

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<sup>52</sup> Porirua City Council. 2 July 2025. “Have your say: Local Alcohol Policy”. URL: [Local Alcohol Policy | Have Your Say Porirua](#) (accessed 27 November 2025).

<sup>53</sup> Porirua City Council. December 2024. *Social Impact Assessment: Research and evidence prepared to inform the review of the Local Alcohol Policy*. URL: [Social Impact Assessment of Alcohol in Porirua City](#) (accessed 27 November 2025).

<sup>54</sup> *Ibid*, page 38.

<sup>55</sup> *Ibid*, page 61.

<sup>56</sup> *Sija NZ Ltd* [2025] ADLC 8220083662.

Siya NZ Limited (Siya) had operated an off-licence bottle store in Panmure for some time. In June 2022, it introduced Afterpay and promoted the store on social media. This led to “a ‘flood’ of negative comment and considerable media attention”.<sup>57</sup> Siya withdrew the Afterpay option soon after. In 2024, Siya applied to renew its off-licence. The alcohol licensing inspector’s enquiry into the reapplication recommended prohibiting the use of BNPL by applying a condition to the off-licence. Siya was reluctant to accept this. Both the inspector and the local medical officer of health (MOH) then opposed Siya’s application for renewal, giving rise to a hearing in front of the Auckland District Licensing Committee in November 2024.<sup>58</sup> The sole point of contention at the hearing was the provision of BNPL services at the store.<sup>59</sup>

Siya argued that: (1) because Afterpay does a credit check, it is a safe product to have on offer and, if someone does not have good credit, they will not be able to use the service; (2) it would not be fair on the business if other liquor outlets were able to offer Afterpay and Siya was not; (3) Siya is only interested in selling alcohol, and Afterpay is a way to do that.<sup>60</sup>

Counter arguments from the inspector and MOH included that:<sup>61</sup> (1) imposing a condition prohibiting the use of BNPL would prevent impulse purchases by customers with behavioural issues and would reduce the availability of alcohol more generally; (2) renewing the off-licence at this location without the conditions recommended by the agencies would compound the risk of harm given the elevated risk profile of Siya’s premises and its manner of trading; (3) granting the licence without imposing a no BNPL condition would almost certainly ‘open the floodgates’ for other off-licences to use this form of payment for alcohol products; (4) offering BNPL services would increase the accessibility of alcohol to people in a vulnerable community who may not be able to otherwise afford it; (5) Hamilton District Licensing Committee had on several occasions imposed a condition restricting BNPL on off-licences in high-deprivation areas in Hamilton.

The Salvation Army offers alcohol harm minimisation strategies and treatment for alcohol and other drug dependency. It provided evidence for this case and noted that around 60% of those who sought its

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<sup>57</sup> *Siya NZ Ltd* [2025] ADLC 8220083662, at [12].

<sup>58</sup> Alcohol Healthwatch “Licensing decision lauded for prohibiting buy now pay later schemes in bottle stores” (media release, 7 January 2025).

<sup>59</sup> *Siya NZ Ltd* [2025] ADLC 8220083662, at [19].

<sup>60</sup> *Ibid* [24]–[34].

<sup>61</sup> *Ibid* [35]–[43].

services were either directly or indirectly impacted by alcohol harm, and almost 200 clients in the past year had had significant BNPL debts, amounting to almost \$1,000 per client. With 165 active clients living in a 2km radius of Siya's store, it felt that the availability of BNPL would exacerbate the problems related to alcohol availability and affordability for these clients.<sup>62</sup>

The committee released its reserved decision in January 2025. It felt that the provision of that type of service would contribute to alcohol harm in the community and decided to grant the renewal of the off-licence subject to the conditions recommended by the inspector, including the prohibition on BNPL services.<sup>63</sup>

It also suggested that other off-licences in the area could be subject to similar restrictions upon application renewal. When acknowledging Siya's concern that it was unfair to impose a BNPL restriction on his premises if similar restrictions were not going to also be placed on other premises offering or intending to offer BNPL services, the Committee said it:

"... considers that there is the potential for alcohol-related harm from any premises offering such services, and that concern should be addressed if there are any future instances of that provision."<sup>64</sup>

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<sup>62</sup> *Siya NZ Ltd* [2025] ADLC 8220083662, at [47]–[51].

<sup>63</sup> *Ibid* [22].

<sup>64</sup> *Ibid* [22].

## 4. The harms of buy now, pay later pre-regulation

This chapter considers the harms that were caused by BNPL before it fell within consumer credit regulation. It is set out in five sections. Section A explores the New Zealand consumer harms observed in the pre-regulation period, drawing on findings from the 2023 Auckland University of Technology (AUT) and Auckland Centre for Financial Research project, *Buy Now, Pay Later: Young Adults and Problem Debt*,<sup>65</sup> as well as MBIE's discussion paper, *Buy Now, Pay Later: Understanding the triggers of financial hardship and possible options to address them*.<sup>66</sup> Sections B, C and D consider the position overseas, focusing on the BNPL harms in Australia, the United Kingdom and the United States respectively before these jurisdictions brought BNPL arrangements within consumer credit regulation. Section E summarises the harms shared across the jurisdictions examined, including New Zealand, that existed before BNPL arrangements were brought within consumer credit regulation.

### A. Harms of buy now, pay later in New Zealand before regulation

MBIE released a discussion paper on November 2021 (the MBIE discussion document) seeking input on, among other things, how the use of BNPL could trigger financial hardship for consumers and how risks of financial hardship could be addressed if BNPL exhibited certain desirable features.<sup>67</sup> The paper discussed the types of financial harm being observed by financial mentors. These are described later in this section.

In 2023, AUT and the Auckland Centre for Financial Research conducted a research project called *Buy Now, Pay Later: Young Adults and Problem Debt*.<sup>68</sup> The project surveyed 705 young adults aged 18–34 years in New Zealand, and a report (the AUT report) was produced that discussed young adults' debt use in our country, with a focus on BNPL. The report found that BNPL is popular among young New Zealanders,

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<sup>65</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>66</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>67</sup> Ibid.

<sup>68</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

with nearly one in four survey respondents constantly repaying BNPL debts; either using it at least monthly or constantly.<sup>69</sup>

This sub-section summarises some of the harms of BNPL pre-regulation as reported by these two papers.

### Financial hardship caused by late payment fees

The AUT report found that approximately 40% of those surveyed had incurred late fees at some point, and one in ten respondents had incurred late fees on at least three occasions.<sup>70</sup> The MBIE discussion document noted that, in relation to late (or missed) payment fees, while capped per purchase, there was not usually a cap on the *number* of late payment fees that one account could incur at a time.<sup>71</sup> Late payment fees were considered to have two consequences. First, they add to the debt that a consumer already has and the overall cost of the purchase, and second, they can impact the consumer's ability to meet other expenses.<sup>72</sup> The AUT report supported this concern, describing BNPL as a very expensive debt product for some consumers as the late payment fees can "rapidly add up, making purchases considerably more expensive".<sup>73</sup>

### Borrowing to repay debt

The MBIE discussion document noted that financial mentors found some consumers used credit cards to pay their BNPL payments. Information from BNPL providers suggested that an average of 20% of consumers used their credit cards to pay for their BNPL instalments. MBIE explained that "any BNPL transactions become part of on-going credit card debt which accrues interest" and that consumers may not be able to afford essential items due to their credit card debts.<sup>74</sup> The AUT report suggested that

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<sup>69</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 24. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>70</sup> Ibid, page 22.

<sup>71</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 14. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>72</sup> Ibid.

<sup>73</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 34. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>74</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 14. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

consumers were continuing to use credit cards to pay their BNPL instalments, with 42.7% of those surveyed using other borrowing, such as a credit card or other debt (including loans from family or friends), to repay their BNPL debt.<sup>75</sup>

### Marketing and misunderstanding buy now, pay later products

The MBIE discussion document explained that consumers tended to focus on the initial instalment instead of the full cost of the product or service. When this focus on the instalment price was combined with promotions from BNPL providers, this encouraged consumers to spend more than they could afford.<sup>76</sup>

The AUT report described BNPL providers marketing themselves as “not debt” or a “different” or “safer” type of debt.<sup>77</sup> Over 20% of survey respondents disagreed or strongly disagreed with the statement that BNPL is a form of debt, and 18.2% were neutral about whether BNPL is a form of debt.<sup>78</sup> The report suggested this meant that BNPL providers had been successful in positioning their product as “not debt”.<sup>79</sup> In addition, 48.1% viewed BNPL as having fewer consequences than other debt types. The AUT report expressed concern that users may not “identify the product as debt and [therefore not] apply their debt-handling strategies.”<sup>80</sup>

### Over-indebtedness, affordability assessments and credit checks

The MBIE discussion document observed that BNPL providers would rely on consumer behaviour, such as their ability to pay the first instalment or having successful previous repayments, when deciding whether to give or deny credit.<sup>81</sup> Unlike a regulated consumer credit product, BNPL providers would not rely on

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<sup>75</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, pages 25–26. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>76</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, pages 8 and 21. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>77</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 39. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>78</sup> Ibid, page 28.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid, page 39.

<sup>81</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 18. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

affordability assessments or hard credit checks.<sup>82</sup> The problem with this was that the BNPL provider was unable to assess the consumer’s existing debt obligations or their income, expenses or circumstances.<sup>83</sup> As a result, a BNPL provider might loan more than a consumer could repay, or even if they could repay it, this might be at the expense of other essential living costs. The absence of credit checks and affordability assessments could therefore lead to over-indebtedness, causing “a number of vulnerable borrowers” to “experience unmanageable debt or financial hardship”.<sup>84</sup> For example, a consumer might be allowed to open multiple BNPL accounts. The MBIE discussion document gave an example of a consumer who was denied a credit card limit of \$2,000 “but could have four BNPL accounts with different providers, each with a credit limit of \$500, which amounted to \$2,000.”<sup>85</sup> Another example given was a consumer who, while repaying BNPL debts, is unable to repay for essential goods and services or utilities.<sup>86</sup>

The AUT report similarly observed that “a key concern related to BNPL is the possibility that it may lead to users becoming over-indebted.”<sup>87</sup> Without affordability and suitability assessments, consumers were effectively required to assess their own ability to repay, making their risk of over-indebtedness greater.<sup>88</sup> The AUT report found that: frequent BNPL use was associated with a higher over-indebtedness score, with an increase of approximately 20% on average;<sup>89</sup> those with current BNPL debt at the time of the survey were more indebted than those without BNPL;<sup>90</sup> and those using BNPL badly were significantly more likely to have a higher over-indebtedness score.<sup>91</sup>

The AUT report acknowledged that the credit limits set by BNPL providers could theoretically reduce a consumer’s ability to over-borrow. However, it noted a similar concern to the MBIE discussion document

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<sup>82</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 17. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>83</sup> Ibid, page 16.

<sup>84</sup> Ibid, page 18.

<sup>85</sup> Ibid, page 20.

<sup>86</sup> Ibid, page 41.

<sup>87</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 34. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>88</sup> Ibid, page 39.

<sup>89</sup> Ibid, page 34.

<sup>90</sup> Ibid, page 37.

<sup>91</sup> Ibid, page 37.

that “with several BNPL providers available and the ability to borrow from multiple BNPL providers at once, individual limits may not be a safeguard against consumer over-indebtedness.”<sup>92</sup>

## Impact on young people

The AUT report was particularly concerned about BNPL – and the potential indebtedness it can create – in relation to younger consumers. This was because “young adults lack financial experience, making them more susceptible to financial mistakes, such as, taking on more debt than they can handle”.<sup>93</sup> In addition, “young adults are more likely to be on low or unstable incomes, making the ability to commit to future repayments less certain”.<sup>94</sup> The report also noted that “it is possible our younger respondents are less likely to see through providers’ marketing campaigns and lack the financial experience to transfer strategies for decision-making from one debt product to another.”<sup>95</sup>

The MBIE discussion document supports the AUT report findings. Data covering around 35%–40% of the New Zealand BNPL market showed that the age group with the highest percentage of BNPL arrears was 18- to 24-year-olds, with the next highest group being 25- to 29-year-olds.<sup>96</sup>

## Using buy now, pay later for essential items

The MBIE discussion document noted that some consumers were relying on BNPL to purchase essential goods and services such as groceries,<sup>97</sup> while the AUT report found over 20% of those surveyed who had used BNPL had done so to buy essential items.<sup>98</sup> As noted in the AUT report, using BNPL for essential goods is not in itself problematic if the payments are repaid on time.<sup>99</sup> But BNPL use for essential items could be “indicative of financial stress” and may lead users to become “caught in a debt cycle of borrowing

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<sup>92</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 34. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>93</sup> Ibid.

<sup>94</sup> Ibid.

<sup>95</sup> Ibid, page 43.

<sup>96</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 15. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>97</sup> Ibid, page 22.

<sup>98</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 25. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>99</sup> Ibid, page 23.

to simply make ends meet”.<sup>100</sup> The MBIE discussion document expressed a similar point that relying on BNPL for essential service, goods and items may indicate consumers are facing financial difficulties, don’t have access to financial assistance and could end up with debt problems that accumulate over time.<sup>101</sup>

### Consumers in need of help during financial hardship

The MBIE discussion document noted that, while BNPL providers had processes and policies in place for consumers in financial hardship, they were using debt collection services to collect BNPL debt as small as \$400.<sup>102</sup> The document noted that “consistency in approach across the BNPL sector would assist consumers who have defaulted to ensure a minimum standard of care is provided to consumers in financial hardship.”<sup>103</sup>

## B. Harms in Australia pre-regulation

In January 2018, ASIC commenced a review of BNPL arrangements. Its findings were summarised in *Review of Buy Now Pay Later Arrangements (Report 600)* (Report 600).<sup>104</sup> Following this report, ASIC released *Buy Now Pay Later: An industry update (Report 672)* (Report 672).<sup>105</sup> Report 672 further explored the impact of BNPL arrangements on consumers. At the time of both reports, the consumer protections under the National Consumer Credit Protection Act 2009 (National Credit Act) did not apply to BNPL arrangements. This meant that, as in New Zealand before the September 2024 Regulation, BNPL providers were not subject to responsible lending obligations.

Both ASIC reports found that BNPL was a rapidly growing industry in Australia. The number of BNPL transactions in each month went from 51,000 in April 2016 to 1.9 million transactions in June 2018,<sup>106</sup> to

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<sup>100</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 25. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>101</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 22. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>102</sup> Ibid.

<sup>103</sup> Ibid.

<sup>104</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC).

<sup>105</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC). URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>106</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), pages 9 and 17.

3.4 million in June 2019.<sup>107</sup> The outstanding debt from these arrangements went from AU\$476 million in April 2016<sup>108</sup> to AU\$907 million by June 2018 and AU\$1.4 billion as at June 2019.<sup>109</sup> The number of merchants offering BNPL payment options also increased: by 30 June 2018, 50 times more merchants were partnered with zipMoney than in June 2016, and 45 times more merchants were partnered with Afterpay.<sup>110</sup> In addition, the six BNPL providers subject to ASIC's 2018 review saw a total revenue increase from AU\$32 million during the quarter ending 30 June 2016 to AU\$78 million during the quarter ending 30 June 2018<sup>111</sup> and to AU\$398 million in the financial year of 2018/19.<sup>112</sup>

Below, we discuss the harms of BNPL identified in the two ASIC reports.

### Missed payment fees

ASIC's Report 672 found that from June 2016 to June 2019, the percentage of BNPL transactions that incurred missed payment fees fluctuated between 9% and 15% each month.<sup>113</sup> In the 2018/19 financial year, missed payment fee revenue for the reviewed BNPL providers totalled over AU\$43 million,<sup>114</sup> and more than 1.1 million transactions incurred multiple missed payment fees (which represented 45% of all transactions that incurred missed payment fees).<sup>115</sup>

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<sup>107</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 6. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>108</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 9.

<sup>109</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 8. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>110</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 9.

<sup>111</sup> *Ibid.*

<sup>112</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 8. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>113</sup> *Ibid.*, page 12.

<sup>114</sup> *Ibid.*

<sup>115</sup> *Ibid.*, page 13.

## Borrowing to repay debt

Report 672 found that between 2019 and 2020, 15% of surveyed consumers reported taking out an additional loan to repay their BNPL debt on time.<sup>116</sup> Of these consumers, 68% also missed a payment with a BNPL provider, and 31% had made at least six BNPL purchases in the previous 6 months.<sup>117</sup>

The consequences were worse depending on how many BNPL arrangements the consumer had. In all, 10% of consumers who used one BNPL arrangement in the last 12 months reported having to take out an additional loan to meet their payments. This percentage increased to 13% of consumers with two such arrangements and 20% of consumers with three.<sup>118</sup>

## Influencing spending behaviours and marketing

Report 600 found that BNPL arrangements influenced the spending habits of some consumers.<sup>119</sup> Consumers considered BNPL arrangements to be “easy to use, convenient, and ‘less risky’ than other payment options”.<sup>120</sup> In fact, 90% of users believed that BNPL arrangements helped them “manage their spending by spreading payments over time”.<sup>121</sup> Meanwhile, 86% planned to use a BNPL arrangement again.<sup>122</sup> Likewise, 81% believed BNPL arrangements were more convenient and that BNPL allowed them to buy more expensive items that they would otherwise not be able to afford in one payment.<sup>123</sup> Moreover, 70% believed that BNPL arrangements allowed them to make more spontaneous purchases, and 64% believed that BNPL arrangements allowed them to spend more than they normally would.<sup>124</sup> However, 55% of consumers believed they were spending more on some items than they had before they started using BNPL arrangements.<sup>125</sup>

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<sup>116</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 15. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>117</sup> *Ibid.*

<sup>118</sup> *Ibid.*, page 16.

<sup>119</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 11.

<sup>120</sup> *Ibid.*

<sup>121</sup> *Ibid.*

<sup>122</sup> *Ibid.*

<sup>123</sup> *Ibid.*

<sup>124</sup> *Ibid.*

<sup>125</sup> *Ibid.*

In Report 600, ASIC identified three behavioural factors that seemed to influence consumer decisions to use BNPL: (1) Overconfidence and over-optimism; (2) framing and (3) ease and speed of spending.<sup>126</sup> Overconfidence and over-optimism are related to the idea that some consumers underestimate the possibility that unexpected events could happen that could impact their ability to repay the debt, or alternatively, the consumers overestimate their ability to handle such events.<sup>127</sup> Framing describes the way the costs and risks of a purchase are presented during the sale.<sup>128</sup> For example, if the goods or services are advertised through the price per instalment, then this can make the purchase seem more affordable.<sup>129</sup> Ease and speed of spending refers to the idea that existing BNPL users can access goods or services quickly by simply using their mobile phone.<sup>130</sup> It can increase the likelihood of making a purchase quickly without careful consideration and can reduce the feeling the person is parting with money.<sup>131</sup>

### Financial overcommitment

Report 600 found that some consumers faced the risk of financial over-commitment.<sup>132</sup> Over-commitment can occur when a consumer uses a credit arrangement that results in new or additional financial difficulty.<sup>133</sup> ASIC observed that overcommitment could cause consumers to miss repayments on a BNPL arrangement, or it could contribute to other difficulties, such as being unable to afford essential goods and services, and financial stress.<sup>134</sup> Some BNPL providers mitigated the risk of overcommitment by capping or limiting the missed payment fees that could be charged and preventing consumers from making another purchase using an arrangement if they have not remedied a missed payment for an existing purchase.<sup>135</sup> Nevertheless, 16% of BNPL users believed they had experienced at least one type of negative impact due to a BNPL arrangement, such as becoming overdrawn, delaying bill payments and borrowing additional money from family, friends or another loan provider.<sup>136</sup>

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<sup>126</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), pages 29–30.

<sup>127</sup> *Ibid*, page 29.

<sup>128</sup> *Ibid*.

<sup>129</sup> *Ibid*, page 30.

<sup>130</sup> *Ibid*.

<sup>131</sup> *Ibid*.

<sup>132</sup> *Ibid*, page 12.

<sup>133</sup> *Ibid*, page 33.

<sup>134</sup> *Ibid*.

<sup>135</sup> *Ibid*, page 16.

<sup>136</sup> *Ibid*, page 12.

Report 672 similarly found that BNPL debt negatively impacted consumers' other financial responsibilities.<sup>137</sup> It found that 20% of consumers surveyed reported cutting back on, or going without, essentials such as meals.<sup>138</sup> This harm was more prevalent for consumers with multiple BNPL accounts.<sup>139</sup> In fact, 16% of consumers who had used one BNPL arrangement in the last 12 months (between 2019 and 2020) reported having to cut back on or go without essentials to meet their payments. This increased to 20% of consumers with two BNPL arrangements and 25% of consumers with three.<sup>140</sup> One in five BNPL consumers surveyed reported that in the last 12 months (between 2019 and 2020), they had missed or were late paying other bills (household bills (44%), credit card payments (32%) and home mortgage payments (22%)) in order to make their BNPL repayments on time.<sup>141</sup>

### Impact on young consumers

Both ASIC reports also found that many BNPL users were relatively younger consumers. In summary, 60% of the BNPL users surveyed in Report 600 were aged between 18 and 34 years,<sup>142</sup> and more than two in five BNPL users (44%) had an annual income of less than \$40,000.<sup>143</sup> Within the latter group, almost 40% described themselves as either students or in part-time work.<sup>144</sup> In Report 672, ASIC found that most completed transactions in the 2018/19 financial year were made by consumers under the age of 35 years.<sup>145</sup> In the 2018/19 financial year, of the completed transactions that incurred missed payment fees, 67% were made by consumers under the age of 35 years.<sup>146</sup>

### Unfair buy now, pay later provider behaviour

Report 600 found that BNPL providers took some steps to act fairly with consumers but could have taken more steps. Some BNPL providers had fair practices in place, such as sending updates about upcoming

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<sup>137</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 15. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>138</sup> *Ibid.*

<sup>139</sup> *Ibid.*, page 16.

<sup>140</sup> *Ibid.*

<sup>141</sup> *Ibid.*

<sup>142</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 25.

<sup>143</sup> *Ibid.*, page 26.

<sup>144</sup> *Ibid.*

<sup>145</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), page 27. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>146</sup> *Ibid.*

repayments, explaining repayment terms in plain English and having a detailed policy for responding to a customer's financial hardship.<sup>147</sup> However, ASIC considered that some providers could have done more. For example, some of the providers did not tell consumers how they could complain or ask for help with their repayments.<sup>148</sup> Only 57% of BNPL users thought they could raise a complaint with their provider, and 23% of users did not know where they would direct a complaint.<sup>149</sup> In addition, 31% of BNPL users indicated they did not understand at least one of the key repayment terms for their buy now pay later arrangement, suggesting that some consumer contracts could have been written in a way that was more accessible to consumers.<sup>150</sup>

Report 600 accordingly suggested that BNPL should ensure that:

- (a) consumers adequately understand the terms of their arrangement
- (b) a complaints process be visible and accessible for consumers
- (c) consumers understand that they can request financial hardship assistance from their provider
- (d) merchants act consistently with guidelines supplied by the provider limiting how these arrangements may be promoted and provided to consumers.<sup>151</sup>

As well as unfair provider behaviour, Report 600 found that BNPL providers had potentially unfair terms in their contracts with consumers (therefore potentially being challengeable under Australia's unfair contract terms law. New Zealand has an 'unfair contract terms' law similar to Australia's). There were terms that: (a) gave the BNPL provider a very broad unilateral discretion to vary the contract, (b) provided a very broad range of circumstances in which a consumer will be regarded to be in default on their arrangement, (c) limited and excluded the liability of provider for goods or services supplied by the merchant; (d) held the consumer liable for unauthorised transactions, even when the provider knew or suspected the transaction may be unauthorised and (e) very broadly indemnified the provider against losses, costs, liabilities and expenses.<sup>152</sup>

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<sup>147</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 14.

<sup>148</sup> *Ibid.*

<sup>149</sup> *Ibid.*, page 38.

<sup>150</sup> *Ibid.*, page 37.

<sup>151</sup> *Ibid.*, page 14.

<sup>152</sup> *Ibid.*, page 14–15. New Zealand's unfair contract terms law is different from Australia's in one significant respect: individual consumers are not able to bring an action to enforce the law in New Zealand (only the Commerce Commission can bring an action to enforce the unfair contracts terms law).

## Surcharging

Report 600 found that some BNPL arrangements were resulting in the price of goods being inflated. ASIC had received anecdotal evidence that some merchants may have been charging consumers significantly higher prices for using a BNPL arrangement, including for: (a) higher-value purchases (over \$2,000), (b) where the price of goods is less transparent and ‘negotiable’ (for example, solar power products) or (c) where consumers are acquiring services.<sup>153</sup>

Report 672 found that some consumers might still be subject to surcharging. All BNPL providers charged fees to merchants. Merchants were generally contractually prohibited from increasing the cost of goods and services to consumers when using a BNPL arrangement. However, ASIC noted that it was still possible for consumers to be charged more by the merchant when using a BNPL option.<sup>154</sup>

## C. Harms in the United Kingdom pre-regulation

In 2021, the United Kingdom’s Financial Conduct Authority (FCA) published *The Woolard Review: A review of change and innovation in the unsecured credit market* (the Woolard Review).<sup>155</sup> At the time of the Woolard Review, BNPL arrangements not involving interest were not subject to the FCA’s protection for consumer credit arrangements as BNPL providers could rely on the exemption in s 60F(2) of the United Kingdom’s Regulated Activities Order.<sup>156</sup> In addition, as in many other parts of the world, the BNPL market was expanding at the time of the report. Data shared with the FCA showed that “growth in the value of transactions using BNPL to spread the cost over multiple payments has grown significantly this year more than tripling, nearly quadrupling between January and December 2020”.<sup>157</sup>

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<sup>153</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 10.

<sup>154</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC), pages 18–19. URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).

<sup>155</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA). URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>156</sup> The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, s 60F(2) and (3). See also discussion in the Woolard Review page 43.

<sup>157</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 44. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

Part of the Woolard Review discussed the harms of BNPL arrangements. The review relied on some of the main BNPL providers sharing data with the FCA, as well as information from three virtual roundtables attended by 68 people, 64 written submissions to the FCA’s call for input and 22 individual interviews.<sup>158</sup> The following sections synthesise the findings in the Woolard Review regarding BNPL harms.

### Defaults and display of information

In relation to online checkouts, the Woolard Review observed that the provider’s approach to late payments and defaults would often be unclear.<sup>159</sup> The FCA expressed concern that having key information hidden in the terms and conditions could harm the consumer’s ability to “compare payment options and make an informed decision on which payment method is right for them.”<sup>160</sup> In addition, the late payment fees charged could be quite high, and consumers had reported that it could be hard to keep track of their debt and repayments, particularly when they had commitments across multiple providers.<sup>161</sup>

### Potential to create high levels of indebtedness

Consumers were able to look to another BNPL provider if they reached their credit limit or were rejected with one provider. The Woolard Review noted that, “in theory, it would be relatively easy for a consumer to amass around £1000 of BNPL credit using multiple lenders.”<sup>162</sup> Though not in the part of the Woolard Review specifically dealing with BNPL, the FCA observed that a key driver of harm for consumers was where credit was not affordable.<sup>163</sup> Even where consumers were continuing to repay debts, this may have only been because they were cutting back on other essential purchases, failing to repay other debts or taking out further credit: “This situation is both harmful and unsustainable for the consumer”.<sup>164</sup>

### Consumer misunderstanding of buy now, pay later products

The FCA found that the understanding of BNPL varied across consumers, with some not viewing it as a form of credit at all and others viewing it as an equivalent to a debit card.<sup>165</sup> The FCA’s concern was that

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<sup>158</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 3. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>159</sup> *Ibid*, page 49.

<sup>160</sup> *Ibid*.

<sup>161</sup> *Ibid*, page 46.

<sup>162</sup> *Ibid*, page 49.

<sup>163</sup> *Ibid*, page 16.

<sup>164</sup> *Ibid*.

<sup>165</sup> *Ibid*, page 46.

some consumers would not apply the same level of scrutiny to BNPL products as they would to other credit products.<sup>166</sup> For example, customers may fail to consider the consequences of failed repayments.<sup>167</sup>

While most consumers viewed BNPL as a financial service, this understanding came with consequences of its own: many consumers believed BNPL products were regulated and fell within the relevant protections.<sup>168</sup> The FCA was concerned this misunderstanding could impact a consumers' ability to make an informed choice about whether they wanted to use BNPL.<sup>169</sup>

### Presentation of buy now, pay later offers and impact on consumer behaviour

The Woolard Review identified a risk that a strong relationship between the BNPL provider and merchant could be to the detriment of the consumer.<sup>170</sup> For example:

... it could result in the presentation of BNPL offers and the overall consumer journey being designed to drive sales without due consideration for the affordability of the commitment the consumer is taking on.<sup>171</sup>

The FCA observed that BNPL advertising, which often focused on aspiration and living a certain lifestyle, could impact consumer behaviour.<sup>172</sup> It could, for example: (1) present only the benefits of deferred payments before a sale and not make the potential implications as clear, (2) present BNPL as something "everyone else is using" and make it appear similar to debit options and (3) ensure that basic information on simple payment steps is at the forefront, so consumers pay less attention to unfamiliar information on missed or late repayments.<sup>173</sup> The FCA expressed concern that this might mean that consumers were more likely to make impulsive decisions not in their best interests.<sup>174</sup>

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<sup>166</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 46. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>167</sup> Ibid.

<sup>168</sup> Ibid, page 47.

<sup>169</sup> Ibid.

<sup>170</sup> Ibid.

<sup>171</sup> Ibid.

<sup>172</sup> Ibid.

<sup>173</sup> Ibid.

<sup>174</sup> Ibid.

In addition, consumer research participants said the “placement on retailers’ payment pages and references to ‘zero cost’ and ‘new ways to pay’, suggested equivalence to a debit card rather than a credit product.”<sup>175</sup> Again, this impacted the consumer’s ability to make informed decisions.

### The default payment method online

The FCA found that, sometimes, BNPL offers would be presented online as a default payment method or in a long list of indistinguishable payment options.<sup>176</sup> The fact each option was not accompanied by details upfront could make things confusing for consumers and impact their ability to make an informed choice.<sup>177</sup>

### Inadequate protection for vulnerable and young consumers

Respondents were concerned about the risk of harm to those with mental health problems.<sup>178</sup> In a 2016 survey conducted by Money and Mental Health involving nearly 5,500 people, it was found that those with mental health problems were more likely to take out point-of-sale credit than those who did not have a mental health problem.<sup>179</sup> Money and Mental Health’s publication *Convenience at a Cost* also discussed how common symptoms of mental health problems could make it more difficult to manage money and control spending, including low motivation, unreliable memory, limited concentration and reduced planning and problem-solving skills.<sup>180</sup>

The data provided by some BNPL providers indicated that 25% of BNPL users were aged 18–24 years and 50% were aged 25–36 years.<sup>181</sup>

### Credit checks, credit reporting and affordability assessments

As BNPL providers were not required to report repayment history to credit reference agencies,<sup>182</sup> BNPL users with outstanding debt could seek credit from other BNPL providers or other credit providers without their credit history being made available.<sup>183</sup>

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<sup>175</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 46. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>176</sup> *Ibid*, page 48.

<sup>177</sup> *Ibid*.

<sup>178</sup> *Ibid*.

<sup>179</sup> *Ibid*.

<sup>180</sup> *Ibid*.

<sup>181</sup> *Ibid*, page 44.

<sup>182</sup> *Ibid*, page 48.

<sup>183</sup> *Ibid*, page 49.

A major United Kingdom bank reported that:

...of 677,000 of their personal current account (PCA) customers who made a payment to two of the large BNPL providers in November 2020, 10% had exceeded their overdraft allowance in the same month (and therefore exceeded an existing PCA facility in the same period).<sup>184</sup>

The lack of reporting transparency meant that regulated credit and BNPL providers might not have a complete view of a consumer's financial position when assessing affordability.<sup>185</sup>

### Communication of hardship options

The FCA noted that, while most providers reported offering some kind of support for consumers in financial difficulty (such as through the ability to 'snooze' payments for a set time or freeze late fees) the provisions across the products varied significantly.<sup>186</sup> The FCA noted that it was not always clear to consumers what help was available.<sup>187</sup>

## D. Harms in the United States pre-regulation

The United States Consumer Financial Protection Bureau (CFPB) issued mandatory data collection orders to five major BNPL providers in December 2021. In 2022, CFPB published *Buy Now, Pay Later: Market trends and consumer impacts* (the 2022 Report), which discussed the risks of BNPL to consumers.<sup>188</sup> In 2023, CFPB published *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey* (the 2023 Report), which discussed the financial profiles of BNPL consumers.<sup>189</sup> At the time of these two reports, there was no national rule subjecting BNPL products to the same requirements and consumer protections as traditional credit products. In addition, the BNPL industry was less transparent than other

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<sup>184</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 49. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>185</sup> *Ibid*, page 50.

<sup>186</sup> *Ibid*, page 46.

<sup>187</sup> *Ibid*.

<sup>188</sup> Martin Kleinbard, Jack Sollows and Laura Udis. September 2022. *Buy Now, Pay Later: Market trends and consumer impacts*. Consumer Financial Protection Bureau, page 3. URL: [Buy Now, Pay Later: Market trends and consumer impacts](#) (accessed 2 December 2025).

<sup>189</sup> Cortnie Shupe, Greta Li and Scott Fulford. March 2023. *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey*. Consumer Financial Protection Bureau. URL: [cfpb\\_consumer-use-of-buy-now-pay-later\\_2023-03.pdf](#) (accessed 2 December 2025).

credit products, given the “relatively sparse public data and the lack of BNPL loan repayment furnishing to the Nationwide Consumer Reporting Companies (NCRCs).”<sup>190</sup>

Given the slightly different focus of each report, their findings are discussed in turn.

## The 2022 Report

The 2022 Report relied on data from five BNPL lenders, which the providers were required to provide in response to the monitoring orders issued by the CFPB in December 2021.

The 2022 Report identified three broad areas of potential consumer risks: (1) discrete consumer harms; (2) data harvesting; (3) overextension.

### **(a) Discrete consumer harms**

First, the 2022 Report observed a lack of standardised disclosures.<sup>191</sup> The concern was that this would “obscure the true nature of the product as credit and make important information about loan terms, including when and how fees are assessed, and when payments are due, less accessible”.<sup>192</sup>

Second, the 2022 Report noted that dispute resolution was the top-ranking BNPL-related complaint category in the CFPB’s consumer complaint database.<sup>193</sup> Most BNPL providers were not following the regulation Z dispute resolution process, which gave rise to operational hurdles and financial harm. For example, consumers were sometimes required to continue paying instalments while resolution of their return or dispute was pending.<sup>194</sup>

Third, many providers required customers to use autopay, with some providers making the removal of it very difficult or impossible.<sup>195</sup> The concern was that “a policy of requiring autopay may adversely limit

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<sup>190</sup> Martin Kleinbard, Jack Sollows and Laura Udis. September 2022. *Buy Now, Pay Later: Market trends and consumer impacts*. Consumer Financial Protection Bureau, page 7. URL: [Buy Now, Pay Later: Market trends and consumer impacts](#) (accessed 2 December 2025).

<sup>191</sup> *Ibid*, page 72.

<sup>192</sup> *Ibid*, page 73.

<sup>193</sup> *Ibid*.

<sup>194</sup> *Ibid*.

<sup>195</sup> *Ibid*, page 74.

consumer choice and flexibility to elect or change payment methods, or to skip a BNPL payment to satisfy other financial obligations.”<sup>196</sup>

Fourth, all five BNPL lenders attempted to reauthorize failed payments.<sup>197</sup> This could cause consumers harm, for example, the consumer’s bank might charge fees for multiple attempted presentments, or consumers may not have the funds to pay for other obligations.<sup>198</sup>

Finally, late payment fees were creating discrete consumer harms: 7.9% of borrowers were charged at least one late payment fee in 2020, with this number increasing to 10.5% of borrowers in 2021.<sup>199</sup> One lender did not cap late payment fee amounts on either a per-instalment or per-loan basis except where certain states required this.<sup>200</sup> In addition, at least one BNPL lender’s policy allowed it to impose multiple late payment fees on the same missed payment.<sup>201</sup>

#### **(b) Data harvesting**

The 2022 Report found that:

BNPL lenders often collect a consumer’s data—and deploy models, product features, and marketing campaigns based on that data—to increase the likelihood of incremental sales and maximize the lifetime value they can extract from the consumer.<sup>202</sup>

The report identified two broad categories of data use: (1) “Individual consumer demographic, psychographic, and behavioral data, leveraged to optimize the specific products and brands promoted to that consumer” and (2) “aggregated data that modifies the general product experience (font, color scheme, word choice, user flow order, etc.) to drive consumer behavior in subtle ways toward a desired outcome.”<sup>203</sup>

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<sup>196</sup> Martin Kleinbard, Jack Sollows and Laura Udis. September 2022. *Buy Now, Pay Later: Market trends and consumer impacts*. Consumer Financial Protection Bureau, page 74. URL: [Buy Now, Pay Later: Market trends and consumer impacts](#) (accessed 2 December 2025).

<sup>197</sup> *Ibid*, page 28.

<sup>198</sup> *Ibid*, page 74.

<sup>199</sup> *Ibid*, page 9.

<sup>200</sup> *Ibid*, pages 22–23.

<sup>201</sup> *Ibid*, page 23.

<sup>202</sup> *Ibid*, page 75.

<sup>203</sup> *Ibid*.

### (c) Overextension

The 2022 Report noted that overextension was arising in two ways: loan stacking, and sustained usage.<sup>204</sup>

Loan stacking refers to the idea of a consumer taking out two or more concurrent BNPL loans with different lenders. Though each provider might only loan a few hundred dollars, this could impact a consumer's financial health if a consumer borrowed this amount from multiple lenders:

While each individual loan may be manageable, the sum of those concurrent debts may lead to financial stress. The product's ease of use and high approval rates, combined with "dark pattern"-driven user interfaces that entice incremental usage, may amplify this risk.<sup>205</sup>

Sustained usage arises from habitual BNPL usage. This leads to "delinquency or default on other, potentially less discretionary, debts and financial obligations."<sup>206</sup> The attractiveness of BNPL products (no interest charges, easy-to-use and ubiquitous), combined with aspects of BNPL products, such as forced autopay and harvested individual user data, could contribute to patterns of sustained usage.<sup>207</sup>

### The 2023 Report

The 2023 Report used data from 2,036 consumers who took part in the Making Ends Meet Survey, which was fielded from January to March 2022.<sup>208</sup> In the survey, 17% of consumers reported using BNPL at least once in the year before the survey.<sup>209</sup> The 2023 Report found several consistent features across BNPL consumers financial profiles.

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<sup>204</sup> Martin Kleinbard, Jack Sollows and Laura Udis. September 2022. *Buy Now, Pay Later: Market trends and consumer impacts*. Consumer Financial Protection Bureau, page 76. URL: [Buy Now, Pay Later: Market trends and consumer impacts](#) (accessed 2 December 2025).

<sup>205</sup> Ibid.

<sup>206</sup> Ibid.

<sup>207</sup> Ibid.

<sup>208</sup> Cortnie Shupe, Greta Li and Scott Fulford. March 2023. *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey*. Consumer Financial Protection Bureau, page 3. URL: [cfpb consumer-use-of-buy-now-pay-later 2023-03.pdf](#) (accessed 2 December 2025). See also Scott Fulford and Marie Rush. July 2020. *Insights from the Making Ends Meet Survey*. Consumer Financial Protection Bureau, Research Brief No. 2020-1. URL: [Insights from the Making Ends Meet Survey](#) (accessed 2 December 2025).

<sup>209</sup> Cortnie Shupe, Greta Li and Scott Fulford. March 2023. *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey*. Consumer Financial Protection Bureau, page 2. URL: [cfpb consumer-use-of-buy-now-pay-later 2023-03.pdf](#) (accessed 2 December 2025).

### **(a) Credit scores and use of credit products**

The 2023 Report found that consumers who did not use BNPL had consistently higher credit scores on average compared with those who did.<sup>210</sup>

BNPL users were also more likely to have open accounts across all credit products compared with non-BNPL users (with the exception of mortgage products):

The largest differences can be seen for the share of BNPL users compared to non-users who also have an open personal loan (19 percentage points more), retail card (18 percentage points more) or student loan (16 percentage points more). Perhaps surprisingly 88 percent of BNPL users have an open credit card – 13 percentage points more than non-users.<sup>211</sup>

BNPL borrowers were 11% more likely to have been delinquent on at least one of those accounts at some point during the previous year:

9 percent of BNPL users with a credit card were at least 30 days delinquent in paying their bill compared to 3 percent of non-users and 8 percent of BNPL borrowers were delinquent on at least one retail card compared to 1 percent.<sup>212</sup>

### **(b) Liquidity, savings and debt**

The median sum of all reported BNPL purchases among consumers who reported using BNPL in 2021 amounted to US\$1,000:

The median current cash and savings reported by BNPL users at the time of the survey was also \$1,000, with roughly 25 percent of BNPL users reporting zero non-retirement savings and cash that could be used for emergencies. In comparison, 16 percent of non-BNPL borrowers have zero cash and savings (not shown).<sup>213</sup>

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<sup>210</sup> Cortnie Shupe, Greta Li and Scott Fulford. March 2023. *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey*. Consumer Financial Protection Bureau, page 9. URL: [cfpb consumer-use-of-buy-now-pay-later 2023-03.pdf](https://cfpb.com/consumer-use-of-buy-now-pay-later-2023-03.pdf) (accessed 2 December 2025).

<sup>211</sup> *Ibid*, page 11.

<sup>212</sup> *Ibid*.

<sup>213</sup> *Ibid*, page 13.

### **(c) Credit card interest costs for revolvers**

Revolving on a credit card means failing to pay your previous credit card balance in full and therefore paying interest on each purchase. The 2023 Report found that “69 percent of all BNPL users and 42 percent of non-BNPL users were revolving on at least one credit card at the time of the survey in February 2022.”<sup>214</sup>

### **(d) Use of alternative high-interest loan products**

The 2023 Report found that:

... consumers who borrow using BNPL may be more likely than non-BNPL users to also borrow using other small dollar products due to lower credit scores and income on average.<sup>215</sup>

This supported the conclusion that BNPL borrowers were exhibiting significantly higher levels of financial distress than non-users.<sup>216</sup>

## **E. Summary of the overarching harms**

Across each jurisdiction considered above, the harms of BNPL before its regulation were similar: (1) high and multiple late payment fees increasing the cost of purchase and creating financial strain in respect of other commitments, (2) consumers borrowing to repay BNPL debt, (3) marketing leading to a misunderstanding of BNPL, (4) BNPL arrangements and advertising negatively impacting the spending habits and behaviours of borrowers, (5) the lack of affordability assessments and credit checks leading to over indebtedness, (5) the harm caused to young and vulnerable consumers and (6) the unfairness of BNPL providers’ behaviour or policies.

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<sup>214</sup> Cortnie Shupe, Greta Li and Scott Fulford. March 2023. *Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey*. Consumer Financial Protection Bureau, page 17. URL: [cfpb\\_consumer-use-of-buy-now-pay-later\\_2023-03.pdf](https://www.consumerfinance.gov/consumers/articles/consumer-use-of-buy-now-pay-later-2023-03/) (accessed 2 December 2025).

<sup>215</sup> Ibid, page 20.

<sup>216</sup> Ibid, page 21.

## **5. Buy now, pay later providers' terms and conditions post-regulation**

This chapter considers the terms and policies (based on publicly available information) of Zip, Afterpay and Klarna (the BNPL providers) in relation to their business operations in New Zealand in three key areas. As explained at the outset, Payright has been left out of the review as there appear to be no New Zealand-specific terms and conditions available on their webpage and they do not appear to be offering new BNPL contracts.

The terms and policies have been grouped into three key categories: (1) financial hardship (section A), (2) credit checks, reporting and limits (section B) and (3) defaults (section C). The terms and policies have been gathered from each provider's website and documents that are publicly available online. The app of each provider has not been accessed or consulted. The details of the terms and policies are set out in appendices to this report.

Each category is discussed in isolation below. The terms and policies are considered in light of the new laws that apply to the BNPL providers following the September 2024 Regulation and the November 2024 amendments to the regulations (relating to unreasonable fees). Each section concludes by answering the question: do these terms and policies suggest that consumers may be better protected than they were before the September 2024 Regulation?

### **A. Financial hardship**

Part 2, sub-part 8 of the CCCFA outlines the rules about changes to a contract between the debtor and creditor that can be applied for on the grounds of unforeseen hardship. These rules apply to consumer credit contracts. Before the September 2024 Regulation, BNPL contracts were not required to comply with these laws because BNPL contracts were not consumer credit contracts. The September 2024 Regulation has changed this, meaning that laws in part 2, sub-part 8 apply to the BNPL contracts offered by Zip, Afterpay and Klarna after 2 September 2024.<sup>217</sup> These rules are therefore now the minimum standards

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<sup>217</sup> The rules in part 2, sub-part 8 of the CCCFA apply to consumer credit contracts. Regulation 5 of the Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 inserted reg 5B of the CCCFR, which states that a BNPL contract is declared under s 137A(1) of the CCCFA to be a consumer credit contract. The BNPL contracts offered by Zip, AfterPay and Klarna are captured by this.

that BNPL providers must comply with (and apply whether stated in the contract with the customer or not). However, each BNPL provider has their own terms and policies explaining the unforeseen hardship applications and processes. As is apparent from the tables set out in Appendix 1, BNPL providers sometimes say “financial hardship” rather than “unforeseen hardship”, so we use the same wording in this chapter.

The following paragraphs outline the applicable laws under the CCCFA, as well as the extent to which the BNPL providers have communicated these laws to consumers in their terms and policies. Though none of the BNPL providers explicitly refer to part 2, sub-part 8 of the CCCFA, or the sections within it, the providers’ terms and conditions reflect the laws in the CCCFA to varying degrees.

### CCCFA rules on financial hardship – do the providers’ terms comply?

Section 55(1) of the CCCFA states that:

A debtor who is unable reasonably, because of illness, injury, loss of employment, the end of a relationship, or other reasonable cause, to meet the debtor’s obligations under a consumer credit contract and who reasonably expects to be able to discharge the debtor’s obligations if the terms of the contract were changed in a manner set out in section 56 may apply to the creditor to agree to that change.

As shown in the tables set out in Appendix 1, the provider’s terms and policies define “financial hardship” using language very similar to s 55(1).

Section 55(1A) continues:

An application under subsection (1) must—

- (a) be in writing; and
- (b) be given to the creditor; and
- (c) specify the reasonable cause (for example, illness, injury, loss of employment, or the end of a relationship) for the debtor’s inability to meet the debtor’s obligations under the consumer credit contract.

Likewise, s 56(1) deals with changes that are permitted:

An application by a debtor under section 55 must seek to change the terms of the consumer credit contract in one of the following ways:

- (a) extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate or annual interest rates):
- (b) postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate or annual interest rates):
- (c) extending the term of the contract and postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate or annual interest rates).

...

In its disclosure statement, though not explicitly referring to s 55, Zip clearly spells out the three requirements for a hardship application contained in s 55(1A): Zip requires the consumer to make an application in writing, specify the reasons for the application and submit the application to Zip. The same section of the disclosure statement requires the consumer to specify which of the three variations they seek from s 56(1), though again, Zip does not explicitly refer to s 56.<sup>218</sup>

Afterpay's terms state that the consumer must apply in writing, which is required by s 55(1A)(a) (although Afterpay does not refer to s 56).<sup>219</sup> However, Afterpay's hardship webpage also notes that a consumer can talk to someone over the phone.<sup>220</sup> Afterpay's terms defines hardship as:

... you:

- (a) are unable reasonably, because of illness, injury, loss of employment, the end of a relationship, or other reasonable cause, to meet your obligations under the Agreement; and
- (b) reasonably expect to be able to discharge your obligations under the Agreement if the terms were changed in a manner to:

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<sup>218</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (Effective on and from 2 September 2024).

<sup>219</sup> Afterpay [Afterpay Terms – New Zealand](#) (Effective as at 17 October 2024), cl 9.3(a).

<sup>220</sup> Afterpay [We're here to support you](#) at 'How we can help' (accessed 14 November 2025).

- (i) extend the term of the Agreement and reducing the amount of each payment due;
- (ii) postponing, during a specified period, the dates on which payments are due;
- or
- (iii) extending the term of the Agreement and postponing, during a specified period, the dates on which payments are due.<sup>221</sup>

Paragraphs (a) and (b) have almost identical wording to ss 55(1) and the subparagraphs under paragraph (b) state the permitted contract changes contained under s 56(1). However, neither Afterpay’s terms and conditions nor their webpage explicitly state that the consumer must give the reasonable cause in their hardship application, as is required by s 55(1A)(c), or that the consumer must seek to vary the contract in one of the ways specified by s 56(1).

Klarna’s terms inform consumers they can make an application but do not specify the s 55(1A) requirements that the application be in writing, be given to the creditor and contain the reasonable cause for their repayment inability.<sup>222</sup> Klarna’s hardship webpage recommends consumers apply through a chat function in the app or by calling, rather than submitting a written webform.<sup>223</sup> The terms do not mention the three different variation options under s 56(1), only stating that “we may be able to extend the due dates for your payment obligations.”<sup>224</sup> Their webpage similarly only states that “we may then extend the due dates of your instalment payments”.<sup>225</sup> This seems to reflect the option under s 56(1)(b) only.

Section 57 of the CCCFA deals with circumstances where a debtor may not make an application:

- (1) A debtor may not make an application under section 55 if—
  - (a) the debtor is in default of his or her obligation to make payments and, in relation to that default, the debtor—
    - (i) has been in default for 2 weeks or more after receiving a repossession warning notice (see section 83G) or a notice under section 119 of the Property Law Act 2007; or
    - (ii) has failed to make 4 or more consecutive periodic payments by or on the due dates; or

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<sup>221</sup> Afterpay [Afterpay Terms – New Zealand](#) (Effective as at 17 October 2024), cl 12.

<sup>222</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025).

<sup>223</sup> Klarna [Experiencing hardship?](#) at What can I do if I’m experiencing financial hardship? (accessed 14 November 2025).

<sup>224</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025), at Hardship.

<sup>225</sup> Klarna [Experiencing hardship?](#) at What happens next?

- (iii) has been in default for 2 months or more; or
  - (b) *[Repealed]*
  - (c) it was reasonably foreseeable to the debtor at the time the contract was made that the debtor would be unlikely to be able to meet his or her obligations under the consumer credit contract because of the illness, the injury, the loss of employment, the end of the relationship, or the other reasonable cause.
- (2) However, subsection (1)(a) does not prevent an application being made after the debtor has remedied the default (to the extent that it can be remedied).

The BNPL providers offer little information about when an application may not be made. As shown above, the BNPL providers' terms and policies refer to the provider "considering", "assessing" and "deciding" the outcome of the consumer's application. However, the potential bases for refusing the application are not discussed, and none of the points under s 57(1)(a) are raised. Zip's disclosure statement does note that, if a consumer leaves an application too long, Zip "may not have to consider" the application.<sup>226</sup> However, Zip does not clarify why the timing of the application is relevant to their assessment.

Section 57A of the CCCFA deals with the obligations of creditors in relation to an application:

- a) On receipt of an application by a debtor under section 55, the creditor must do the following:
  - (a) within 5 working days after receiving the application, acknowledge receipt of the application by giving a written notice to the debtor (*see* section 26B(1)(a) and (2)(b)):
  - (b) within 10 working days after receiving the application, request any further information from the debtor (but only if that further information is necessary to decide the application) by giving a written notice to the debtor:
  - (c) within 20 working days after receiving the application,—
    - (i) in compliance with the lender responsibility principles (*see* section 9C), decide whether to agree to change the consumer credit contract in accordance with the application; and
    - (ii) give written notice to the debtor of that decision; and
    - (iii) if the creditor does not agree to change the consumer credit contract in accordance with the application, give written notice to the debtor setting out—
      - A) the creditor's reasons for that decision; and
      - B) a clear summary of the debtor's rights under section 58.

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<sup>226</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (effective on and from 2 September 2024).

- b) However, if the creditor has requested further information in accordance with subsection (1)(b), the time within which the creditor must comply with subsection (1)(c) is the later of—
  - (a) 10 working days after receiving the further information; and
  - (b) 20 working days after making the request under subsection (1)(b).
- c) A creditor—
  - (a) must not charge any credit fee in relation to an application (whatever the outcome of the application) if that fee would not, in the absence of the application, be otherwise payable:
  - (b) must, if Part 3A applies, comply with section 83J (which prevents enforcement action until the application is decided).
- d) However, if the application is successful, nothing in subsection (3)(a) prevents a creditor from charging a credit fee that reasonably compensates the creditor for the costs incurred by the creditor in documenting the changes to the credit contract.

Zip and Klarna’s terms and policies do not outline any of the information in s 57A. Afterpay’s terms outline the information in s 57A(1)(a), (b) and (c)(i) and s 57A(1)(2)(a) and (b)<sup>227</sup> but do not inform consumers that, if they refuse the application, they must give reasons and a clear summary of their rights under s 58.

Section 58 outlines changes that a court can make to the consumer’s contract. A consumer may apply to the court to change their consumer credit contract where the creditor fails to notify the debtor of its decision on the consumer’s application in the time frames in section 57A(1)(c) or (2) or the creditor does not agree to change the contract in accordance with the consumer’s application. The BNPL providers do not outline this law in their terms and policies.

Section 59 of the CCCFA outlines the rules for a creditor applying for a variation of change, and s 59A outlines how notices relating to variation applications must be made. These are not covered in the BNPL providers’ terms and policies.

### Financial hardship and consumer understanding

One problem with the BNPL providers’ terms and policies is the potentially confusing way in which the providers display the information. This may make it harder for consumers to understand the financial hardship processes or their options.

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<sup>227</sup> Afterpay [Afterpay Terms – New Zealand](#) (Effective as at 17 October 2024), cl 9.3.

Part of this confusion stems from the fact that each provider offers different levels of financial hardship information. As seen above, Afterpay, for example, informs consumers when their application will be processed, while Zip and Klarna do not. Another example is the information relating to making a hardship application contained in ss 55(1A) and 56(1) of the CCCFA. Zip explicitly communicates this information to consumers and informs them what they must do when applying; Afterpay has all of the information in its terms webpage but does not always explicitly explain to consumers how those terms relate to what the consumer must do when applying for hardship. Klarna communicates very few of the points contained in ss 55(1A) and 56(1).

As well as differing levels of information, consumers cannot be sure that each provider will put the information in the same place. The majority of Zip's hardship information can be found on its webpages and disclosure statement, Afterpay has comprehensive information in its terms, and most of Klarna's information is on its webpage. This means that customers cannot expect consistency across all providers.

At a provider-specific level, there are also confusing aspects to how the information is displayed. Zip, Afterpay and Klarna are discussed in turn below.

#### **a) Zip**

One feature of the display of information that could be confusing is the difference between the information on Zip's Financial Difficulty and Hardship webpage<sup>228</sup> and the information in its disclosure statement.<sup>229</sup> For example:

- (1) the webpage provides a number that consumers can call to reach the Hardship Assist Team,<sup>230</sup> while the disclosure statement tells consumers they need to make an application in writing<sup>231</sup>
- (2) the disclosure statement asks consumers to give their reasons for the request when applying,<sup>232</sup> while the web page is more specific and suggests outlining the circumstances, the amounts they can repay in the meantime and how long they foresee the situation lasting<sup>233</sup>

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<sup>228</sup> Zip [Financial Difficulty and Hardship](#) (accessed 14 November 2025).

<sup>229</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (effective on and from 2 September 2024).

<sup>230</sup> Zip [Financial Difficulty and Hardship](#), at "How do I apply for assistance?" (accessed 14 November 2025).

<sup>231</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#), at "Unforeseen Hardship (a)" (effective on and from 2 September 2024).

<sup>232</sup> Ibid.

<sup>233</sup> Zip [Financial Difficulty and Hardship](#), at "Zip's approach to hardship" (accessed 14 November 2025).

(3) the disclosure statement tells consumers to apply “as soon as possible”, noting that if consumers leave it too long “we may not have to consider your application”.<sup>234</sup> The web page provides no information about when consumers should apply.

The disclosure statement does link to the Financial Difficulty and Hardship webpage. But the disclosure statement does this under the instruction of “make an application in writing via the form at this link”.<sup>235</sup> The disclosure statement does not clarify that important and extra information is contained at that link, so consumers could potentially scroll straight to the form, thinking they’ve already received the full information.

The Financial Difficulty and Hardship webpage does not provide a link to the disclosure statement, nor does it tell consumers to read that statement. This means that consumers who go straight to the webpage may not have all the information, such as the fact that Zip does not have to consider the consumer’s application if it is too late, unless the consumer goes out of their way to search the disclosure statement on their own.

Finally, the Family Violence webpage<sup>236</sup> is not linked in the disclosure statement or the Financial Difficulty and Hardship webpage and vice versa. Family violence is also not one of the possible reasons for financial hardship listed in the disclosure statement. This may make the information contained on this page easy to miss.

### **(b) Afterpay**

There are a few differences between the information in the terms and conditions and the webpage that could be confusing for consumers.

Firstly, the definitions of “hardship” are different between the terms and the webpage. The definition in the terms implies that hardship not only involves being unable to pay but also requires the consumer to

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<sup>234</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#), at “Unforeseen Hardship” (effective on and from 2 September 2024).

<sup>235</sup> Ibid, “Unforeseen Hardship (a)”.

<sup>236</sup> See <https://zip.co/nz/family-violence/>

reasonably expect they can discharge their obligations if the terms were changed.<sup>237</sup> The webpage only describes “financial hardship” as having trouble keeping up with repayments.<sup>238</sup>

Secondly, the webpage gives explicit ways that Afterpay can help,<sup>239</sup> whereas the terms and conditions do not list specific forms of help. Instead, the definition of “hardship” in the terms outlines changes a consumer might reasonably expect to help them meet their obligations.<sup>240</sup> In addition, the way the solutions are framed are different, for example, the terms suggest that the options are reducing or postponing the amount owed,<sup>241</sup> while the webpage suggests late fees will be waived entirely.<sup>242</sup>

Thirdly, the webpage does not outline the timeline for how applications are processed, while the terms and conditions do.<sup>243</sup>

These differences in information mean that, if a consumer does not read both the terms and the relevant webpage, they will likely miss out on important information relating to financial hardship. It is true that both the webpage and the terms provide links to the other. However, while the terms tell consumers that they can use the link to access more hardship information,<sup>244</sup> the webpage does not do the same. The link on the webpage to the terms and conditions is specifically in the context of Afterpay clarifying that payment reversals are not possible.<sup>245</sup> Therefore, consumers who only read the webpage may not realise that there is more information relating to hardship applications in the terms.

### **(c) Klarna**

There appear to be discrepancies between the terms and the webpage: (1) The terms tell consumers to get in touch via email,<sup>246</sup> but the webpage tells consumers it is best to use the chat function in the app or phone;<sup>247</sup> (2) the terms and conditions appear to suggest that the only option will be extending the due

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<sup>237</sup> Afterpay [Afterpay Terms – New Zealand](#), cl 12 (effective as at 17 October 2024).

<sup>238</sup> Afterpay [Hardship](#), at “What is financial Hardship?”

<sup>239</sup> *Ibid*, at “How we can help”.

<sup>240</sup> Afterpay [Afterpay Terms – New Zealand](#), cl 12 (effective as at 17 October 2024).

<sup>241</sup> *Ibid*.

<sup>242</sup> Afterpay [Hardship](#), at “How we can help”.

<sup>243</sup> Afterpay [Afterpay Terms – New Zealand](#), cl 9.3 (effective as at 17 October 2024).

<sup>244</sup> *Ibid*, at “HIGHLIGHTS”.

<sup>245</sup> Afterpay [Hardship](#), at “A note on payment reversals”.

<sup>246</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025), at “Hardship”.

<sup>247</sup> Klarna [Experiencing hardship?](#) at “What can I do if I’m experiencing financial hardship?”.

dates,<sup>248</sup> while the webpage also adds that applicable late fees will be frozen,<sup>249</sup> (3) the terms and conditions do not include any information about entering into a financial hardship arrangement, while the webpage does.

The terms and conditions do mention that customers can find more information on the website, however, no specific webpage is linked. The webpage does not link to the terms and conditions.

## Are consumers better protected following the September 2024 Regulation?

Before the September 2024 Regulation, BNPL providers already had financial hardship policies in place. For example, a 3-year-old Afterpay webpage on financial hardship under a “how can we help” section read:

The first step is to get in touch with us. You can fill out this secure form. We have a dedicated team that will help you get back on track. We will talk through your circumstances to understand what options are available to help improve your situation. Together, we will make a plan that suits your needs. This may involve moving payment dates, waiving late fees or arranging a payment plan. If you have any other questions about Afterpay. Be sure to check out our Help Centre.<sup>250</sup>

This is very similar to the current Afterpay webpage, which recommends getting in touch with Afterpay to discuss options, such as “adjusting your payment schedule”, “waiving late fees” and “setting up a payment plan”.<sup>251</sup>

However, it seems that, legally, consumers are better protected following the September 2024 Regulation. BNPL providers are all now subject to the rules under part 2, sub-part 8 of the CCCFA, which ensures consumers are consistently protected to the same level across the different providers. It also means consumers have automatic legal protection, irrespective of the provider’s particular policies. Consumers also have more options due to the application of these rules, such as the ability to apply to the court with their hardship application where necessary.<sup>252</sup>

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<sup>248</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025), at Hardship.

<sup>249</sup> Klarna [Experiencing hardship?](#) at What happens next?

<sup>250</sup> Afterpay [Hardship](#), at “What is financial Hardship?”

<sup>251</sup> *Ibid.*

<sup>252</sup> Credit Contracts and Consumer Finance Act 2003, ss 58.

A further benefit of the September 2024 Regulation is that information appears to be more formally incorporated in the contractual terms, as opposed to simply being webpage policies. For example, Zip’s terms from 4 June 2023 until the end of 1 September 2024 had no clauses about financial hardship.<sup>253</sup> Zip’s current disclosure statement now includes “financial hardship” as a key term.

Overall, the September 2024 Regulation has resulted in financial hardship relief being treated as a more formal, accessible and enforceable part of BNPL services, suggesting that consumers are better protected.

However, a persisting problem is that consumers may not understand the options they have in the event of financial hardship. Though information about financial hardship is outlined in the terms of each BNPL provider, the confusing, inconsistent and sometimes contradictory way in which the BNPL providers communicate this information may make it hard for consumers to understand their rights and obligations.

## Credit reporting, checks and limit

This section begins by defining some of the key terms.

The act of “credit reporting” in the context of BNPL refers to BNPL providers reporting a consumer’s credit activity—repayments or defaults— to a credit bureau.<sup>254</sup>

In the context of BNPL, the term “credit checks” refers to a BNPL provider obtaining a credit report on the consumer from a credit bureau when deciding whether to loan money to that consumer, and if so, how much.<sup>255</sup>

“Credit limit” or “spend limit” refers to the amount of money a BNPL provider decides to make available to a consumer by way of loan.<sup>256</sup>

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<sup>253</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (effective on and from 2 September 2024).

<sup>254</sup> See, for example, Afterpay [What is Credit Reporting and what information does Afterpay report on? – Afterpay](#) (16 December 2024); and Zip [2024 Terms & Conditions FAQs – Zip Co NZ](#).

<sup>255</sup> Ibid.

<sup>256</sup> See for example Afterpay [How much can I spend with Afterpay? – Afterpay](#) (accessed 3 December 2025); Zip [How is my spend limit determined? – Zip Co NZ](#) (accessed 3 December 2025) and Klarna [How much am I eligible to spend? | Klarna New Zealand](#) (accessed 3 December 2025).

An “affordability assessment” involves a lender assessing whether a borrower can make “loan repayments without suffering substantial hardship”.<sup>257</sup> Affordability assessments commonly involve: (1) looking at the applicant’s income and expenses, (2) asking the applicant about any likely changes in income and (3) verifying the applicant’s income and expenses.<sup>258</sup>

Section 9C(3)(a)(ii) of the CCCFA deals with affordability assessments and requires a lender to be satisfied that it is likely the borrower will make the payments under the agreement without suffering substantial hardship. Before the September 2024 Regulation, this responsible lending obligation did not apply to BNPL providers because BNPL contracts did not meet the definition of consumer credit contracts.<sup>259</sup>

Some BNPL providers nevertheless have stated that, before the September 2024 Regulation, they engaged in voluntary credit checking and reporting and that they used this information to determine whether the consumer could afford BNPL.<sup>260</sup> In May 2023, the New Zealand BNPL industry partnered with Centrix to create a BNPL indebtedness indicator and credit reporting model called “PayWatch”.<sup>261</sup> In its submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Regulations Bill, Afterpay described PayWatch:

Under PayWatch, each BNPL industry participant accessing the Centrix service will be alerted if a new account applicant has an active overdue account with another BNPL provider. The service operates based on a daily feed from each participant denoting every active account that is overdue, in circumstances where a customer has consented to their information being disclosed for this purpose. Where one or more payments is more than seven days overdue, we will be

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<sup>257</sup> Insurance and Financial Services Ombudsman Scheme [Unaffordable and unsuitable lending](#).

<sup>258</sup> Ibid.

<sup>259</sup> Part 1A of the CCCFA 2003 deals with lender responsibilities. Part 1A, s 9B states that an “agreement” means a “consumer credit contract” or “buy back transaction”. Section 9C(3) deals with lender responsibility principles that apply to “agreements”. This meant that, before BNPL contracts were declared consumer credit contracts, they were not captured by these laws.

<sup>260</sup> MBIE. November 2021. Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them. Ministry of Business, Innovation and Employment, page 17. URL: Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them (accessed 27 November 2025) and AfterPay “Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Regulations Bill” at 16. <https://www.mbie.govt.nz/dmsdocument/27465-afterpay-submission-on-buy-now-pay-later-draft-credit-contracts-and-consumer-finance-amendment-regulations-2022-pdf>

<sup>261</sup> Centrix. 10 May 2023. [Centrix Paywatch initiative to deepen BNPL customer protections](#).

alerted of that new customer’s status, and the number of BNPL providers that have provided an overdue status on that customer.<sup>262</sup>

PayWatch was therefore a form of both credit checking and reporting. A BNPL provider could report to Centrix if the consumer’s payment was overdue by a certain time, and if the consumer signed up for a new account with a different BNPL provider, that provider could check the consumer’s BNPL-related indebtedness.<sup>263</sup> Some BNPL providers claimed to use PayWatch as part of their voluntary affordability assessments before the September 2024 Regulation.<sup>264</sup>

However, PayWatch was not a formal form of credit checking or reporting and did not impact a consumer’s credit score.<sup>265</sup> There were also no legal parameters on how a BNPL provider had to use the information gained from PayWatch. That is, a BNPL provider was not legally required to use the PayWatch information to assess whether a consumer could afford a BNPL loan without falling into hardship. As observed by Afterpay in 2023, each BNPL provider using PayWatch was “still responsible for making their own independent decision on whether to provide its services to any such customer.”<sup>266</sup> How BNPL providers actually relied on PayWatch data when setting initial spend limits is also unclear. Some BNPL providers appeared to have had automatic spend limits. For example, one BNPL provider had an automatic \$600 spend limit.<sup>267</sup> Data provided by BNPL lenders for the year 2020/21 showed that the average BNPL credit limit in New Zealand was \$592.12.<sup>268</sup>

Following the September 2024 Regulation, BNPL providers are still exempt from undertaking affordability assessments, but only if they comply with the legal obligations contained under reg 18K(3), (4) and (5) of

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<sup>262</sup> AfterPay “Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Regulations Bill” at 16. <https://www.mbie.govt.nz/dmsdocument/27465-afterpay-submission-on-buy-now-pay-later-draft-credit-contracts-and-consumer-finance-amendment-regulations-2022-pdf>

<sup>263</sup> AfterPay [What is PayWatch? Why can’t I open an account? – Afterpay](#) (17 April 2023)

<sup>264</sup> AfterPay “Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Regulations Bill” at 16.

<sup>265</sup> AfterPay [What is PayWatch? Why can’t I open an account? – Afterpay](#) (17 April 2023)

<sup>266</sup> AfterPay “Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Regulations Bill” at 16.

<sup>267</sup> Edmunds, Susan. 25 July 2024. “Here’s why it could get harder to extend your Afterpay” Radio New Zealand. URL: [Here's why it could get harder to extend your Afterpay | RNZ News](#) (accessed 27 November 2025).

<sup>268</sup> Cabinet briefing paper “Preventing financial hardship caused by the use of Buy-Now, Pay-Later” (10 November 2022) at 3.

the CCCFR. If a BNPL provider does not comply with those subsections, they are no longer exempt and must perform affordability assessments. To rely on the exemption, the BNPL provider must obtain information from a credit report;<sup>269</sup> engage in credit reporting;<sup>270</sup> disclose to the borrower the dates and amount of payments required for the purchase and details of any default fees that may be payable;<sup>271</sup> and have a credit policy.<sup>272</sup> Afterpay, Zip and Klarna all currently rely on this affordability assessment exemption.<sup>273</sup> Accordingly, these BNPL providers must perform a credit check by obtaining a credit report before they set or increase a consumer's spend limit. They are now also legally required to engage in credit reporting (providing data back to the credit bureau).

Appendix 2 to this report sets out the information publicly available from Zip, Klarna and Afterpay on how they engage in credit checking and reporting and how they set credit (that is, spend) limits. While the CCCFR requires providers to have a credit policy that explains how credit reporting information is used, this is not publicly available information.

## Are consumers better protected than they were before the September 2024 Regulation?

It is clear that the BNPL providers have amended their terms and policies to reflect their new legal obligations under the September 2024 Regulation in relation to credit checking and reporting. Because the BNPL providers have opted to be exempt from the affordability assessment obligation, they must undertake a credit check when allocating and increasing a spend limit, and they must report credit information to credit bureaus.

It is unclear from looking at the providers' terms, which reflect their legal obligations, whether the September 2024 Regulation has resulted in consumers having better protection. The benefit of credit checks is that they "enable providers to understand the risk of lending to the consumer and the certainty

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<sup>269</sup> Regulation 18K(3)(a).

<sup>270</sup> Regulation 18K(3)(b).

<sup>271</sup> Regulation 18K(4)(a).

<sup>272</sup> Regulation 18K(4)(b). This credit policy must (i) explain how the lender will use credit report information when assessing whether or not to provide credit to a borrower; (ii) be complied with by the lender and (iii) be available to the Commerce Commission on request.

<sup>273</sup> An OIA request response from the Commerce Commission on 18 August 2025 said the Commerce Commission believed these providers were relying on the affordability exemption. Another OIA request response from the Commerce Commission on 19 May 2025 said no BNPL providers had provided their credit policy to the Commerce Commission.

of repayment”.<sup>274</sup> The thinking behind requiring credit checks as a condition of the affordability assessment exemption was that BNPL “would have more accurate information about a borrower’s financial position” and that this would make BNPL providers more careful about who they lent to.<sup>275</sup> Accordingly, the requirement for credit checks was deemed sufficient to “reduce the risk of consumers getting into problem debt”.<sup>276</sup>

But behind this reliance on credit checks lies three assumptions: (1) that a provider will use the credit information to inform their decision whether and how much to lend; (2) that the provider will lend in a manner that protects consumers who cannot afford it; and (3) that a credit check will reveal if a person can afford to take out a BNPL contract. It is unclear whether these assumptions are true in practice. As Afterpay, Zip and Klarna are relying on the affordability assessment exemption, this means they must have a credit policy explaining how they use credit report information when assessing whether or not to provide credit to a borrower. However, an OIA request revealed that the providers have not provided their credit policy to the Commerce Commission, and the providers do not appear to have made their credit policies publicly available on their websites. One provider has indicated that some of the “data points typically considered in automated approval decisions for Buy Now Pay Later (BNPL) services” include: credit score; income; employment stability; spending patterns; debt-to-income ratio; residential status; identity and age verification; credit history; affordability assessment; savings and investments and outstanding credit.<sup>277</sup> It is possible to infer from this that the September 2024 Regulation has, to some extent, caused some BNPL providers to lend more carefully and in a manner that protects consumers who cannot afford it.

Irrespective of the provider’s individual policies, legally, a BNPL provider is not required to use the credit information to inform their decision whether and how much to lend. Nor is a provider required to lend in a manner that protects consumers who cannot afford it. In this way, the position is much the same as it was before the September 2024 Regulation. Most providers were already using PayWatch to perform

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<sup>274</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 17. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>275</sup> Cabinet paper “Fit for purpose regulation of consumer credit” (9 August 2023) at 12 (Cabinet Paper Fit for Purpose Regulation).

<sup>276</sup> MBIE. 1 November 2024. [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (Ministry of Business, Innovation and Employment).

<sup>277</sup> Klarna [Why wasn’t my purchase approved with Klarna? | Klarna New Zealand](#) (accessed 18 November 2025).

informal credit checks but have retained the discretion to lend as they liked without considering affordability. Providers now legally have to obtain a credit report, but they ultimately can decide if and how much they want to loan to the consumer, without turning their mind to or basing their decision on careful consideration of affordability.

One might consider that affordability assessments to be unnecessary, because a BNPL provider's interest in being paid will mean that it does not loan to consumers who cannot afford it. Like all commercial lenders, BNPL providers have incentives to reduce defaults. If a credit check reveals that the consumer cannot afford a BNPL loan, or that they would be unable to repay a large loan, then it would not be in the BNPL provider's best interest to ignore that information.

But there are two points that can be made in response to this. First, it may be that BNPL providers are not as concerned about defaulting as other consumer credit providers. When the Minister of Commerce and Consumer Affairs was considering exempting BNPL providers from the unreasonable fees requirement under the CCCFA, FinCap made a submission to MBIE.<sup>278</sup> In its submission, FinCap observed that BNPL providers may actually have a "limited regard to individual borrower's ability to repay" and that such providers choose to "accept a greater portion of 'bad debt'."<sup>279</sup> For this assertion, FinCap relied on an insight from the Centrix credit reporting bureau, which FinCap said "regularly discloses that BNPL lenders who have reported have a far greater portion of loans 90 days overdue than other types of consumer credit".<sup>280</sup> This could suggest that some BNPL providers simply loan money while taking the risk that the consumer (or a proportion of consumers) will default.<sup>281</sup>

Second, even if a BNPL provider *did* carefully consider the risk of the consumer defaulting, there is a difference between default-risk assessments and affordability assessments. An affordability assessment is about protecting the borrower by assessing their risk of falling into debt. A default-risk assessment is focused on the consumer's likelihood of defaulting on a payment obligation.<sup>282</sup> A credit check might reveal

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<sup>278</sup> FinCap "Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations Bill 2024".

<sup>279</sup> *Ibid*, at 2.

<sup>280</sup> *Ibid*.

<sup>281</sup> *Ibid*.

<sup>282</sup> Julia Kagan. 12 November 2025. [Understanding Default Risk: Definition, Types, and Measurement Methods](#) (accessed 3 December 2025).

that the consumer cannot afford a BNPL and that they are at a high risk of defaulting on future BNPL repayments. For example, the consumer’s credit report might reveal that their income does not accurately cover their financial commitments, and they have a poor BNPL repayment history.<sup>283</sup> In this scenario, the BNPL provider’s interest in avoiding defaults and the interest in offering loans that consumers can afford happen to overlap.

However, there may be instances where a consumer is at a low risk of defaulting but nevertheless cannot afford the BNPL loan. For example, a credit check may reveal that the consumer consistently meets their debt obligations and has a strong repayment history with BNPL loans. A default-risk view might suggest the BNPL provider should loan more money to the consumer. In actuality, it may be that the consumer is meeting their debt obligations, but only because they are forgoing essential living expenses<sup>284</sup> and/or getting loans from family and/or friends to meet their debts.<sup>285</sup> In addition, BNPL providers automatically charge cards directly to take payment, and certain borrowers appear to prioritise BNPL repayments over other debts.<sup>286</sup> Therefore, the consumer’s repayment history for BNPL debt may be consistent but not because they can afford it. A credit check, and a default-risk focus from BNPL providers, would not catch these circumstances. Only an affordability assessment would. Therefore, it may well be that the September 2024 Regulation requirement for credit checks has not reduced “the risk of consumers getting into problem debt”<sup>287</sup> at all.

In addition, similar to the point raised in respect of the financial hardship terms and policies, there are further concerns about how BNPL providers present the terms relating to credit checks and reporting. Credit checks and reports can impact a consumer’s credit score, so understanding how they work is

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<sup>283</sup> Cabinet briefing paper “Preventing financial hardship caused by the use of Buy-Now, Pay-Later”, above n 271, at 9.

<sup>284</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 14. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>285</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, pp 25–26. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>286</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 14. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>287</sup> MBIE. 1 November 2024. [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (Ministry of Business, Innovation and Employment, MBIE).

important for a consumer to make informed decisions. Despite this, the information about what information is checked, how often it's checked and how it impacts credit score is often confusingly displayed across different documents and webpages, as illustrated by the following commentary.

**(a) Zip**

Zip's disclosure statement says that "This Disclosure Statement, together with the Pay in 4 terms and conditions ("Terms and Conditions") and the email notification of your Spend Limit sets out key information about your consumer credit contract."<sup>288</sup> However, most of Zip's information about credit reporting is in Zip's webpages and its privacy policy, not in its terms or disclosure statement. This could be confusing for consumers: They may believe they have understood all the key information after reading the disclosure statement and terms but may have in fact missed important information.

In addition, the fact information about credit reporting is on a web page for "Terms and Conditions FAQs"<sup>289</sup> might add to this confusion – as just mentioned, information about credit reporting isn't contained in the terms and conditions.

Further, the terms and conditions, and the disclosure policy, do not refer customers to the relevant sections in the privacy policy, or the webpage. The terms and conditions / disclosure statement refers to the privacy policy at one point when it says that "The information we collect in respect of this Agreement is subject to our Privacy Policy."<sup>290</sup> But sharing credit information about consumers with third parties is not a matter of collection: that relates to the sharing/transferring of consumer data. This could cause consumers to think there is nothing relevant in privacy policy.

Finally, the website informs consumers that the primary factor impacting their spend limit is their credit score. Meanwhile, the terms and conditions state that the spend limit is dependent on "a number of factors".<sup>291</sup> The term "credit score" is not used, only "information gathered from third parties".<sup>292</sup> This could create confusion for consumers and may not alert them to the relevance of credit checks.

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<sup>288</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (effective on and from 2 September 2024).

<sup>289</sup> Ibid.

<sup>290</sup> Ibid.

<sup>291</sup> Ibid, cl 6.1.

<sup>292</sup> Ibid, cl 6.1.

### **(b) Afterpay**

Interestingly, Afterpay’s terms do not explain how credit reporting works or where information relating to credit reporting can be accessed. Most of the information spans various webpages. While Afterpay uses Paywatch, there is limited information about this, and the most recent page is 2 years old.<sup>293</sup>

### **(c) Klarna**

Helpfully, Klarna links their privacy policy within the terms and conditions, noting that the use of Klarna services is also governed by the Klarna Shopping Service and the Klarna Privacy Policy.<sup>294</sup> This makes it clear that important information may be contained in the privacy policy.

However, there does not seem to be a great deal of information on how the new regulation applies to customers. For example, the web page discussing spend eligibility lists relevant factors, but does not refer to credit checks.<sup>295</sup> In addition, there appears to be no page or announcement dealing with how regulations will impact existing and new customers. As such, some consumers may be unaware there have been regulatory shifts that impact them.

## **Summary**

The idea behind requiring credit checks and credit reporting in place of affordability assessments was that BNPL providers would lend more carefully, and this would prevent consumers from “getting into problem debt”.<sup>296</sup> It is unclear from looking at the relevant regulations and the providers’ terms whether the September 2024 Regulation has actually achieved this. There is no legal obligation on BNPL providers to use the information in the credit reports when they set or increase a consumer’s spend limit. This means that legally, a BNPL provider can still lend money to a consumer who cannot afford it. There is an additional problem in that the BNPL providers display the information about credit checks and reporting in a confusing and hard-to-follow manner. This may harm a consumer’s ability to make informed decisions about their financial choices.

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<sup>293</sup> AfterPay [What is PayWatch? Why can't I open an account? – Afterpay](#) (accessed 3 December 2025).

<sup>294</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025).

<sup>295</sup> Klarna [How much am I eligible to spend? | Klarna New Zealand](#) (accessed 3 December 2025).

<sup>296</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 14. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

## Defaults

When a consumer defaults on a BNPL payment (that is, they fail to pay an instalment at the scheduled time), there are broadly two procedures that become relevant: late payment fees and debt collection. Late payment fees are the amount a BNPL consumer will be charged on top of the purchase price.<sup>297</sup> Debt collection refers to the process of a BNPL provider appointing a third party (as agent) to follow up on the consumer's debt.<sup>298</sup>

The September 2024 Regulation as initially drafted imposed rules that BNPL providers would be subject to the CCCFA requirements relating to reasonable fees.<sup>299</sup> As discussed in chapter 2 of this report, on 1 November 2024, the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations 2024 came into force. These regulations amended the CCCFR, causing BNPL contracts to be exempt from the CCCFA rules relating to reasonable fees.<sup>300</sup> Accordingly, since 1 November 2024, the September 2024 Regulation has not impacted the BNPL providers' ability to set or charge late fees or the amount of those fees.

The September 2024 Regulation did not change the law around debt collection other than to apply the Part 3A of the CCCFA, which contains rules around repossession of consumer goods to BNPL contracts.

Appendix 3 sets out the information provided by each of the three BNPL providers on debt collection and fees, based on publicly available information. In each case, this has not changed from the information made available before the September 2024 Regulation.

## Are consumers better protected than they were before the September 2024 Regulation?

The September 2024 Regulation has not changed the legal requirements in respect of late payment fees payable under BNPL contracts. Late payment fees continue to be calculated and applied as they were in

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<sup>297</sup> See for example Afterpay [Afterpay Terms – New Zealand](#), sch 1 (effective as at 17 October 2024); Zip [How do late fees work? – Zip Co NZ](#) (accessed 17 November 2025) and Klarna [Why was I charged a late fee? | Klarna New Zealand](#) (accessed 17 November 2025).

<sup>298</sup> Afterpay [Afterpay Terms – New Zealand](#), cl 2.6(b) (effective as at 17 October 2024); Klarna [Klarna: Klarna's Privacy Policy](#) at cl 6.12 (30 October 2025); and Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) at cl 7.7 (effective on and from 2 September 2024).

<sup>299</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023.

<sup>300</sup> Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations 2024.

2023. For example, Afterpay's current late fee schedule came into force on 19 June 2023,<sup>301</sup> and Zip's current late fee approach came into force on 31 July 2023.<sup>302</sup> Therefore, consumers are no better protected against unreasonable fees.

There appear to have been no changes to debt collection processes. For example, Zip's terms and conditions that were effective from 4 June 2023 until 1 September 2024 stated:

You agree that if you do not pay us an amount you have agreed to pay under this Agreement on time, we may appoint a third party collection agency to collect any amounts owing and this does not require your consent or agreement. We will act in accordance with any applicable laws when appointing a third party collection agency.<sup>303</sup>

The only change to this term from 2 September 2024 is that it is now clause 7.7 and adds the words "or Payment Schedule" following the word "Agreement".<sup>304</sup>

None of the BNPL providers appear to have changed their terms or policies to reflect that they are now subject to the Part 3A CCCFA rules of repossession.

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<sup>301</sup> Afterpay [Important changes to our Late Fees Policy and Terms of Service - 17 April 2023 – Afterpay](#) (14 April 2023).

<sup>302</sup> Zip [How do late fees work? – Zip Co NZ](#) (accessed 17 November 2025).

<sup>303</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) at cl 6.7 (effective on and from 2 September 2024).

<sup>304</sup> Zip "Summary of changes to our Pay in 4 Terms and Conditions" (14 August 2024) <zip.co> (Zip Summary of Changes). <https://zip.co/nz/wp-content/uploads/2024/08/Communication-summary-of-changes-for-Pay-in-4-disclosure-and-TCs.pdf>

## 6. Harms post-regulation

At the time of writing this report, it has been just over a year since the September 2024 Regulation. Under that law change, BNPL providers who have chosen to rely on the affordability assessment exemption are required to report credit information on consumers to a credit bureau and must obtain a credit report on consumers when the consumers create an account and when the provider increases the consumer's spend limit.

As outlined in the chapter above, the justification behind requiring credit checks as a condition of the affordability assessment exemption was that BNPL providers "would have more accurate information about a borrower's financial position", and this in turn would make BNPL providers more careful about who they lent to.<sup>305</sup> Accordingly, the requirement for credit checks was deemed sufficient to "reduce the risk of consumers getting into problem debt".<sup>306</sup>

Data has been collected by FinCap from financial mentors around use of BNPL and the incidence of BNPL debt in clients seen post September 2024. This data, which has been gathered from Client Voices (a management tool that allows mentors to store client information), gives an insight into whether BNPL products are continuing to contribute to problem debt. The key findings from the FinCap data are as follows.

- Presentations of people in hardship with BNPL continue to increase.
- The median size of outstanding BNPL debts has been much more stable since regulatory intervention. However, it is higher than most earlier points in the time series.
- Those with a BNPL debt are still far more likely to be in budget deficit.
- Those with BNPL loans are spending more of their income on debt repayments than those without.
- Those with BNPL continue to be far more likely to have outstanding overpayment amounts or hardship grant related debt to the Ministry of Social Development.
- Those with BNPL debts are more likely to seek early withdrawal of retirement savings.
- Younger people are more likely to present in hardship with BNPL debt.
- Women continue to present more often in general and even more so with BNPL debt.

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<sup>305</sup> Cabinet Paper Fit for Purpose Regulation, above n 278, at 12.

<sup>306</sup> MBIE. 1 November 2024. [Buy Now Pay Later | Ministry of Business, Innovation & Employment](#) (Ministry of Business, Innovation and Employment, MBIE).

- Disproportionate presentations for Māori in general are slightly extended for presentations with BNPL and continue.<sup>307</sup>

These findings suggest that the September 2024 Regulation has not had a significant impact on protecting consumers from the potential harms caused by BNPL products.

In addition to the FinCap data just discussed, FinCap coordinated a focus group session with financial mentors during September 2025, at which financial mentors had the opportunity to give their perspectives on the harms of BNPL and changes that they observed in the last year. The FinCap data plus the information from the focus group give us information on the prevalence of BNPL among people seeking assistance from financial mentors around New Zealand.

The focus group with mentors revealed the following key points.

- In previous focus groups, mentors had raised concerns about multiple BNPL loans causing distress because the many repayments coming out in a pay cycle were hard for clients to remember. Mentors in this focus group said the change in product design, allowing users to choose a single payment day for instalments across multiple purchases, had helped resolve this issue and had helped borrowers better understand the amount they had borrowed.
- The focus group did not have consensus about whether there had been any clear trends to the amounts advanced by BNPL providers since the regulatory change (in other words, mentor did not have consensus about whether spend limits had increased since the September 2024 Regulation). Many in the group raised concerns about unsolicited increases of credit limits. Some were worried that borrowers wouldn't have given informed consent for the credit checking that occurs when the limit increases and speculated that changes to providers' terms and conditions to allow this wouldn't have been read (as impractical) before an increased spend limit was agreed.
- Some mentors noted there had been improvements to the way apps from BNPL providers allowed people to reduce their borrowing limit and set a time before it began to automatically increase again. This contrasts with feedback in the last few years that reducing credit limits was overcomplicated. Mentors also noted that the automatic increase in credit limits could impact the outcome of affordability assessments from other lenders. This is because many lenders who are subject to affordability assessment requirements assess affordability on the assumption that a

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<sup>307</sup> The full report of the FinCap data is annexed as appendix 4 to this report.

consumer's credit card or other credit facility is fully drawn. As a result, an increase in a consumer's credit limit may cause them to fail an affordability assessment because, on paper, they could borrow up to that limit any time and would no longer be able to meet other repayment obligations without substantial hardship.

- Mentors in the focus group shared that borrowers rarely present to specifically request help with BNPL loans, and instead, other debts had them worried. Mentors commented that BNPL lenders were easy to work with to form reasonable and affordable payment plans where the clients opted to take this approach. However, mentors noted the borrowers rarely wanted to access hardship support from BNPL lenders, as they were aware, or were informed, that, if they pursued a hardship application, they would no longer be able to make purchases with BNPL. BNPL lenders have promoted this policy as an example of their responsible lending. However, borrowers' loss aversion means they are unlikely to take up what could be seen as better practice hardship assistance compared with other lenders.
- In contrast to the comments on BNPL lender hardship support being helpful when it was engaged with, the focus group also repeatedly commented that BNPL lenders were quick to send loans on to specialist debt collection. This was likely to happen where payments were missed, but the borrower did not engage with the provider to make arrangements for repayments.
- Mentors in the focus group noted BNPL are sometimes accessed after other loan repayments have become unaffordable because affordability requirements that other lenders are subject to (being stricter) ruled out other credit options.
- Some mentors commented that most people with benefit incomes were presenting with BNPL debt.
- Some in the focus group noted a trend of clients looking to keep BNPL accounts open through KiwiSaver hardship withdrawals and being reluctant to include BNPL in insolvency proceedings due to the loss aversion (risk of losing access to BNPL) discussed earlier.

As outlined in chapter 4, a range of harms were associated with BNPL before its regulation as a consumer credit contract. This chapter examines some of those harms in the post-regulation context, incorporating relevant comments from the focus group. Specifically, it is set out in eight sections: (A) high and multiple late payment fees increasing the cost of purchase and creating financial strain on other commitments; (B) the lack of affordability assessments and credit checks leading to over indebtedness; (C) marketing leading to a misunderstanding of BNPL; (D) BNPL arrangements and advertising negatively impacting the spending

habits and behaviours of borrowers; (E) the harm caused to young and vulnerable consumers; (F) the unfairness of BNPL providers' behaviour or policies; (G) the use of BNPL for essential items and services and (H) BNPL and purchasing alcohol.

## A. Late payment fees

Before the September 2024 Regulation, the concern with late payment fees was that they could add to the debt that a consumer already has and the overall cost of the purchase and could impact the consumer's ability to meet other expenses.

The September 2024 Regulation does not protect consumers from unreasonably high late payment fees. As discussed in chapter 2, under reg 18M of the CCCFR, BNPL contracts are exempt from the requirement under s 41 of the CCCFA to not provide for unreasonable credit fees or default fees. This means that it is still legal for a lender to unreasonably charge more than the total amount advanced in default fees. As noted in FinCap's submissions at the time the Minister of Commerce and Consumer Affairs was considering exempting BNPL providers from s 41 of the CCCFA. This means that a consumer could "in a short period of time, end up owing far more in principal and fees than they would on another loan that is in no way exempt from CCCFA requirements".<sup>308</sup> This problem remains applicable following the September 2024 Regulation. For example, one BNPL provider allows consumers to make purchases ranging from \$1 to \$5,000.<sup>309</sup> It has a blanket rule that late payment fees per purchase are capped at \$40 and that it will charge a \$10 default fee each time an instalment is late, up to this \$40 cap.<sup>310</sup> Therefore, in theory, it seems that what was initially a low cost purchase – say \$20 – could eventually become a \$60 purchase once late payment fees are added.<sup>311</sup>

The impact of late payment fees on consumers is likely worse where a consumer has late fees across multiple purchases. The September 2024 Regulation has not restricted a provider's ability to charge late payment fees across multiple purchases. On the contrary, following the September 2024 Regulation, one provider changed its terms to make it even clearer that they *can* charge late payment fees across multiple

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<sup>308</sup> FinCap "Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations Bill 2024", at 3.

<sup>309</sup> Zip [How do I increase my Zip Money credit limit? – Help Centre](#) (accessed 18 November 2025).

<sup>310</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) at cl 2 and 7 (effective on and from 2 September 2024).

<sup>311</sup> See also FinCap "Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations Bill 2024", at 3.

purchases. The provider's terms and conditions from 4 June 2023 until 1 September 2024 read: "The total of all Late Fees we charge you in relation to this Agreement is capped at \$40."<sup>312</sup> The same term applicable from 2 September 2024 was changed to: "The total of all Late Fees we charge to your Payment Method in relation to each Purchase is capped at NZ\$40."<sup>313</sup>

The FinCap data suggests that, since quarter 3 of 2024, there has been a decrease in the number of consumers presenting with more than one BNPL debt.<sup>314</sup> At face value, this might suggest the September 2024 Regulation has been partially successful in reducing the risk of hardship from having late fees across multiple BNPL debts. However, the financial mentors at the focus group observed that the two most prominent BNPL lenders now allow multiple loan repayments and late fees to be bundled into a single payment.<sup>315</sup> In addition, it seems that some mentors have been recording multiple BNPL debts as one debt. As a result, the decline in consumers presenting with more than one BNPL debt may simply reflect changes in lender practices or recording methods, rather than a genuine reduction in the number of consumers holding multiple BNPL debts.

- Focus group quote: "It's more about the [multiple BNPL loans] because it's not so much that you take out one and it becomes a problem. The problem is you take it out and then that leaves you short the next week. So, then you take another and another and another".

## B. Over-indebtedness

Another concern with BNPL pre-regulation was that it could lead to financial overcommitment or over-indebtedness in cases where a BNPL provider loaned more than a consumer could repay or afford. The harm of this financial overcommitment / over-indebtedness was that individuals might have to borrow more money to repay BNPL debts or forgo other essential goods and services.

It seems that BNPL continues to create this kind of financial hardship. The FinCap data suggests that BNPL continues to be a type of debt that is leading to consumers getting into unmanageable debt situations.<sup>316</sup>

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<sup>312</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) at cl 2 and 7 (effective on and from 2 September 2024), at cl 6.6.

<sup>313</sup> Zip Summary of Changes, above n 307, at 5. (emphasis added). <https://zip.co/nz/wp-content/uploads/2024/08/Communication-summary-of-changes-for-Pay-in-4-disclosure-and-TCs.pdf>

<sup>314</sup> See Appendix 4.

<sup>315</sup> See Appendix 4.

<sup>316</sup> See Appendix 4.

BNPL providers must now engage with credit checks and credit reporting.<sup>317</sup> This applies at the time a consumer signs up, as well as when the consumer is being considered for an increase in their credit limit.<sup>318</sup> A credit check is intended to allow the BNPL provider to “understand the risk of lending to the consumer and the certainty of repayment”.<sup>319</sup> If a consumer is already in problem debt, then a BNPL may decide not to lend money, thereby preventing the BNPL from further contributing to the consumer’s problem. This could suggest that the September 2024 Regulation has, to an extent, decreased the risk of financial overcommitment.

However, credit checks have not fully removed the risk of financial overcommitment. Under the affordability and suitability assessment exemptions, BNPL providers must undertake credit checks but are not legally required to use the information obtained to assess whether the loan is suitable or affordable for that consumer. Even if the BNPL provider does purport to use the credit report as a means of assessing whether the loan is affordable, a credit report does not contain all the relevant and necessary information required to assess affordability. For example, a credit check may show that the consumer is meeting their debt obligations, but it would not reveal that the consumer was having to go without essential items as a result or borrow money from family and friends.<sup>320</sup>

As demonstrated by the terms and policies discussed in the previous chapter,<sup>321</sup> it would appear to be common for BNPL providers to look at the consumer’s repayment history alongside the obtained credit report when determining if credit should be provided. However, repayment history information has the same shortcomings as credit reports: BNPL are not legally required to use this information to assess whether the loan is suitable or affordable for the consumer, and in addition, the repayment history information will not always accurately inform the BNPL provider whether the BNPL loan is affordable for the consumer. As MBIE observes, repayment history does not tell the full story: the behavioural characteristics of certain borrowers might make them more inclined to prioritise BNPL repayments over

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<sup>317</sup> CCCFR, reg 18K. All the providers have elected to rely on the exemption from full affordability assessment.

<sup>318</sup> Reg 18K(3) and (5).

<sup>319</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 17. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>320</sup> Ibid, at 14; and Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*, pp 25–26. Auckland Centre for Financial Research. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>321</sup> See also Appendix 2.

other expenditures, and BNPL providers automatically take payments from a consumer's card, which may mean that BNPL payments are being paid, but at the expense of the consumer's other debt obligations.<sup>322</sup>

Therefore, the finding from the Australian Report 672 (made before the September 2024 Regulation) that 20% of consumers surveyed reported cutting back on, or going without, essentials such as meals, is still a real concern.<sup>323</sup> In this way, the September 2024 Regulation has not sufficiently protected consumers from financial overcommitment. The comments from the focus group support this conclusion.

- “What was happening was they were actually paying all their [BNPL debts], but they were defaulting on everything else.”
- “Basically, we tend to see them when they're having issues with other things like other debts, credit card debt, that type of thing, and then they start listing the [BNPL debts] and they go, 'oh, but they're up to date'.”
- “And we've seen a huge influx of those who do have credit cards paying for their [BNPL debts] on their credit cards.”

### C. Misunderstanding buy now, pay later

Before the September 2024 Regulation, a harm shared across jurisdictions was that consumers misunderstood the nature of BNPL, believing it not to be debt, or considering it to have fewer consequences than other kinds of debt. It seems that, in New Zealand, consumers may still have these misunderstandings. The comments from the focus group support this conclusion.

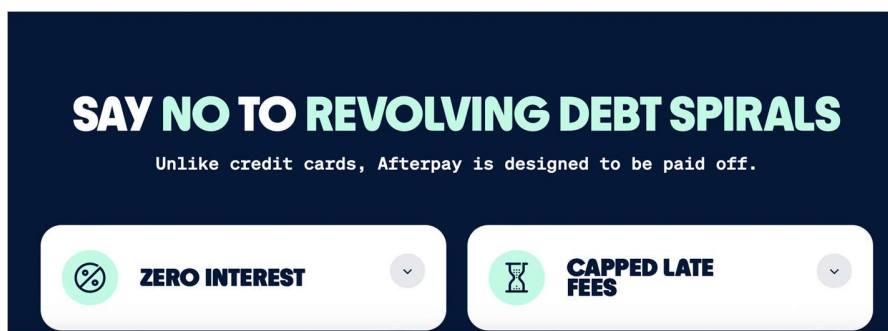
- “they really don't see it as a loan. They see it as a bank account or an overdraft.”
- “... they've almost replaced credit cards, haven't they ... because people see it as 'well, it's interest free'.”

These misunderstandings appear to be fuelled, in part at least, by marketing. One BNPL provider has a webpage titled “the truth about [the BNPL provider's name]”. The webpage suggests that its BNPL service is distinct from a credit card and comes with “zero interest”, as pictured below.

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<sup>322</sup> Cabinet briefing paper “Preventing financial hardship caused by the use of Buy-Now, Pay-Later”, at 7–9.

<sup>323</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*, at 15. Australian Securities and Investments Commission (ASIC). URL: [Buy now pay later: An industry update](#) (accessed 27 November 2025).



If a consumer clicks on the arrow button to the right of “zero interest”, they are given information that “it is completely interest free when you pay it in four”. This does not bring the consumer’s attention to the fact that late payment fees may be payable or that the BNPL service is still a form of debt. After scrolling to the bottom of the page (not pictured), there is small writing that reads “Late fees, eligibility criteria and T&Cs apply. Credit checks apply. See [website link].” However, the term “late fees” is not described, and the link provided does not take consumers directly to the relevant information, only the general website. Therefore, despite this apparent disclaimer, consumers are still not directly provided with the information needed to work out that the BNPL service is a form of debt.

Afterpay’s New Zealand marketing guidelines for merchants state that “any merchant marketing materials which mention Afterpay must ... Not compare Afterpay with any other financial product”.<sup>324</sup> However, Afterpay often presents itself as distinct from credit cards. In April 2025, Afterpay released a report titled “Why Credit Cards Give Gen Z the Ick”.<sup>325</sup> The webpage that contains the link to the full report notes that:

New research from leading buy-now-pay-later (BNPL) platform Afterpay, reveals an unprecedented rejection of credit cards among young Australians, with new data showing a seismic shift as younger generations abandon traditional credit in favour of more transparent payment alternatives like Buy Now, Pay Later.<sup>326</sup>

The key findings from the report listed on the webpage are as follows.

- 56% of Gen Z report that credit cards give them “the ick” – the highest rate globally.
- 84% of Australians consider credit cards “financially dangerous”.

<sup>324</sup> Afterpay [Marketing resources centre - Marketing messaging](#) (accessed 18 November 2025).

<sup>325</sup> Afterpay [AU Why Credit Cards Give Gen Z The Ick | White Paper External MT](#) (23 April 2025).

<sup>326</sup> Afterpay [Most Gen Zs say credit cards give them the ‘ick’, as study reveals more Aussies ditching credit cards - Afterpay Newsroom](#) (23 April 2025).

- 57% of previous credit card holders have already abandoned them for alternatives.
- 76% of Gen Z experience anxiety or stress from credit card bills.<sup>327</sup>

Although the report is based on Australian data and posted on the Australian website, it is linked in places on the New Zealand website,<sup>328</sup> suggesting that New Zealand consumers are meant to access it. Because credit cards are framed negatively, BNPL is framed as a “transparent payment alternative”, and the findings are stated to be based on research,<sup>329</sup> a consumer reading this could easily come away with the mistaken impression BNPL is less harmful and quite distinct from credit cards.

Previously, the main harm from BNPL misunderstanding was considered to be that consumers may not apply the same level of scrutiny when deciding to use BNPL products as they would compared with other products. It seems that, *because* of the September 2024 Regulation, new harms have arisen in this area. A comment from the focus group (set out below) revealed that consumers who do not appreciate that BNPL creates debt / is a loan, may not disclose it when applying for other loans. But, because BNPL providers now engage with credit reporting under the CCCFR, the consumer’s BNPL loan may be present on their credit score. The mismatch between what the consumer declares and what is on their credit score can cause consumers to have their loan applications rejected by other lenders. This is a harm, because a consumer's ability to access financial options beyond BNPL may be hindered due to their misunderstanding of BNPL.

- Focus group quote: “...A lot of people think that they’re going to go out and get a loan. They say, ‘do you have any loans?’ ‘No, I don’t’. And then it shows up in the credit scores. And they go. ‘But that’s [BNPL]’ and they get turned down for loans because they have these [BNPL debts] and they don’t disclose them because they don’t consider them a loan. ... They just don’t even record them.”

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<sup>327</sup> Afterpay [Most Gen Zs say credit cards give them the ‘ick’, as study reveals more Aussies ditching credit cards - Afterpay Newsroom](#) (23 April 2025).

<sup>328</sup> See for example Afterpay [Afterpay - Love the way you pay](#). (accessed 3 December 2025).

<sup>329</sup> Afterpay [Most Gen Zs say credit cards give them the ‘ick’, as study reveals more Aussies ditching credit cards - Afterpay Newsroom](#) (23 April 2025).

## D. Influencing spending behaviours / behavioural economics

One of the common concerns with BNPL is that it can negatively influence consumer spending habits. It seems that BNPL may still be causing this harm.

Consumer spending habits can be viewed through a behavioural economics lens. Behavioural economics “integrates insights from psychology with economics”<sup>330</sup> in order to analyse situations where human behaviour deviates from an assumed rational state.<sup>331</sup> As noted by the Central Bank of Ireland, a behavioural economics lens recognises the fact that:

... people do not always make decisions in a perfectly rational way, weighing up all available information in order to arrive at a decision that maximises their own wellbeing. Instead, we take cognitive shortcuts and follow rules of thumb in order to manage complexity in our everyday lives. While these shortcuts (or ‘heuristics’) can provide an effective means for navigating the many and varied decisions that confront us each day, they may also lead us into costly and predictable errors, owing to the systematic intrusion of behavioural biases.<sup>332</sup>

### Lipstick effect

One aspect of behavioural economics that is relevant to BNPL is the lipstick effect. Investopedia describes the lipstick effect as occurring:

... when consumers still spend money on small indulgences during recessions, economic downturns, or when they personally have little cash. They do not have enough to spend on big-ticket luxury items; however, many still find the cash for purchases of small luxury items, such as premium lipstick.<sup>333</sup>

Recent research by Senior Lecturer Ashish Kumar (2024), using data from an online retailer in the Nordic region, found that BNPL users ordering online spent an average of 6.42% more than non-BNPL online orderers.<sup>334</sup> This increase was particularly pronounced for low-ticket items,<sup>335</sup> suggesting BNPL may

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<sup>330</sup> Anna Breman and Björn Lagerwall. 10 April 2024. *Monetary Policy and Behavioural Economics*. Sveriges Riksbank, Economic Commentary, page 3.

<sup>331</sup> Shane Byrne, Kenneth Devine and Yvonne McCarthy. January 2022. Behavioural Economics and Public Policy-Making, *Quarterly Bulletin 01*. Central Bank of Ireland, page 16.

<sup>332</sup> Ibid, page 4.

<sup>333</sup> Adam Hayes “Lipstick Effect: Definition, Theory, and Value As Economic Indicator” (13 November 2023) Investopedia <Investopedia.com>.

<sup>334</sup> Kumar, Salo and Bezawada. 2024. “The effects of buy now, pay later (BNPL) on customers’ online purchase behavior”. *Journal of Retailing* 602, 100(4), pages 604 and 610.

<sup>335</sup> Ibid, page 604.

encourage consumers to purchase more small, everyday items.<sup>336</sup> Kumar argued that this pattern may be driven by the lipstick effect.<sup>337</sup>

Comments from the focus group suggest that a similar dynamic may be present in New Zealand. BNPL appears to be contributing to overspending and overconsumption on inexpensive or lower-quality goods as the low instalment payments make these purchases seem even more affordable:

- Focus group quote: “I find a lot of people ... buy on Temu. Might be you know \$11 here \$12 here \$18. Actually, you pay it out on one day and, all of a sudden, you go, well actually you’ve been spending this amount on Temu, and it makes them more aware of what they’re actually spending.”

### Pain of paying

Another behavioural economics principle relevant to BNPL is “the pain of paying”. This describes the “psychological burden associated with the realization that financial resources will be spent”.<sup>338</sup> Because BNPL is structured around instalment payments, it has been said to reduce the pain of paying. As described by an article in the *Scientific Journal of Economics and Management Research*:

... the tactile nature of physical currency enhances the emotional impact of perceived money loss, resulting in greater payment pain. In contrast, BNPL postpones payment to one or more instalment options. By shifting the focus from financial expenditure to product ownership, BNPL effectively diminishes the psychological burden associated with spending. Consumers experience possession before making full payment, which reduces negative emotions related to purchasing.<sup>339</sup>

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<sup>336</sup> Kumar, Ashish. 9 January 2025. “Research suggests those who use buy-now-pay-later services end up spending more” (9 January 2025) *The Conversation*. DOI: <https://doi.org/10.64628/AA.rcwwtygu5> (accessed 3 December 2025).

<sup>337</sup> Kumar, Salo and Bezawada. 2024. “The effects of buy now, pay later (BNPL) on customers’ online purchase behavior”. *Journal of Retailing* 602, 100(4), page 604.

<sup>338</sup> Danxuan Zhu. 2025. “Research on Psychological Motivation of Buy-Now-Pay-Later in Consumer Finance: Benefits and Risks for Consumer”. *Scientific Journal of Economics and Management Research* 7(6), page 208.

<sup>339</sup> *Ibid*, pages 208–209.

Similarly, another commentator said:

As BNPL reduces the financial barriers to make a purchase, making it easier for materialistic individuals to acquire material possessions, it allows consumers to only focus on the happiness of the new possession, rather than the pain of paying for it.<sup>340</sup>

The reduced pain of paying means that purchases can feel cheaper, which in turn can lead to overspending and unsustainable spending habits.<sup>341</sup>

In New Zealand, some BNPL lenders allow consumers to buy goods with no payment up front. This means that consumers are not required to pay the first instalment before receiving the item they have paid for, and the pain of paying is removed altogether. A consumer may therefore be encouraged to overspend on expensive items (for example, an item with a purchase price of \$450), given that they have to pay \$0 at first. One provider, for example, offers a “no payment upfront” option for purchases under \$500.<sup>342</sup> The first instalment is not due until 8–14 days after the purchase. This means that the pleasure of the purchase is initially completely separate from the payment, removing the pain of payment and increasing the likelihood of overspending.

### Fear of missing out (FOMO)

The behavioural economics definition of ‘FOMO’ (fear of missing out), is that it “causes individuals to base their decision-making utility on their own anticipated regret and the decisions made by individuals in their social peer group.”<sup>343</sup>

BNPL plays on this fear. As FoxPlan financial advisers point out:

... BNPL schemes play on our FOMO (fear of missing out). If everyone else is using these schemes to buy the latest must-have items, then we don't want to be left behind. The pressure to keep up with our peers can be strong, and BNPL schemes make it easy to do just that.<sup>344</sup>

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<sup>340</sup> Pettersson and Dahlberg. 2024. “BNPL Made Me Do It: The Influence of Buy Now Pay Later on Impulsive Buying in Sweden (A lifesaver or a curse?)” Business Administration C-thesis, Karlstad University, page 36.

<sup>341</sup> Sharon Wu. 19 August 2025. [How buy now, pay later can wreck your budget, experts say - CBS News](#) CBS News (accessed 3 December 2025).

<sup>342</sup> Afterpay [No payment upfront – Afterpay](#) (28 September 2025).

<sup>343</sup> Mohammed Kaddouhah. May 2024. “An economic definition of ‘Fear of Missing Out’ (FOMO)” Finance Research Letters, vol 63, page 1. DOI: <https://doi.org/10.1016/j.frl.2024.105344> (accessed 3 December 2025).

<sup>344</sup> FoxPlan 28 September 2022. [The Psychology Behind Buy Now Pay Later — FoxPlan](#) (accessed 3 December 2025).

The nature of BNPL marketing arguably continues to play into this in New Zealand. For example, one lender advertised the use of BNPL to purchase tickets for an upcoming, highly popular event and stated at the end “You won’t want to miss out on this one”.<sup>345</sup> This also ties into the United Kingdom’s FCA’s concern, before the United Kingdom decided to regulate BNPL : BNPL is presented as something “everyone else is using”.<sup>346</sup>

## E. Impact on young people

It seems that young people may still be negatively impacted by BNPL. The FinCap data suggested that 26- to 35-year-olds were more likely to present in hardship with BNPL debts.<sup>347</sup> No clear change in this dynamic has been observed following the September 2024 Regulation.

## F. Unfair buy now, pay later provider behaviour

Before the September 2024 Regulation, there was a concern that BNPL providers were engaging in unfair behaviour. For example, the Australian ASIC Report 600 found that some BNPL providers could have taken more steps to act fairly with consumers, as some of providers did not tell consumers how the consumers could ask for help with their repayments.<sup>348</sup> Similarly, before the United Kingdom’s relevant regulation, the FCA expressed a concern that the support for financial hardship varied across providers, and it was not always clear to consumers what help was available.<sup>349</sup> As discussed in chapter 5, the September 2024 Regulation may have mitigated this risk as now BNPL providers have incorporated financial hardship terms into their contracts. This makes financial hardship assistance a more accessible and formal part of the BNPL service.

However, the focus group revealed ongoing challenges. Some consumers presenting with BNPL debt have been reluctant to engage with financial hardship assistance because doing so results in their account being

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<sup>345</sup> afterpaynz. 18 September 2025. Facebook/Instagram post “@lanewayfestnz returns for 2026 and we cannot wait!” (accessed 3 December 2025). URL: [Instagram](#) (accessed 3 December 2025).

<sup>346</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 47. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

<sup>347</sup> See Appendix 4.

<sup>348</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 14.

<sup>349</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 46. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

frozen, and they are unable to make further purchases until they repay the debt.<sup>350</sup> In some cases, BNPL providers may even decide to deactivate the consumer's account entirely.<sup>351</sup> The financial mentors shared that consumers who rely heavily on BNPL for everyday expenses often prefer to avoid this outcome. As a result, rather than engaging in a financial hardship process, such consumers may choose to prioritise BNPL repayments and default on other debts or repay BNPL debts using a credit card. These comments from the focus group are relevant in this context.

- "... the [BNPL Provider] will wipe [the debt], they'll waive what they owe. But what they do is they close the account down and [the consumer] can never get it reopened. So, now what we're seeing is our ... clients are saying 'I need my [BNPL] account. I'd rather pay for the goods ... and still have access to my BNPL account than actually get it closed down.' And some of it's quite significant money. ... We're seeing clients choosing not to let us negotiate with [BNPL providers] because they'd rather keep their account."
- "... they don't see it as a loan ... It's their money, it's free money for them. And they'd rather hold on to that and get rid of debt, [and] they consider debt being your personal loans, your car loans, that type of thing. They're more likely to default on those."
- "Even people doing insolvencies don't want to include their [BNPL] account because they want to keep it."
- "Definitely we are seeing, in the loan space, a huge number of clients heavily relying on [BNPL] for food, fuel, alcohol, sushi ... like they actually can't live without it ... they don't feel like they can because it has become their currency."
- "So, they put maybe their rent money or something. I don't know what they do, but like it's to that extreme because they feel that they need it to pay for things because they can't pay for things."
- "And we've seen a huge influx of those who do have credit cards paying for their [BNPL] on their credit cards."

This could be explained by the behavioural economics principle of 'loss aversion'. One website describes the principle in the following way.

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<sup>350</sup> See for example Afterpay [Afterpay Terms – New Zealand](#), cl 3.4(c), (d) and (e) (effective as at 17 October 2024); Zip [Account Terms & Conditions | Platform Terms | Zip New Zealand](#) .

<sup>351</sup> Ibid.

It is thought that the pain of losing is psychologically about twice as powerful as the pleasure of gaining. People are more willing to take risks (or behave dishonestly ...) to avoid a loss than to make a gain ... The basic principle of loss aversion can explain why penalty frames are sometimes more effective than reward frames in motivating people.<sup>352</sup>

This apparent aversion to loss potentially lessens the effectiveness of laws that make financial hardship processes mandatory.

Even where consumers are not loss averse, a consumer may not engage in the financial hardship process because they do not understand the options that are available. As the analysis described in chapter 5 also suggests, consumers may not understand the options they have in the event of financial hardship due to the confusing, inconsistent and sometimes contradictory way in which the providers communicate the relevant information. Therefore, it seems that the terms and policies could be written and displayed in a more user-friendly manner. The focus group comments support this view, for example:

- “Now when there’s any change in terms or conditions, it comes up on your app, there’s a change of terms and conditions. But who sits here and scrolls through minute reading, like it’s so tiny.”

## G. Using buy now, pay later for everyday items

Before the September 2024 Regulation, the MBIE report noted that some consumers were relying on BNPL to purchase essential goods and services, such as groceries,<sup>353</sup> and the AUT Report found that over 20% of those who had used BNPL had used it to buy essential items.<sup>354</sup> The risk with this was that consumers could be “caught in a debt cycle of borrowing to simply make ends meet”.<sup>355</sup>

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<sup>352</sup> Behavioural Economics [Loss aversion - BehavioralEconomics.com | The BE Hub](https://www.behavioraleconomics.com/) (accessed 3 December 2025).

<sup>353</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 22. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

<sup>354</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 25. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](#) (accessed 27 November 2025).

<sup>355</sup> MBIE. November 2021. *Buy Now, Pay Later: Understanding the financial triggers of financial hardship and possible options to address them*. Ministry of Business, Innovation and Employment, page 25. URL: [Discussion document: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them](#) (accessed 27 November 2025).

This use of BNPL in this way still seems to be an issue, as shown in these comments from the focus group:

- “The other concern that I’ve got is how accessible it is for things that are eaten or used within a short time period before it’s paid off, like petrol and food.”
- “Definitely we are seeing in the loan space a huge number of clients heavily relying on [BNPL] for food, fuel, alcohol, sushi.”

Similarly, the Salvation Army continues to express concerns about how BNPL is used for everyday items. The Salvation Army released a report in October 2025 titled *Booze Now, Pay Later*.<sup>356</sup> In the report, the Salvation Army observed that:

BNPL’s use for fast-moving consumer goods (FMCGs), such as groceries, food, toiletries and cleaning products, poses serious risks. These items are consumed quickly and need to be replaced often, which can lead to a cycle where people are still repaying BNPL instalments for goods they have already used, even as they take on new debt to cover the next purchase. Many of those we support report using BNPL to buy fuel and food from butchers, discount stores and even takeaway outlets, highlighting how normalised and accessible these services have become. However, the convenience comes at a cost as many find themselves juggling multiple repayments, falling behind on other bills and relying on food parcels.<sup>357</sup>

This suggests that this harm has not been mitigated by the September 2024 Regulation. In addition, some lender behaviour following the September 2024 Regulation has actually heightened the risk of harm in this area. This is through no payment upfront schemes. In March 2025, one provider removed the ability for consumers to rely on the no payment upfront option for groceries and fuel.<sup>358</sup> However, at the end of September 2025, the provider emailed consumers informing them they could go back to using no payment upfront for groceries and fuel under \$500.<sup>359</sup> The concern with this is that “people will end up trapped, unable to pay for food in the coming weeks as [BNPL loans] get in the way”.<sup>360</sup>

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<sup>356</sup> Ana Ika. October 2025. *Booze Now, Pay Later*. Salvation Army. URL: [www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA\\_BoozeNowPayLater\\_2025\\_v3.pdf](http://www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA_BoozeNowPayLater_2025_v3.pdf) (accessed 3 December 2025).

<sup>357</sup> *Ibid*, page 5.

<sup>358</sup> Brianna McIlraith. 26 February 2025. [Afterpay makes changes to its terms and conditions | Stuff](#). Stuff (accessed 3 December 2025).

<sup>359</sup> Lyric Waiwiri-Smith. 2 October 2025. [Afterpay backtracks on ban on ‘no payment upfront’ for groceries and fuel | The Spinoff](#) (accessed 3 December 2025).

<sup>360</sup> *Ibid*.

## H. Buy now, pay later and alcohol

In its October 2025 report, *Booze Now, Pay Later*, the Salvation Army noted that the licensing process does allow BNPL restrictions to be negotiated and included as licence conditions.<sup>361</sup> We discussed this earlier in this report at chapter 3. The range of cases in 2025 where BNPL-related licensing restrictions were imposed could suggest that the September 2024 Regulation, though not directly dealing with BNPL alcohol harms, may have sparked some positive change in this area. However, as the Salvation Army observed, BNPL alcohol harms have continued over the year. The Salvation Army commented that:

While direct BNPL availability at alcohol merchants is limited, delivery platforms who partner with off-licences are increasingly circumventing this barrier. BNPL options are now widely available through services such as Uber Eats, DoorDash, Delivereasy, Order Meal, and alcohol-specific platforms like GIMME. Although BNPL is offered on Uber Eats and Delivereasy, it cannot be used for restricted items such as alcohol. However, loopholes exist for other delivery services. For example, DoorDash vouchers purchased via Afterpay can be used to buy alcohol, and GIMME (an alcohol-only delivery service) offers Afterpay and Klarna on its app and can enable them on its website upon request. GIMME also promotes BNPL availability in its text-message advertising. These workarounds mean that, although BNPL access to alcohol may appear limited on the surface, delivery platforms are enabling indirect access, raising concerns about remote licensing and regulatory gaps ...<sup>362</sup>

This suggests that alcohol-based BNPL harms persist following the September 2024 Regulation.

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<sup>361</sup> Ana Ika. October 2025. *Booze Now, Pay Later*. Salvation Army, page 12 URL: [www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA\\_BoozeNowPayLater\\_2025\\_v3.pdf](http://www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA_BoozeNowPayLater_2025_v3.pdf) (accessed 3 December 2025).

<sup>362</sup> *Ibid*, page 7.

## 7. How Australia and the United Kingdom have decided to regulate buy now, pay later

This chapter sets out the recent BNPL regulation in Australia and the United Kingdom. Under new laws in both jurisdictions, BNPL products are treated as consumer credit contracts, and providers are required to perform affordability assessments. This suggests that New Zealand’s BNPL regulations may be behind (or less extensive than) the regulation of those other jurisdictions. Each of the BNPL providers Zip, Afterpay and Klarna also has operations in Australia and the United Kingdom (either directly or through a subsidiary). This means that they will be subject to the regulatory requirements of those jurisdictions for at least some part of their business operations.

### A. Australia

On 22 May 2023, The Treasury of Australia announced the government’s intention to regulate the BNPL industry.<sup>363</sup> On 10 June 2025, the changes contained in the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024 came into force. The Act “amends the National Consumer Credit Protection Act 2009 to extend a modified form of the National Credit Code (which is Schedule 1 to the National Credit Act) to buy now pay later contracts.”<sup>364</sup> This means that BNPL products are subject to both the National Consumer Credit Protection Act 2009 and the National Credit Code,<sup>365</sup> although some of the obligations are modified<sup>366</sup> – a point that will be discussed below.

Under the new regime, most BNPL contracts are regulated as low-cost credit contracts.<sup>367</sup> Where a BNPL contract does not meet the definition of a low-cost credit contract, it is nevertheless regulated as a credit contract under the National Credit Code.<sup>368</sup> A provider of credit under a low-cost credit contract, or a credit contract, must hold an Australian credit licence and comply with the relevant licensing

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<sup>363</sup> Gilbert & Tobin. 26 May 2023. [Buy Now Pay Later – Preparing for tougher regulation | Gilbert + Tobin Lawyers: Law Firm in Sydney, Melbourne & Perth](#) (accessed 3 December 2025).

<sup>364</sup> ASIC. 17 January 2025. [ASIC alerts buy now pay later providers to apply for a licence under new laws | ASIC](#). Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025).

<sup>365</sup> Gilbert & Tobin. 26 May 2023. [Buy Now Pay Later – Preparing for tougher regulation | Gilbert + Tobin Lawyers: Law Firm in Sydney, Melbourne & Perth](#) (accessed 3 December 2025).

<sup>366</sup> ASIC. May 2025. [RG 281 Low cost credit contracts | ASIC](#), 281.2. Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025).

<sup>367</sup> *Ibid*, 281.4. See also the definition of “low cost credit contract” in the National Credit Code, s 13E.

<sup>368</sup> *Ibid*, 281.5. See also the definition of “credit contract” in the National Consumer Credit Protection Act 2009 s 5; and the definition in the National Consumer Credit Code, s 4.

obligations,<sup>369</sup> such as the general obligation to “do all things necessary to ensure that the credit activities authorised by the licence are engaged in efficiently, honestly and fairly”.<sup>370</sup> A provider must also comply with responsible lending obligations under National Credit Act. Low-cost credit contract providers can opt into a modified responsible lending obligation (RLO) framework. If a BNPL contract is not a low-cost credit contract, the provider will be subject to the existing RLO framework without modification.<sup>371</sup> A full table of differences between the traditional framework and modified RLO framework can be found in ASIC’s Regulatory Guide 281 at page 10. Despite the modified obligations, a low-cost credit contract provider must still make certain mandatory inquiries. These include about the consumer’s income and expenditure and credit products to which the consumer is currently a party;<sup>372</sup> reasonable inquiries about the consumer’s financial situation<sup>373</sup> and about the consumer’s credit history.<sup>374</sup>

Some of the key modifications around the obligation to assess affordability, as described by Australian law firm Gilbert and Tobin, include:<sup>375</sup>

- Mandatory inquiries: the scope and intensity of the reasonable inquiries that must be undertaken is lowered, although it is mandatory that reasonable inquiries are made about the consumer’s:
  - income, expenditure and other credit products; and
  - credit history.

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<sup>369</sup> ASIC. 17 January 2025. [ASIC alerts buy now pay later providers to apply for a licence under new laws | ASIC](#). Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025). See also National Consumer Credit Protection Act 2009, ch 2.

<sup>370</sup> National Consumer Credit Protection Act 2009, s 47(1)(a).

<sup>371</sup> Marissa Parel. 12 March 2025. [Dentons - Buy Now Pay Later: A snapshot into the reforms](#). Dentons (accessed 4 December 2025). See also ASIC. May 2025. [RG 281 Low cost credit contracts | ASIC](#), 281.21. Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025).

<sup>372</sup> See National Consumer Credit Regulations 2010, reg 28HAD(6); and ASIC. May 2025. [RG 281 Low cost credit contracts | ASIC](#), 281.29–281.33. Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025). ASIC Reg Guide 281, above n 369, at RG 281.29– 281.33.

<sup>373</sup> See National Consumer Credit Act 2009, s 130(1); and ASIC. May 2025. [RG 281 Low cost credit contracts | ASIC](#), 281.38–281.40. Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025). ASIC Reg Guide 281, above n 369, at RG 281.38–281.40.

<sup>374</sup> See National Consumer Credit Regulations 2010, reg 28HAD(3) and (4); and ASIC. May 2025. [RG 281 Low cost credit contracts | ASIC](#), 281.34–281.37. Australian Securities and Investments Commission (ASIC) (accessed 4 December 2025).

<sup>375</sup> Gilbert and Tobin, ASIC provides important guidance on the BNPL and low cost credit contract reforms, 29 May 2025, <https://www.gtlaw.com.au/insights/asic-provides-important-guidance-on-the-bnpl-and-low-cost-credit-contract-reforms> (accessed 6 December 2025).

- Reasonable verification: when determining what constitutes reasonable inquiries and reasonable steps to verify a consumer’s financial situation, the credit provider must have regard to several mandatory factors. These factors are intended to lower the scope and intensity of reasonable verification and include:
  - The nature of the low-cost credit contract (LCCC) (including the terms of the contract and the type and amount of credit provided under that contract).
  - If there is a target market determination, the nature of the target market as described in that determination.
  - Whether the consumer is financially vulnerable.
  - What procedures are in place to reduce the risk of the credit provider providing credit to a consumer on terms that are not affordable for the consumer and to mitigate the harm that may be caused if credit is provided on terms that are not affordable to the consumer.
- Financial vulnerability: RG 281 provides additional guidance on indicators of financial vulnerability, which ASIC considers to include reliance on Centrelink (in other words, benefit) payments, repeated late payment fees across credit products, a credit history showing substantial debt, or signs of family violence or financial abuse.
- Negative credit checks: if the total value of all LCCCs the consumer has with the credit provider (including the LCCC being applied for) is less than \$2,000, the credit provider must conduct a ‘negative credit check’.
- Partial credit checks: if the total value of all LCCCs the consumer has with the credit provider (including the LCCC being applied for) exceeds \$2,000, the credit provider must seek to obtain a ‘partial credit check’.

These BNPL provider obligations are enforced through several mechanisms. BNPL providers who operate without a credit licence may be subject to a civil penalty of up to 5,000 penalty units and criminal penalty of up to 2 years’ imprisonment.<sup>376</sup> Breaches of the responsible lending obligations under chapter 3 of the National Consumer Credit Protection Act 2009 can attract a range of sanctions, including civil penalties up to 5,000 penalty units and criminal penalties of up to two years imprisonment and/or 200 penalty units. Chapter 4 of the National Consumer Credit Protection Act 2009 provides details on remedies and describes the sanction regimes. Certain provisions of the Act are also subject to infringement provisions, including strict liability offences against the Act, other prescribed offences against the Act, prescribed civil

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<sup>376</sup> National Consumer Credit Protection Act 2009, s 29.

penalty provisions and prescribed provisions of the National Credit Code.<sup>377</sup> If ASIC believes on reasonable grounds there has been a contravention, it may issue an infringement notice.<sup>378</sup> A person who is given an infringement notice can choose to pay an amount as an alternative to having court proceedings brought against them for the contravention. If the person does not choose to pay the amount, proceedings can be brought against them for the contravention.<sup>379</sup>

As well as this BNPL regulation, there is also AFIA's *Buy Now Pay Later Code of Practice*. This is a voluntary industry code, which came into effect on 1 March 2021.<sup>380</sup> Afterpay, Brighte, Payright, Plenti and Zip are all code compliant members.<sup>381</sup> This code covers commitments such as being fair, honest and ethical, and dealing fairly with complaints.<sup>382</sup> It was developed in response to the recommendations in ASIC's Report 600,<sup>383</sup> which, as discussed in chapter 4 of this report, included suggestions that:

- (a) consumers adequately understand the terms of their arrangement
- (b) a complaints process is visible and accessible for consumers
- (c) consumers understand that they can request financial hardship assistance from their provider
- (d) merchants act consistently with guidelines supplied by the provider, which limit how these arrangements may be promoted and provided to consumers.<sup>384</sup>

Consumers can report any breach of the code to the BNPL code compliance committee.<sup>385</sup>

These developments since ASIC's reports 600<sup>386</sup> and 672<sup>387</sup> indicate that Australian consumers are now considerably better protected from BNPL-related harms than previously.

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<sup>377</sup> National Consumer Credit Protection Act 2009, s 288K.

<sup>378</sup> *Ibid*, s 288J.

<sup>379</sup> *Ibid*, s 288H.

<sup>380</sup> AFIA. 2021. *Buy Now Pay Later Code of Practice*. Australian Finance Industry Association (AFIA). URL: [www.afia.asn.au/bnpl-code](http://www.afia.asn.au/bnpl-code) (accessed 4 December 2025).

<sup>381</sup> *Ibid*.

<sup>382</sup> *Ibid*, 6 and 13.

<sup>383</sup> AFIA. 2021. "Submission to the Ministry of Business, Innovation and Employment on the Discussion Document, November 2021". Australian Finance Industry Association (AFIA), at 4.

<sup>384</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC), page 14.

<sup>385</sup> AFIA. 2021. *Buy Now Pay Later Code of Practice*. Australian Finance Industry Association (AFIA). URL: [www.afia.asn.au/bnpl-code](http://www.afia.asn.au/bnpl-code) (accessed 4 December 2025).

<sup>386</sup> ASIC. 28 November 2018. *Review of Buy Now Pay Later Arrangements (Report 600)*. Australian Securities and Investments Commission (ASIC).

<sup>387</sup> ASIC. 16 November 2020. *Buy Now Pay Later: An industry update (Report 672)*. Australian Securities and Investments Commission (ASIC). URL: [Buy now pay later: An industry update](http://www.asic.gov.au/buy-now-pay-later) (accessed 27 November 2025).

## B. United Kingdom

On 14 July 2025, the United Kingdom parliament passed the Financial Services and Markets Act 2000 (Regulated Activities etc) (Amendment) Order 2025. This order brings deferred credit payment agreements, more commonly known as BNPL contracts, under the FCA's regulation from 15 July 2026.<sup>388</sup>

The FCA published a consultation paper on 18 July 2025 about the rules and guidance that should apply, with consultation closing on 26 September 2025. The FCA is expected to give a policy statement and the final applicable rules in early 2026.<sup>389</sup>

The government had set out five principles for its approach to regulation, with one being that “consumers should only be lent to if it is affordable”.<sup>390</sup> In the FCA's consultation paper, the FCA proposed that deferred credit payment agreements be subject to the creditworthiness rules under the Consumer Credit Sourcebook (CONC) 5.2.A.<sup>391</sup> This proposal was grounded in the following reasoning:

As an interest-free product which generally involves small-sum advances over short periods, DPC [deferred payment credit] might pose a lower risk than some other credit products. DPC products work well when they give consumers access to credit that is affordable.

However, many DPC customers display characteristics of vulnerability, low financial resilience and have poor credit histories. Our 2024 FLS [Financial Lives survey] identified that 13.1 million adults had low financial resilience and that 26.4 million showed at least 1 characteristic of vulnerability. A higher proportion of DPC users display these characteristics compared to the general population, particularly for frequent DPC users. Missed repayments can also lead to late repayment fees and an adverse impact on a consumer's credit file.

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<sup>388</sup> FCA. July 2025. [CP25/23: Deferred Payment Credit \(unregulated Buy Now Pay Later\): proposed approach to regulation | FCA](#). Financial Conduct Authority (FCA), at 1.2. (accessed 4 December 2025).

<sup>389</sup> FCA. 29 September 2025. [Regulating Buy Now Pay Later \(BNPL\) | FCA](#). Financial Conduct Authority (FCA) (accessed 4 December 2025).

<sup>390</sup> FCA. July 2025. [CP25/23: Deferred Payment Credit \(unregulated Buy Now Pay Later\): proposed approach to regulation | FCA](#). Financial Conduct Authority (FCA), at 2.6. (accessed 4 December 2025).

<sup>391</sup> *Ibid*, 3.76.

DPC lenders currently have different approaches to assessing affordability. We have seen an example of a minimal assessment being made which only involved checking if the customer is currently behind with existing repayments with that firm.<sup>392</sup>

The FCA's rules aim to reduce the harms associated with the absence of affordability assessments (identified in the 2021 Woolard Review<sup>393</sup>) and provide stronger protections for consumers.

## C. Application to New Zealand

The fact that both Australia and the United Kingdom have applied an approach that considers a consumer's financial situation and creditworthiness and therefore requires (with the detail in the case of the UK still pending) affordability assessment, suggests that New Zealand's current position, which does not require affordability assessments, may need another look.

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<sup>392</sup> FCA. July 2025. [CP25/23: Deferred Payment Credit \(unregulated Buy Now Pay Later\): proposed approach to regulation | FCA](#). Financial Conduct Authority (FCA), at 3.81–3.83 (accessed 4 December 2025).

<sup>393</sup> FCA. 2 February 2021. *The Woolard Review: A review of change and innovation in the unsecured credit market* Financial Conduct Authority (FCA), page 49. URL: [The Woolard Review - A review of change and innovation in the unsecured credit market](#) (accessed 2 December 2025).

## 8. Recommendations moving forward

### Affordability assessments

We suggest that BNPL providers should no longer be exempt from the requirement to undertake affordability assessments. The requirement for affordability assessments is necessary for six reasons.

1. The FinCap data (discussed in chapter 6 and attached in appendix 4) suggests that BNPL continues to cause financial hardship as it is leading to or contributing to consumers getting into unmanageable debt situations. When Cabinet exempted BNPL providers from affordability assessments, it noted that “if there is continued evidence of financial hardship caused by BNPL, affordability assessments could be required at a later date”.<sup>394</sup> The fact that financial hardship has continued following the September 2024 Regulation suggests that more regulation may be required and appropriate.

2. Affordability assessments would mitigate the risk of financial overcommitment. Such assessment requirements would give BNPL providers access to information that is not within the scope of the current credit checks or BNPL repayment history information. For example, a BNPL provider could determine whether a consumer was forgoing essential items to meet existing debt obligations, was borrowing money from family or friends to meet existing debt obligations or had recently lost their job or been subject to income changes.<sup>395</sup> Requiring BNPL providers to collect, consider and act on this affordability information when lending would help prevent consumers from getting into the kind of problem debt that Parliament sought to prevent through the September 2024 Regulation.

3. Requiring BNPL providers to comply with section 9C(3)(a)(ii) of the CCCFA (which is the affordability assessment requirement) would improve enforceability as it would enable the courts to consider if the requirements of that section had been met (taking into account any guidance in the Responsible Lending Code). At present, if a BNPL obtains a credit report and provides credit information, does the requisite disclosures and has a credit policy (as required by reg 18K), it has met its legal obligations.

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<sup>394</sup> Cabinet paper [Fit for purpose regulation of consumer credit](#) (9 August 2023) at 73. Note that the Cabinet paper went on to say “particularly if there are changes to the CCCFA and/or the Consumer Data Right (CDR) is in place.” The Consumer Data Right is now in place in New Zealand.

<sup>395</sup> See the discussion above in chapters 5 and 6.

4. An affordability assessment requirement would align New Zealand’s approach with overseas jurisdictions, such as Australia and the United Kingdom, which have opted for a regulatory approach concerned with affordability assessment. Given that BNPL providers already have to or will have to accommodate these requirements in respect of their United Kingdom and Australian operations, it should not be too burdensome to build similar compliance requirements into their New Zealand operations. Consideration could be given to alignment, for example, with Australian affordability assessment requirements, in the interests of not only better consumer protection but also Trans-Tasman harmonisation of business laws.

5. The explanatory note to the BNPL Regulations 2024 stated that requiring an affordability assessment in accordance with section 9C(3)(a)(ii) of the act would impose unduly onerous and burdensome requirements, given that an affordability assessment is time consuming and requires the BNPL provider to seek detailed information from borrowers. While we have not looked into this issue in detail, we are aware that AI appears to be playing a role in increasing the speed and effectiveness of affordability assessment in credit lending decisions and that open banking can assist with accessing borrowers’ bank information more efficiently. We do not wish to suggest that credit scraping tools should operate in any way as a substitute for usual methods of affordability assessment. However, it may be that, in the future, technology will assist with the speed of affordability assessment in a variety of ways.<sup>396</sup>

6. Affordability assessments would lessen the harm that BNPL causes when used for everyday goods. One central reasons why BNPL use for everyday goods and consumable items is harmful is because consumers can be “caught in a debt cycle of borrowing to simply make ends meet”<sup>397</sup> and can “find themselves

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<sup>396</sup> For example, Ford Credit has partnered with an external fintech firm to improve its borrower data and predictive models using machine learning techniques. (See Automotive World. 26 August 2017. Ford Credit and ZestFinance Team up to Enhance Risk Modeling, Better Serve Consumers and Lower Credit Losses. URL: [www.automotiveworld.com/news-releases/ford-credit-zestfinance-team-enhance-risk-modeling-better-serve-consumers-lower-credit-losses/](http://www.automotiveworld.com/news-releases/ford-credit-zestfinance-team-enhance-risk-modeling-better-serve-consumers-lower-credit-losses/) (accessed 18 December 2025); Tobias Berg, Valentin Burg, Ana Gombović, Manju Puri. 2018. On the Rise of FinTechs - Credit Scoring using Digital Footprints. *NBER Working Paper Series*, 24551. URL: [www.nber.org/system/files/working\\_papers/w24551/w24551.pdf](http://www.nber.org/system/files/working_papers/w24551/w24551.pdf) (accessed 18 December 2025) and Ron Shevlin. 2024. *Achieving High Performance Lending: The impact of AI on lending efficiency*. Cornerstone Advisors. URL: [www.zest.ai/wp-content/uploads/2024/08/High-Performance-Lending-Report-updated-version.pdf](http://www.zest.ai/wp-content/uploads/2024/08/High-Performance-Lending-Report-updated-version.pdf) (accessed 18 December 2025).

<sup>397</sup> Gilbert, Aaron and Scott, Ayesha. August 2023. *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report*. Auckland Centre for Financial Research, page 25. URL: [FINAL-YA-Debt-Study-Industry-Report-v250823.pdf](http://FINAL-YA-Debt-Study-Industry-Report-v250823.pdf) (accessed 27 November 2025).

juggling multiple repayments, falling behind on other bills and relying on food parcels”.<sup>398</sup> Requiring affordability assessments would enable consumers to continue purchasing quickly consumed goods, such as petrol, groceries or takeaways, but only if they can afford it and it will not get them into problem debt.

This point also relates to the Salvation Army’s concern about BNPL and alcohol, as expressed in the October 2025 report:

Alcohol Healthwatch calculated that a customer could take home six bottles of wine equivalent to 46.7 standard drinks after paying only the first instalment, reducing the perceived cost to just 72 cents per drink. This is particularly concerning for low-income and heavy drinkers, including Māori and Pasifika communities, where BNPL may increase consumption and exacerbate harm ... BNPL platforms are expanding access to alcohol in ways that bypass traditional safeguards, making it easier for people to purchase alcohol they cannot immediately afford. This trend amplifies long-standing concerns about the structural drivers of alcohol harm: availability, accessibility and affordability.<sup>399</sup>

If BNPL services were subject to affordability assessments, this would reduce the risk of consumers accessing alcohol when they couldn’t afford to. Requiring an affordability assessment would also mean that the current alcohol loopholes would no longer work. For example, the Salvation Army noted that consumers are relying on delivery services to access alcohol with BNPL in order to get around the increasing restrictions on in-store alcohol purchases with BNPL.<sup>400</sup> If an affordability assessment was required at the outset, then consumers who could not afford to purchase alcohol, as established through an affordability assessment, would be unable to make a purchase through any merchant.

We recommend that the affordability assessment requirements at s 9C(3)(a)(ii) of the CCCFA be applied, with negotiated guidance, for lending in the BNPL context. Under s 9C(3)(a)(ii), a lender must, in relation to an agreement with a borrower, make reasonable inquiries before entering into the agreement, and before making a material change referred to in ss (8) of the act (such as increasing the credit limit), so as to be satisfied that it is likely that the borrower will make the payments under the agreement without suffering substantial hardship. Currently, guidance is provided to lenders on how to comply with this

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<sup>398</sup> Ana Ika. October 2025. *Booze Now, Pay Later*. Salvation Army, page 5. URL: [www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA\\_BoozeNowPayLater\\_2025\\_v3.pdf](http://www.salvationarmy.org.nz/wp-content/uploads/2025/10/TSA_BoozeNowPayLater_2025_v3.pdf) (accessed 3 December 2025)

<sup>399</sup> *Ibid*, pages 6 and 8.

<sup>400</sup> *Ibid*, page 7.

section in the Responsible Lending Code. The details of what BNPL providers should be required to do in terms of affordability assessment to comply with s 9C(3)(a)(ii) should be worked out in consultation with providers and consumer groups. Given that Australia and the United Kingdom have recognised that proportionality in applying affordability assessments is or may be appropriate in the BNPL context, it may be that some variation of or elaboration on the guidance currently set out in the Responsible Lending Code is appropriate for BNPL providers. The process for setting any such guidance should acknowledge, in particular, that many BNPL customers display characteristics of vulnerability and low financial resilience and have poor credit histories.

## Rules against unreasonable fees

We suggest that Parliament reinstate the requirement under the September 2024 Regulation that BNPL contracts be subject to the CCCFA rules regarding unreasonable fees. The problem with high late payment fees, or multiple late payment fees across purchases, is that they can lead to financial overcommitment/over-indebtedness, resulting in consumers borrowing more money to repay BNPL debts or forgoing other essential goods and services. As discussed in chapter 6, some BNPL providers continue to have policies that allow them to charge disproportionately high late payment fees.

## Quasi-buy now, pay later arrangements

Finally, we suggest that quasi-BNPL arrangements be regulated as BNPL.

For the CCCFA to apply, and the arrangement be treated as a consumer credit contract, the payment option needs to fall within the definition of a BNPL contract under reg 3 of the CCCFR. A quasi-BNPL arrangement currently can arise where all parts of this definition are not met. One situation where this can arise is when the payment arrangement does not provide credit to enable the customer to purchase goods or services offered by a third party and the merchant is both providing credit and the goods or services to the customer. Examples were discussed in chapter 2 (including 2degrees' payment option and RedRat's Splitpay option). Another situation where quasi-BNPL arrangements can arise is where para (c) of the BNPL contract definition is not met, that is, the lender is not paid fees by the third-party merchant and is not required to pay an amount to the third-party merchant that is less than the amount to be repaid by the debtor. As discussed in chapter 2, an example of this could be OPSM's Visionplan payment option.

Although these kinds of quasi-BNPL arrangements fall outside the BNPL contract definition (and therefore the CCCFA's scope), they can cause the same consumer harm. From the consumer's perspective, the service is the same: they receive a good or service early, must pay instalments and can be charged late fees if they default. As such, these quasi-BNPL arrangements should be regulated in the same way as traditional BNPL arrangements.<sup>401</sup>

However, deferred payment arrangements that do not attract a penalty for missed or late payments should not be treated as BNPL contracts. Further, contracts entered into where regimes allow part payment or payment after goods or services have been provided, in accordance with a statutory or industry code regime that provides satisfactory alternative consumer protections, should also be exempt.

In 2024, Cabinet approved the transfer of responsibility for regulating the CCCFA from the Commerce Commission to the Financial Markets Authority (FMA).<sup>402</sup> This will be achieved through the changes introduced in the Credit Contracts and Consumer Finance Amendment Bill, which was introduced to Parliament on 31 March 2025.<sup>403</sup> The bill passed its first reading on 20 May 2025 and received approval from the select committee on 20 October 2025.<sup>404</sup> Once the responsibility is transferred to the FMA, then under new s 138A of the CCCFA, the FMA, rather than the minister, would have the ability to declare "any class of arrangements or facilities to be consumer credit contracts". This power could be exercised when, among other things, the FMA is satisfied that it is necessary or desirable in order to promote the purposes of the Act.<sup>405</sup> FinCap has supported this transfer of responsibility, because "the new regulator understands the need to facilitate financial mentors' reporting of potential issues".<sup>406</sup>

We recommend that, once the FMA becomes the regulator under the CCCFA, quasi-BNPL contracts be declared to be consumer credit contracts under s 138A.

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<sup>401</sup> See also FinCap "Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations Bill 2024", at 1.

<sup>402</sup> Cabinet Paper "Financial Services Reforms: policy approvals and approval of the Credit Contracts and Consumer Finance Amendment Bill for introduction" (14 April 2025) CAB at 2.

<sup>403</sup> Credit Contracts and Consumer Finance Amendment Bill (137—2).

<sup>404</sup> Commerce Commission "Transfer of responsibility for regulation of consumer credit" (October 2025) <comcom.govt.nz>.

<sup>405</sup> CCCFA, s 138B(1)(b). See Credit Contracts and Consumer Finance Amendment Bill, clause 46, which inserts new ss 138A to 138F into the CCCFA.

<sup>406</sup> FinCap "Submission to the Ministry of Business, Innovation and Employment on the Credit Contracts and Consumer Finance Amendment Bill (Buy Now, Pay Later Exemptions) Amendment Regulations Bill 2024", at 5.

## Appendix 1. Buy now, pay later providers' terms and policies relating to financial hardship

### Zip – Terms and policies relating to financial hardship

It is first necessary to note a feature of Zip's terms and policies. Following the September 2024 Regulation, Zip created a new set of terms and conditions (T&Cs) effective from 2 September 2024. Zip also released a disclosure statement, effective from 2 September 2024.<sup>407</sup> The top of the disclosure statement reads:

This Disclosure Statement, together with the Pay in 4 terms and conditions ("Terms and Conditions") and the email notification of your Spend Limit sets out key information about your consumer credit contract.<sup>408</sup>

The top of this disclosure statement also states that it is an "Initial disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003 for consumer credit contracts".<sup>409</sup> Therefore, it seems that the disclosure statement forms parts of the contractual terms of the BNPL service.

T&Cs <sup>410</sup>	Disclosure statement <sup>411</sup>	Privacy policy <sup>412</sup>	Financial Hardship webpage <sup>413</sup>	Family Violence webpage <sup>414</sup>
<p><u>Nonpayment and late fees</u></p> <p>7.6 We can choose to waive or defer any Late Fee. The total of all Late Fees we charge to your Payment Method in</p>	<p><u>Unforeseen hardship:</u></p> <p>If you are unable reasonably to keep up your payments or other obligations because of illness, injury, loss of employment, or the end of a</p>	<p><u>Using and sharing your personal information</u></p> <p>We will primarily use your personal information in order for us to provide our Services to you or assess your suitability for us to provide such Services.</p> <p>This includes, but is not</p>	<p><u>Zip's approach to hardship</u></p> <p>Zip is committed to helping customers who are experiencing hardship. Our team is available to listen to your individual circumstances and answer any questions you might have. We understand everyone's needs are different, so we assess each</p>	<p><u>What is Family Violence?</u></p> <p>Financial abuse is a form of family violence and is a common tactic used by abusers to gain power and control, and to manipulate an individual. At Zip, we aim to provide our impacted customers with safe, supportive, timely and flexible</p>

<sup>407</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (Effective on and from 2 September 2024).

<sup>408</sup> Ibid, under the label "IMPORTANT".

<sup>409</sup> Ibid.

<sup>410</sup> Ibid, at cl 7.6.

<sup>411</sup> Ibid.

<sup>412</sup> Zip. [Privacy Policy - Zip](#) (updated 10 December 2024) (accessed 4 December 2025).

<sup>413</sup> Zip [Financial Difficulty and Hardship | Zip New Zealand](#) (accessed 4 December 2025).

<sup>414</sup> Zip [Family Violence - Zip](#) (accessed 14 November 2025).

<p>relation to each Purchase is capped at NZ\$40.</p>	<p>relationship or other reasonable cause you may be able to apply to us for a hardship variation.</p> <p>To apply for a hardship variation, you need to:</p> <p>(a) make an application in writing via the form at this link: ... and</p> <p>(b) explain your reasons(s) for the application; and</p> <p>(c) request one of the following (i) an extension of the term of the Agreement (which will reduce the amount of each payment due under the Agreement); or</p> <p>(ii) postponement of the dates on which payments are due under the Agreement (specify the period for which you want this to apply); or (iii) both of (i) and (ii); and</p> <p>(d) submit the application to us.</p> <p>Do this as soon as possible. If you leave it too long, we may not have</p>	<p>limited to using your personal information to: ... Provide you with our Services, including the arrangement of the instalment plan, financial hardship plan (if applicable), and responding to any queries and providing any information about us;</p>	<p>application on a case-by-case basis.</p> <p>...</p> <p>To help, we may seek information on:</p> <p>(1) The circumstances surrounding your situation;</p> <p>(2) What amounts you can repay in the meantime and when can you commence making these payments; and</p> <p>(3) How long you foresee the situation lasting.</p> <p>Based on the information you provide we are able to provide you with a support plan based on your personal circumstances.</p> <p>Your support plan may include:</p> <p>(1) A short-term payment arrangement to help your get back on your feet; (2) A variation to your loan contract; (3) A short term moratorium or a deferral of repayments; (4) Suspension or variation of interest and fees.</p> <p>All requests for hardship assistance will be treated in the strictest confidence as we work together to find a solution.</p> <p>How do I apply for assistance?</p> <p>You can reach our Hardship</p>	<p>assistance, as well as information on how to access specialist support services where this may be of benefit.</p> <p><u><a href="#">Zip's approach to Family Violence</a></u></p> <p>We will provide specialised financial hardship arrangements to assist customers during times of financial difficulty. These arrangements will consider the unique circumstances of a customer impacted by family violence.</p> <p>If these circumstances apply to you, we will: (1) Fast track any financial hardship request; (2) Provide options to provide financial relief; (3) Consider the risks involved in attempting to recover debts where family violence is involved.</p> <p><u>We will not:</u></p> <p>Require customers experiencing financial to provide evidence of their experience of family violence ...</p> <p>Based on the information you provide we are able to provide you with a support plan based on your personal circumstances.</p>
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	to consider your application.		<p>Assist Team, Mondays to Fridays, 9:00am – 5:00pm.</p> <p>New Zealand: 09 489 8144</p> <p>Apply here for Financial Hardship if you have a New Zealand Zip Account.</p>	<p><u>Your support plan may include:</u></p> <p>A short-term fixed/reduced repayment for an amount below the contractual repayment amount or below the minimum monthly payment; A short term moratorium or a deferral of repayments; Suspension or variation of interest and fees; Consider debt waiver or settlement for extenuating circumstances</p>
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## Afterpay – Terms and policies relating to financial hardship

Terms <sup>415</sup>	Webpage <sup>416</sup>
<p>“if you won’t be able to pay us on time, please contact us as soon as possible. Click here for more information regarding Hardship.”<sup>417</sup></p> <p><u>9.3 Hardship</u><sup>418</sup></p> <p>(a) Hardship Application - If you are in Hardship, you may make an application by contacting us in writing using electronic means or otherwise, as we accept from time to time (“Hardship Application”).</p> <p>(b) We’ll acknowledge your Hardship Application – We will acknowledge that we’ve received your Hardship Application within 5 Working Days, whether we decide to grant relief in accordance with your Hardship Application or not.</p> <p>(c) We may ask you for more information - Within 10</p>	<p><u>What is financial Hardship?</u></p> <p>Financial hardship can happen to anyone. It simply means you're having trouble keeping up with your repayments due to changes in your circumstances — big or small.</p> <p>This might be because of things like:</p> <ul style="list-style-type: none"> <li>- Job loss or reduced hours</li> <li>- Injury or illness</li> <li>- A natural disaster</li> <li>- Family or domestic violence</li> <li>- The death of a loved one</li> <li>- Relationship breakdown</li> <li>- Natural disaster impacts</li> <li>- Unexpected expenses</li> </ul>

<sup>415</sup> Afterpay [Afterpay Terms – New Zealand](#) (Effective as at 17 October 2024)

<sup>416</sup> Afterpay [We're here to support you](#) (accessed 14 November 2025). See also Afterpay [I need help with my payments – Afterpay](#), which contains the same information.

<sup>417</sup> This quote is from the “HIGHLIGHTS” section at the top of the [Afterpay Terms – New Zealand](#).

<sup>418</sup> Ibid, cl 9.3

Working Days of receiving your Hardship Application, we may ask you in writing for more information where we need it in order to be able to make a decision on your Hardship Application.

(d) When we'll make a decision on your Hardship Application - We'll make a decision about your Hardship Application either:

- (i) if we haven't asked you for more information in accordance with clause 9.3(c), within 20 Working Days of receiving your Hardship Application; or
- (ii) if we have asked you for more information under clause 9.3(c), the later of:
  - (A) 10 Working Days after receiving that further information; and
  - (B) 20 Working Days after making the request for that further information.

#### 12 Definitions and interpretation<sup>419</sup>

Hardship means you:

(a) are unable reasonably, because of illness, injury, loss of employment, the end of a relationship, or other reasonable cause, to meet your obligations under the Agreement; and

(b) reasonably expect to be able to discharge your obligations under the Agreement if the terms were changed in a manner to:

- (i) extend the term of the Agreement and reducing the amount of each payment due;
- (ii) postponing, during a specified period, the dates on which payments are due; or
- (iii) extending the term of the Agreement and postponing, during a specified period, the dates on which payments are due.

Whatever the reason, you're not alone — and you don't need to navigate this alone either.

#### How we can help

We have a dedicated team who understands that everyone's situation is different. The best first step is to get in touch by completing our secure form or reaching out to us via Help in the app. If you would prefer to talk to someone over the phone, see how here.

Once we hear from you, we'll work with you on a plan to help you get back on track. This might include:

- Adjusting your payment schedule
- Waiving late fees
- Setting up a payment plan

If we need time or more information to agree on the best way to support you, we will place your account on hold to minimise any late fee or payment impacts.

We'll always do our best to find a fair and manageable solution for your circumstances.

#### What happens next?

We'll work with you to determine the hardship arrangement we can offer you.

When you've completed your hardship arrangement and paid off all amounts that you owe us:

- If you feel financially ready and would like to return to using Afterpay, please get in touch with us so we can consider your request to use Afterpay again. We assess account access on a case-by-case basis and can't guarantee reinstatement or an immediate return to the spend limit you had before entering the hardship arrangement.
- If you would like to close your account you can do so by going to your profile in the app or web login and tapping "close my account".

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<sup>419</sup> Clause 12.

## Klarna – Terms and policies relating to financial hardship

T&Cs <sup>420</sup>	Webpage <sup>421</sup>
<p>Hardship: If you experience illness, injury, loss of employment, the end of a relationship, or other circumstance that means you are unable reasonably to meet your repayment obligations to us you may be able to apply to us to make changes to your repayment obligations.</p> <p>We may be able to extend the due dates for your payment obligations.</p> <p>Please contact us at <a href="mailto:customerservice@klarna.co.nz">customerservice@klarna.co.nz</a> for information about how you can make this application and the other details that we'll need from you. There is also more information on our website.</p> <p>In all other situations where you are unable to pay us on time and you find yourself in financial hardship, please contact us at <a href="mailto:customerservice@klarna.co.nz">customerservice@klarna.co.nz</a></p>	<p><u>Experiencing hardship?</u> Klarna recognises that sometimes the unexpected happens and your circumstances can change. Common events that may contribute to a significant change in circumstances may include:</p> <ul style="list-style-type: none"> <li>- Sudden or unexpected reduction in income due to loss of employment</li> <li>- A death, long term industry or illness</li> <li>- Relationship breakdown and</li> <li>- Many other examples.</li> </ul> <p>Occasionally, these changes can result in a customer experiencing financial hardship, which means they are temporarily unable to meet their repayment schedule.</p> <p><u>What can I do if I'm experiencing financial hardship?</u> Klarna is absolutely committed to helping you if you find yourself unexpectedly experiencing financial difficulties. If you are in this situation, please contact our customer service team. They are highly skilled and trained to help you with sensitivity, respect and compassion.</p> <p>The best way to get a fast response is to contact the team via the Chat function in the Klarna app, where response times are generally rapid. However, if you prefer you can also call us directly. The team will then generally assess your hardship application on the spot.</p> <p>If you would prefer not to have live contact with our customer service team you can submit a Webform for them to review. However, we would generally recommend coming through our live channels of chat and phone to get the most immediate assistance.</p> <p><u>What happens next?:</u> Once you have submitted your application, we will discuss when you may be able to make payment. We may then extend the due dates of your instalment payments, to allow you the time you need to put aside the appropriate funds to meet your payments. This is known as entering into a Financial Hardship Arrangement.</p>

<sup>420</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025).

<sup>421</sup> Klarna [Experiencing hardship?](#) (accessed 14 November 2025).

We will continue to periodically discuss your situation with you and the appropriateness of the plan under your Financial Hardship Arrangement. We may adjust the plan in consultation with you to ensure it continues to suit your individual circumstances.

Once you have entered into a Financial Hardship Arrangement with us, Klarna will:

- Write to you confirming what we have agreed with you.
- Freeze any applicable late payment fees during the period of the Arrangement.
- Not list the default on your credit reference file (unless we are legally required to do so).

## Appendix 2: Buy now, pay later providers' terms and policies relating to credit checking and reporting and how they set credit (that is, spend) limits

Zip – Terms and policies relating to credit checks, credit reporting and credit limits

	T&Cs <sup>422</sup>	Web pages	Privacy policy <sup>423</sup>	Disclosure statement <sup>424</sup>
Credit reporting	Nothing	<p><b>“Terms and Conditions FAQs”<sup>425</sup></b></p> <p><u>New and Existing Pay in 4 Customers</u> Zip is required to report credit activities with credit bureaus to help maintain an accurate record of a customer’s credit history with Zip such as the account open date, on time repayment status or if there is an overdue status. This applies to all customers, both new and existing.</p> <p><u>Will credit checks impact my credit score?</u> ... Making consistent on-time payments with Pay in 4 may also positively impact your credit score. Late payments may lead to a negative impact on your credit score. Lenders may use this to assess your creditworthiness.</p> <p>How to obtain a copy of your Credit Report: You can request a copy of your credit report from Centrix: <a href="#">Apply here</a>.</p> <p>Zip is not able to provide you with a copy of your credit report. If you think your Centrix credit report contains incorrect information, you can make a request to correct it by contacting Centrix directly.</p>	<p><u>Using and sharing your personal information</u> We do not sell or provide access to your personal information to third parties for them to market directly to you without your consent. However, we may share your personal information with third parties for the following purposes: ...</p> <p>To other organisations that are involved in managing or administering your finance, such as third party suppliers, and credit reporting bodies;</p> <p>We may share information relating to your instalment arrangements with us, including your repayment history and any non-compliance or default history. A credit reporter may hold such information on their database and use it for providing credit reporting services to other users of the credit bureau;</p>	Nothing

<sup>422</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (Effective on and from 2 September 2024).

<sup>423</sup> Zip. [Privacy Policy - Zip](#) (updated 10 December 2024) (accessed 4 December 2025).

<sup>424</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (Effective on and from 2 September 2024).

<sup>425</sup> Zip [2024 Terms & Conditions FAQs – Zip Co NZ](#).

			We may share information relating to your personal creditworthiness, including your credit score, age, where you have shopped and geographical location to persons involved in providing funds, including by way of securitisation;	
<b>Credit checks</b>	<p>6.2 If you are eligible to open an Account, we will conduct a credit check to determine your Spend Limit.</p> <p>6.3 Zip will automatically incrementally increase your Spend Limit, if we determine you are eligible. You may be eligible for an increased Spend Limit if you meet our internal criteria. Where you meet our internal criteria, we will conduct a credit check to determine if you are eligible for an increased Spend Limit. We will conduct at least one credit check every 30 days.</p>	<p><b>Will Zip's credit check affect my credit score?</b><sup>426</sup></p> <p><u>Upon Signup:</u> When you sign up for a Zip account, we perform a credit check with the credit bureau Centrix. This is to determine your starting spend limit and whether you meet our lending criteria.</p> <p>We do this to ensure safe spending practices and that we are being a responsible finance company. This type of check will not impact your credit score.</p> <p><u>When you transact and receive credit increases:</u> As you transact with Zip, you will become eligible for a credit limit increase depending on your purchase and repayment behaviour.</p> <p>Zip will run a credit check to assess your credit score to determine whether a credit limit increase can be provided. This type of check will not impact your credit score.</p> <p>To learn more about your Credit Score and credit history, get in touch with Centrix.</p>	<p>The types of information we collect include: ... credit information such as credit score, bank statements, transaction history, partial card numbers and card expiry dates (we do not collect or hold full card numbers, which are held by the payment gateway), and your repayment and default (if any) history. We primarily obtain credit information provided to us by credit reporting bodies. Credit information is used to assess your eligibility to be provided with finance. ...</p> <p>Financial information such as income, expenditure, assets, financial liabilities, employment and utility bills.</p> <p>...</p> <p>As part of our assessment of fraud and credit suitability, we also utilise third parties and may collect personal information from third parties such as credit agencies and identity verification providers and other commercial information service providers.</p>	Nothing

<sup>426</sup> Zip [Will Zip's credit check affect my credit score? – Zip Co NZ](#) (accessed 4 December 2025).

	<p>6.5 If you would like to opt-out of receiving automatic increases to your Spend Limit, you can do so by contacting us via phone. By opting out of automatic increases to your Spend Limit, we will not conduct ongoing credit checks (but we will still conduct a credit check when you first apply for an Account).</p>		<p>We may also access personal information about you that is available publicly, such as on public and subscribed registers, and details you have shared publicly on social media platforms, which may be used to supplement our customer database.</p>	
<p><b>Credit/ Spend limit</b></p>	<p>6.1 Your Spend Limit is dependent on a number of factors including information gathered from third parties, your Zip repayment history, where you're shopping, and any outstanding payments you owe us (across any of our products)</p> <p>[The extra</p>	<p><b>Will Zip's credit check affect my credit score?</b><sup>427</sup></p> <p>Your spend limit is set based on a number of factors, but this primarily comes from your Credit Score.</p> <p>At the time of sign-up, we run a credit check with the credit bureau Centrix. Your Zip spend limit is a direct reflection of the credit score we receive back from Centrix, along with your repayment history as you complete orders.</p> <p>As your complete orders successfully without any late payments or refunds (with the exception of Auckland Transport), you may become eligible for increases.</p>	<p>Using and sharing your personal information:</p> <p>We will primarily use your personal information in order for us to provide our Services to you or assess your suitability for us to provide such Services.</p> <p>This includes...</p> <p>Make decisions to provide you with our Services initially and on an ongoing basis, including evaluating your creditworthiness, verifying your identity or increasing or decreasing your spend limit;</p>	<p>Once your application for an Account is accepted by us, we will send you an email notifying you of your Spend Limit. Your Spend Limit may be varied in accordance with the Terms and Conditions.</p>

<sup>427</sup> Zip [Will Zip's credit check affect my credit score? – Zip Co NZ](#) (accessed 4 December 2025).

	clauses around 6 as mentioned above]	<p>Zip will run a credit check to assess your credit score to determine whether a credit limit increase can be provided.</p> <p>...</p> <p>At Zip, we're committed to responsible lending practices and strive to meet our customers' needs within our credit portfolio. We regularly review our customers' information, including how frequently they make their payments on time and the number of purchases they've made, to ensure that the credit limits they have are manageable and one they can comfortably afford.</p>		
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## Afterpay – Terms and policies relating to credit checks, credit reporting and credit limits

	Terms <sup>428</sup>	Website	Privacy policy <sup>429</sup>
<b>Credit reporting</b>	<p><u>7.5 You authorise disclosure</u> You authorise Afterpay (or any third parties providing services on behalf of Afterpay) to disclose to third parties, to the extent required or permitted by any applicable laws or regulations, any information in relation to you, your Afterpay Profile or your Afterpay Account or its use.</p>	<p><u>What is Credit Reporting and what information does Afterpay report on?</u><sup>430</sup> Credit Reporting is when a lender, like Afterpay, collaborates with credit bureaus in sharing credit information. We require your consent to share this information: if you don't wish to provide consent, you will not be able to continue using Afterpay. You may choose to close your account, which can be done at any time, providing you don't have an outstanding balance. This can be done either through Settings in the Afterpay app, or you get in touch with our team and we can do this for you. For new customers, it's important to note that consent is a mandatory part of the sign-up process with Afterpay. Without providing consent, you won't be able to complete the registration process or make purchases using</p>	<p>...we may provide information about you, such as your identity and contact information together with information about your use of our products and credit risk profile, to credit reporting bodies</p> <p>We share your personal information with the following service providers for our legitimate interests to provide, maintain and improve our Services...with credit reporting bodies to help us confirm your identity and prevent fraud, to assist us in meeting our obligations under anti-money laundering / counter terrorism financing and sanctions laws, and other compliance requirements.</p>

<sup>428</sup> Afterpay [Afterpay Terms – New Zealand](#) (effective as at 17 October 2024).

<sup>429</sup> Afterpay [Customer Privacy Policy](#) (Effective 23 July 2024).

<sup>430</sup> Afterpay [What is Credit Reporting and what information does Afterpay report on? – Afterpay](#) (16 December 2024).

		<p>Afterpay.</p> <p><i>What information we report on</i> Under New Zealand regulations, Afterpay is required to report credit information to credit bureaus. This includes the good (when you're up-to-date with your payments) and the not-so-good (when you are late on your payments). In addition to this we also report your spend limit, the date you signed up with Afterpay, and, if you choose to close your account, the date of closure.</p> <p>It's important to understand that late payments may have a negative impact on your credit score. However, Afterpay also reports positive payment information, so consistently making payments on time should be reflected positively in your credit report and may have a positive impact on your credit score.</p> <p><i>Accessing your credit report</i> Your credit report is about you, but it's owned by the credit bureau. You have the right to access it and correct any mistakes. Understanding your credit report can help you make better financial decisions. It's also important to ensure the information is correct, so you're fairly represented to lenders.</p> <p>...</p> <p><u>New Zealand Regulation Changes - Credit Checks &amp; Reporting</u><sup>431</sup> As part of this commitment, and in line with New Zealand's laws and regulations we will review credit reports when increasing spend limits for existing customers and when new customers sign up with Afterpay. We are also required to report credit activities to relevant bureaus to help maintain an accurate record of your credit history.</p> <p>We'll collect your consent before conducting any checks or providing any information to</p>	
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<sup>431</sup> Afterpay [New Zealand Regulation Changes - Credit Checks & Reporting – Afterpay](#) (16 December 2024).

		<p>credit bureaus. You will only need to provide consent once, and we'll handle the rest with utmost confidentiality and care.</p> <p>...</p> <p><b>Comprehensive Credit Reporting:</b> In addition to credit checks, from August 2024, we will be collaborating with credit bureaus in sharing credit information. This includes the good (when you're up-to-date with your payments) and the not-so-good (when you are late on your payments). Lenders may use this to assess your creditworthiness. This applies to all customers, both new and existing, providing you have given us consent to do so.</p> <p>Afterpay is not able to provide you with a copy of your credit report</p> <p><i>Will credit checks impact my credit score?</i>      Making consistent on-time payments with Afterpay could be one way to positively impact your credit score. On the flipside, late payments may lead to a negative impact on your credit score.</p> <p>In New Zealand, we are required to report credit activities to relevant bureaus to help maintain an accurate record of your credit history</p> <p><i>Will using Afterpay affect me being able to get a home loan?</i>      Using Afterpay should not affect your ability to be approved for other lending, such as a home loan. When applying for a home loan, banks and other lenders may undertake a range of checks to make sure that you can afford your future loan repayments, including accessing your credit report and asking you about your regular expenses.      This may include your spending on Afterpay; but spending on discretionary items - which is what Afterpay is used for - should not affect how much you can borrow for your home loan. However, this is always subject to the lender's</p>	
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		<p>credit criteria.</p> <p><u>What is PayWatch? Why can't I open an account?</u><sup>432</sup></p> <p>As a responsible BNPL provider, we want to make sure we're helping our customers make the right financial decisions for their circumstances. We work with New Zealand credit bureau Centrix as part of the PayWatch initiative for the Buy Now Pay Later industry.</p> <p>...</p> <p>As part of Paywatch, Afterpay will notify Centrix if you have a payment which is overdue by 7 days or more. Although this will leave a footprint on your credit file, it will not impact your credit score. But it means that another Buy Now Pay Later company can become aware of your overdue payments with us if you are applying for a new account with them. Once you are up-to-date with your payments, your Paywatch status will be updated. Paywatch information is updated daily.</p>	
<b>Credit checks</b>	<p><u>2.1(b)(ii)</u>: As required by law, we will do a credit check to support a Spend Limit increase.</p> <p><u>7.3 We may make enquiries</u> You authorise us to make, directly or through third parties, any enquiries we consider necessary to verify your identity and to assess your capability to make</p>	<p><u>New Zealand Regulation Changes - Credit Checks &amp; Reporting</u><sup>433</sup></p> <p>When we'll be performing credit checks and what they mean for you: From the 23rd of July 2024, we will begin performing credit checks.</p> <ul style="list-style-type: none"> <li>- For our existing customers, we'll perform credit checks to assess whether higher spend limits are suitable for you. These checks will not be visible to other lenders and will not impact your credit score.</li> <li>- For new customers, we'll perform a credit check when assessing your application to join Afterpay. This enquiry may be visible to other lenders and may impact your credit score.</li> </ul>	<p>Purpose of processing: To provide (and assess whether to provide) our Afterpay account Services, including to develop our credit risk profile about you that determines your creditworthiness, to process transactions, and for the delivery of third party retailers' goods or services ...</p> <p>Categories of personal information we collect and how: ... Credit reporting bodies, as applicable when you apply for and use certain Services, who provide credit-related personal information about you as described in Section 1 where we set out the information we collect to provide (and assess whether to provide) our</p>

<sup>432</sup> AfterPay [What is PayWatch? Why can't I open an account? – Afterpay](#) (accessed 3 December 2025).

<sup>433</sup> Afterpay [New Zealand Regulation Changes - Credit Checks & Reporting – Afterpay](#) (16 December 2024).

	<p>payments according to the Payment Schedule in relation to any Order. This may include performing repayment capability checks and verifying information you provide to us against third party databases.</p> <p><u>7.4 Information collected, used, stored and disclosed in accordance with our Privacy Policy</u> See the Afterpay Privacy Policy for details on how information that Afterpay collects about you or the recipient you nominate for Third Party Goods, including information collected in connection with the verification of your identity, will be collected, used, stored and disclosed (<a href="https://www.afterpay.com/en-NZ/privacy-policy">https://www.afterpay.com/en-NZ/privacy-policy</a>)</p>	<p><i>What if I don't consent to performing credit checks and credit reporting? Will I still be able to use Afterpay?</i></p> <p>We require your consent to check your credit file and to provide information to credit bureaus. We do these in order to fulfil our regulatory obligations in New Zealand.</p> <p>For existing customers, you will need to give consent to continue using Afterpay in the same way you have been. Your consent will be obtained the next time you place an order with Afterpay either online, through the Afterpay app or in-store checkout via the app. If you don't wish to provide consent, you can close your account under Settings in the Afterpay app, or get in touch with our team and we'll be able to do this for you.</p> <p>It is important to understand that consent is a mandatory part of the sign-up process with Afterpay. Without providing this consent, new customers will unfortunately not be able to complete the registration process or make purchases using Afterpay.</p> <p><u>What is PayWatch? Why can't I open an account?</u><sup>434</sup></p> <p>... For customers who are applying for an Afterpay account, we will check your Paywatch status with Centrix as part of our decision to onboard you as a new customer.</p>	<p>Afterpay account Services. We may provide information about you, such as your identity and contact information together with information about your use of our products and credit risk profile, to credit reporting bodies. Where required by law, we will ensure you have consented to us sharing this information.</p>
<p><b>Credit/ Spend limit</b></p>	<p>Spend limit means the credit limit that we approve you under the Agreement and does</p>	<p><u>How much can I spend with Afterpay?</u><sup>435</sup></p> <p>Your 'spend limit' is the maximum amount you've been approved to spend with Afterpay.</p>	<p>Nothing</p>

<sup>434</sup> AfterPay [What is PayWatch? Why can't I open an account? – Afterpay](#) (accessed 3 December 2025).

<sup>435</sup> AfterPay [How much can I spend with Afterpay? – Afterpay](#) (accessed 3 December 2025).

	<p>not include any liability for Late Fees, which is set out in your welcome communication (which we sent to you when you open your Afterpay Account) and any subsequent notice relating to an increase or decrease of your spend limit.</p> <p><u>2.1(b)(i)</u>: We will set your spend limit and let you know what it is before you enter into the Agreement....</p> <p>(ii) We may increase or decrease your spend limit from time to time at our discretion based on things like your payment behaviours and risk factors (including for example those described in clauses 3.4 and 4.1) and will give you notice in accordance with clauses 1.4(b)...</p>	<p>This amount can increase and decrease as detailed in our Terms.</p> <p>Factors that influence your spend limit:</p> <ul style="list-style-type: none"> <li>- Making payments on time: Your Afterpay payment history is a key factor that affects your spend limit.</li> <li>- Tenure since first order: The length of time since your first order with Afterpay.</li> <li>- Frequency of orders: How often you place orders using Afterpay.</li> <li>- Payment source: The method of payment you use to pay off your balance.</li> <li>- On-time payments: How frequently you make payments on time.</li> <li>- Late payments: The frequency and extent of late payments.</li> <li>- Insufficient funds: How often orders are declined due to insufficient funds in the linked payment method.</li> </ul> <p>If you're new to Afterpay, your spend limit may be lower. Typically, the longer you use your Afterpay account responsibly and make payments on time, the more likely your spend limit will increase.</p> <p>...When assessing whether a spend limit increase is appropriate for you, we take into consideration a variety of factors, including your on-time payment history, how long you've been with us, and the information contained on your credit report.</p> <p><u>How can I increase my spending limit?</u><sup>436</sup>  We take our time to get to know you before increasing your spend limit. We start new customers off at a lower spend limit and increase it gradually over time. When assessing whether a spend limit increase is appropriate for you, we take into consideration a variety of factors, including your on-time payment</p>	
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<sup>436</sup> Afterpay [Payments and Benefits NZ](#) "How can I increase my spend limit?"

		<p>history, how long you've been with us, and the information contained on your credit report.</p> <p>Just as there are circumstances which may lower your spend limit (such as missing a payment), consistent on-time payment history can increase your spend limit with Afterpay. If your spend limit changes, we'll let you know via email.</p> <p>Typically, the longer you've been using Afterpay and making payments on time, the more likely the amount your spend limit will increase.</p> <p><u>What is spend cap?<sup>437</sup></u> Spend limit is set by Afterpay and is the maximum amount you've been approved to spend. This amount can increase and decrease as detailed in our Terms. If you would like to learn more information about spend limits, please click here.</p> <p><i>Looking to reduce your spend limit?</i> You can contact us via Help in the app or Click here to fill out a request form to reduce your spend limit.</p> <p>We can reduce your account limit to suit your budget and pause any increases, just let us know how much you would like to spend and how long you would like the restriction to be in place for. If your current outstanding balance is higher than the spend limit value you are seeking, your current orders will need to be paid down to less than your preferred Spend Limit before you can request for a spend limit reduction.</p> <p>If we reduce your limit for a period of time, there is no guarantee that your previous limit will be restored immediately. The amount you can spend using Afterpay changes based on your payment history and how you use your account.</p>	
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<sup>437</sup> Afterpay [What is spend cap? – Afterpay](#) (3 September 2025).

## Klarna – Terms and policies relating to credit checks, credit reporting and credit limits

	T&Cs <sup>438</sup>	Website	Privacy policy <sup>439</sup>
<b>Credit reporting</b>	<p><u>Default:</u> If you are in default Klarna may: ... (c) report default information to credit reporting agencies.</p> <p><u>Credit Report Access, Identity check and Reporting:</u> ... We may report information about your order and payment history to credit reporting agencies and debt collection agencies. Late payments, missed payments, or other defaults on your purchase may be reflected in your credit report and could impact your credit score. Credit reporting agencies will store this information in their database and may share it with their other customers as part of their credit reporting services.</p>	Unable to find anything from a Google search	<p><u>5. Consents and revoking consent for us to use certain personal information</u> As a condition of providing our credit Services, we will seek your irrevocable consent to disclose your credit information, for example to a credit reporting body ...</p> <p><u>6.4 Credit reporting bodies and suppliers of identity verification</u> ... If we provide you with a credit Service and you do not meet your repayment obligations, or you commit a serious credit infringement, we may pass this information on to a CRB. CRBs include this information in their reports to assist other credit providers to assess your creditworthiness.</p>
<b>Credit checks</b>	<p><u>Credit Report Access, Identity check and Reporting:</u> ... When you apply for this Payment Option, we may order a credit report from a credit reporting agency or third party database who will supply us with credit information about you. From time to time we may also request updates about your credit history from a credit reporting agency or third</p>	<p><u>Does Klarna perform a credit check?</u><sup>440</sup> Yes, when you use our Pay in 4, or pay later credit products we conduct a credit check to assess your eligibility for credit. This helps us ensure responsible lending and assist our customers to make good financial</p>	<p><u>4.1 Klarna’s Credit Services</u> The following Services involve us giving you credit: Pay later (such as Pay In 4) and the One-Time Card. To provide these Services, we do a credit assessment of you. The credit assessment is based on contact and identification information you have provided, information about the interactions between you and Klarna, and may include credit information like information obtained from credit reporting bodies, such as your income and repayment history information. You can read more about</p>

<sup>438</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025).

<sup>439</sup> [Klarna: Klarna’s Privacy Policy](#) (30 October 2025).

<sup>440</sup> Klarna Does Klarna perform a credit check? | Klarna New Zealand (accessed 4 December 2025).  
[www.klarna.com/nz/customer-service/does-klarna-perform-a-credit-check/](http://www.klarna.com/nz/customer-service/does-klarna-perform-a-credit-check/)

	<p>party database for the purpose of assessing whether to continue to provide you with this Payment Option.</p>	<p>choices for their circumstances.</p> <p>Good to know: If you make late payments or fail to pay, this could have a negative impact on your credit score and prevent you from using our payment methods in the future.</p> <p>You can read more about the credit bureaus we use to perform credit checks in our privacy policy .</p>	<p>our use of credit reporting bodies in Section 8 below.</p> <p>Depending on which Services you choose to use, we may collect the following information about you, either ourselves or via third parties (for example credit reporting bodies, stores or public databases): ... Credit information – details relating to your credit history, credit worthiness or capacity, and credit eligibility information, which we may collect from you, other credit providers, or credit reporting bodies.</p> <p><u>3. What personal information do we process and for what purpose?</u></p> <p>... Carry out credit assessment before granting credit (Please see Section 4.1 on Klarna’s credit Services and Section 8 regarding how we cooperate with credit reporting bodies). Managing our credit relationship with you including for administration and collection purposes.</p> <p><u>8. Credit information policy and your rights in relation to your credit information</u></p> <p>When you use a credit Service (as described in Section 4.1), we will collect credit information about you. The types of credit information we collect may include information about:</p> <p>your identity; the type and amount of credit you have, such as through loans and credit cards and information about applications for credit that you have made where credit providers have requested your information from a credit reporting body (a “CRB”, as defined in Section 6); your repayment history and defaults; and whether you have committed fraud or a serious credit infringement.</p> <p>We will obtain this information in a credit report (including a credit score) about you from a CRB. We will use this information, combined with information we already hold about you, to assess your creditworthiness and to decide</p>
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			whether to offer you credit. We may also use this information to manage our credit arrangements with you including for collection purposes.
<b>Credit/ Spend limit</b>	<p><u>Total advance:</u></p> <p>The total amount of the advance that we will make in relation to any part of your order is the amount of the three (3) subsequent payments added together. This is the amount you owe us after the first payment (for any part of your order) is charged to your card.</p>	<p><u>How much am I eligible to spend?</u><sup>441</sup></p> <p>There is no predefined spending limit when using Klarna. Instead, a new automated approval decision about how much you can spend with us is made each time you pay with Klarna. Eligibility is based on factors such as your payment history with Klarna, outstanding balance, the total amount in your shopping cart, and our ability to identify you.</p> <p><u>Why wasn't my purchase approved with Klarna?</u><sup>442</sup></p> <p>...</p> <p><i>Good to know:</i> Common data points typically considered in automated approval decisions for Buy Now Pay Later (BNPL) services include:</p> <ul style="list-style-type: none"> <li>• Credit score</li> <li>• Income</li> <li>• Employment stability</li> <li>• Spending patterns</li> <li>• Debt-to-income ratio</li> <li>• Residential status</li> <li>• Identity and age verification</li> <li>• Credit history</li> </ul>	Nothing

<sup>441</sup> Klarna [How much am I eligible to spend? | Klarna New Zealand](#) (accessed 3 December 2025).

<sup>442</sup> Klarna [Why wasn't my purchase approved with Klarna? | Klarna New Zealand](#) (accessed 18 November 2025).

		<ul style="list-style-type: none"><li>• Affordability assessment</li><li>• Savings and investments</li><li>• Outstanding credit</li></ul> <p>Note, each purchase generates a new automated approval assessment so one rejection does not mean that your future purchases will also be declined. Our customer service agents do not have additional information about the automated decline reason, based on credit bureau decision data, and are not able to change or influence the decision.</p>	
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## Appendix 3: Buy now, pay later providers' terms and policies relating to debt collection and late payment fees

### Zip – Terms and policies relating to debt collection and late payment fees

	T&Cs <sup>443</sup>	Disclosure statement <sup>444</sup>	Privacy policy <sup>445</sup>	Webpages
<b>Debt collection</b>	<p>7.7 You agree that if you do not pay us an amount you have agreed to pay under this Agreement or the Payment Schedule on time, we may appoint a third party collection agency to collect any amounts owing and this does not require your consent or agreement. We will act in accordance with any applicable laws when appointing a third party collection agency.</p> <p>7.8 You must pay us any reasonable costs we incur as a result of appointing a third party collection agency to collect any amounts owing, and these costs are payable if we demand them any time after we incur them.</p>	N/A	<p><u>Using and sharing your personal information</u></p> <p>We do not sell or provide access to your personal information to third parties for them to market directly to you without your consent. However, we may share your personal information with third parties for the following purposes:...To enforce our rights including debt collection and assigning debts to third party debt collection agencies;</p>	<p><u>Family Violence webpage:</u><sup>446</sup> <u>Zip's approach to Family Violence</u></p> <p>We will not...Refer the debt on to a third-party debt collection agency where we become aware that a customer's debt involves a situation of family violence.</p>
<b>Late fees</b>	<p>2. <u>Definitions</u></p> <p>"Late Fee" means a NZ \$10 fee charged in accordance with clause 7 of these Terms and Conditions.</p>	<p><u>Default fees</u></p> <p>If we have not received a payment due to us by 11:59PM on the relevant Payment Date</p>	<p>We will primarily use your personal information in order for us to provide our Services to you or assess your suitability for us to provide such Services.</p>	<p><u>How do late fees work?</u><sup>447</sup></p> <p>Starting 31st July 2023, the late fee</p>

<sup>443</sup> Zip [Pay in 4 Disclosure Statement and Terms & Conditions](#) (Effective on and from 2 September 2024).

<sup>444</sup> Ibid.

<sup>445</sup> Zip. [Privacy Policy - Zip](#) (updated 10 December 2024) (accessed 4 December 2025).

<sup>446</sup> Zip [Family Violence - Zip](#) (accessed 14 November 2025).

<sup>447</sup> Zip [How do late fees work? – Zip Co NZ](#) (accessed 17 November 2025).

	<p><u>What you agree to do</u></p> <p>4.3 You agree that we can charge your Payment Method in accordance with the Payment Schedule together with any Late Fees payable. You agree to have available funds on your Payment Method at the time we charge it. You can update or change your Payment Method at any time via the Platform</p> <p>4.6 You can make a partial or full prepayment of one or more amounts you owe under your Payment Schedule at any time. You will not be charged any fees for making a partial or full prepayment. However, you are not permitted to make a part payment only of an amount due under your Payment Schedule. If you do not pay the full amount due under your Payment Schedule, a Late Fee may be charged in accordance with clause 7 below.</p> <p><u>Non-payment and late fees</u></p> <p>7.1 We will attempt to charge any amount due to us under the Payment Schedule to your Payment Method on each Payment Date. If we cannot charge your Payment Method on a Payment Date, you authorise us to attempt to charge both the payment under your Payment Schedule and any Late Fees set out in clauses 7.2 and</p>	<p>we will immediately charge a Late Fee of NZ\$10 to your Payment Method unless you have notified us of a genuine dispute under clause 12 of the Terms and Conditions. If we have still not received a payment due to us by 11:59 PM seven days after the original Payment Date, we will immediately charge a further Late Fee of NZ\$10 to your Payment Method, unless you have notified us of a genuine dispute under clause 12. Late Fees of NZ\$10 will continue to be charged to your Payment Method every 7 days thereafter, up to a maximum of NZ\$40 per Purchase.</p>	<p>This includes, but is not limited to using your personal information to:...Manage your scheduled instalment payments and late fees (if any) and manage the Services we provide;</p>	<p>for Zip Pay in 4 will increase from \$8 to \$10 on new orders. If you miss a payment, you will see the new late fee of \$10 added. This means for orders made from 12:00 AM NZST 31st July 2023, the new late fee amount of \$10 will apply to any payments not received on or before their due date. The maximum limit for late fees per order will remain at \$40.</p> <p>... A further \$10 fee is applied for every week the payment is unpaid.</p> <p>Our fees are capped at \$40 per order, but we really encourage you to get your payments up to date before this point. Being late on payments means that your details may be passed onto a collections agency and have your credit score negatively impacted.</p>
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	<p>7.3 below to your Payment Method.</p> <p>7.2 If we have not received a payment due to us by 11:59PM on the relevant Payment Date:  ...(b) we will immediately charge a Late Fee to your Payment Method unless you have notified us of a genuine dispute under clause 12.</p> <p>7.3 If we have still not received a payment due to us by 11:59 PM seven days after the original Payment Date, we will immediately charge a further Late Fee to your Payment Method unless you have notified us of a genuine dispute under clause 12. Subject to clause 7.6, we will continue to charge Late Fees to your Payment Method every 7 days thereafter until we have received the payment.</p> <p>7.5 We can at regular intervals try and take any overdue payment and any Late Fee from any Payment Method you have used or added to your Account.</p> <p>7.6 We can choose to waive or defer any Late Fee. The total of all Late Fees we charge to your Payment Method in relation to each Purchase is capped at NZ\$40.</p>			
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## Afterpay – Terms and policies relating to debt collection and late payment fees

	Terms <sup>448</sup>	Webpages
<b>Debt collection</b>	<p><u>2.6 Transfers or assignments:</u> You agree that we may appoint third party collections agencies to collect from you any Amount You Owe under the Agreement (including by transferring or assigning this Agreement, and any rights under it.</p>	N/A
<b>Late fees</b>	<p><u>Late Fee Schedule</u></p> <p>1. Subject to paragraph 3 below, if you fail to pay any Amounts You Owe when due (set out in the Payment Schedule), Late Fees will apply on each payment that is due but not received. For the avoidance of doubt, Late Fees will not be applied until the day immediately following the day that the payment is due.</p> <p>2. We may, at our sole discretion, reasonably delay the application of, or waive wholly or partly, any Late Fee. If Late Fees are or may be incurred as a result of Afterpay’s error, please let us know, and we will waive or refund such fees, as relevant.</p> <p>3. Although Late Fees will be shown in the Payment Schedule for your information when incurred, please note clause 2.1(b)(vi). A Late Fee is not a payment under paragraph 1 above, which means if you do not pay a Late Fee on time, you will not be charged a Late Fee in respect of that failure.</p> <p>4. Late Fees are capped as set out below:</p> <p><u>Original order value: \$40 or below</u></p> <ul style="list-style-type: none"> <li>- One Late Fee of 25% of the Original Order Value when you first fail to make a payment in accordance with your</li> </ul>	<p><u>How much are the late fees?</u><sup>449</sup></p> <p>We cap late fees to help keep costs manageable for customers who miss a payment.</p> <p>Late fees will never exceed 25% of the order total or \$68 per order, whichever is lower. How this works:</p> <p>For orders under \$40: A one-time late fee of up to 25% of the order total applies.</p> <p>For orders of \$40 or more: A \$10 late fee is charged when a payment is missed. If the outstanding amount remains unpaid after seven days, an additional \$7 late fee applies . This is the same for all late payments until the 25% cap or \$68 amount is reached. To remain within the cap, we may charge partial amounts of the \$10 and \$7 fees.</p> <p>We’re committed to doing everything we can to help you not miss a payment, including sending you payment reminders and offering options to reschedule upcoming payment dates.</p> <p>We’ve designed Afterpay to be completely different to traditional credit products that charge interest, so that our customers are never in a situation of high compounding interest and revolving debt.</p>

<sup>448</sup> Afterpay [Afterpay Terms – New Zealand](#), (effective as at 17 October 2024).

<sup>449</sup> Afterpay “How much are the late fees?” [How it works](#) (accessed 20 November 2025).

	<p>Payment Schedule.</p> <ul style="list-style-type: none"> <li>- No other Late Fee is payable.</li> </ul> <p><u>Original order value: Above \$40</u></p> <ul style="list-style-type: none"> <li>- For each Order, the aggregate sum of Late Fees will be capped at the lower of 25% of the Original Order Value or \$68.</li> <li>- Up to this maximum cap, for each late payment we may charge: an initial \$10 Late Fee if you fail to make a payment in accordance with your Payment Schedule, plus; a further \$7 Late Fee if the late payment remains unpaid 7 days after your payment was due.</li> <li>- To remain within the maximum Late Fee cap, we may charge partial amounts of the initial \$10 Late Fee and the subsequent \$7 Late Fee, for all late instalments until the 25% cap or \$68 amount is reached.</li> </ul>	
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## Klarna – Terms and policies relating to debt collection and late payment fees

	T&Cs <sup>450</sup>	Privacy Policy <sup>451</sup>	Website
<b>Debt collection</b>	If you are in default Klarna may: ... (b) employ a debt collection agency to receive payment and you will have to pay all reasonable costs (including attorney’s fees) incurred by Klarna and/or the debt collection agency; and (c) report default information to credit reporting agencies.	6.12 Debt Collection Agencies  Klarna may share your information when selling, or assigns to collect, unpaid debts to third parties, e.g. to debt collection agencies. This sharing of personal information is based on our legitimate interest in collecting and selling debts. The debt collection agencies may process your personal information in line with their own privacy policies, or on Klarna’s behalf. The debt collection agencies may also report your unpaid debt to credit	<u>What happens if I can’t pay on time?</u> <sup>452</sup>  ...  Please note, missed payments may incur fees and unpaid debts may be sent to debt collection.

<sup>450</sup> Klarna [Klarna Pay Later in 4 Instalments Terms](#) (23 April 2025).

<sup>451</sup> Klarna [Klarna: Klarna’s Privacy Policy](#) (30 October 2025).

<sup>452</sup> Klarna [What happens if I can’t pay on time? | Klarna New Zealand](#) (accessed 20 November 2025).

		reporting bodies which may affect your credit rating and your ability to obtain future credit.	
<b>Late fees</b>	<p><u>How it works:</u> There are no interest charges with Pay later in 4 instalments, and no fees when you follow your automatic payment schedule. If you do not make a payment when due, after any applicable slack period, we may charge late fees. Any missed instalments, including any added late fees, will be rolled over to the next scheduled Due Date. We may separately charge merchant services fees to merchants you make a purchase from.</p> <p><u>Late Fee:</u> If you fail to make a payment by the end of the courtesy slack period you will be in default, and in addition to other right we have (see “Default” section below), we may charge you a late fee amounting to the following; i) zero (0) NZD per late instalment if the total order value is up to 24.99 NZD; ii) two (2) NZD per late instalment if the total order value is between 25 and 59.99 NZD, iii) two and sixty six cents (2.66) NZD per late instalment if the total order value equals 60 NZD or above. If you fail to make your payments you may be unable to use the service in the future. We may continue to attempt to collect overdue and currently due payments on subsequent Due Dates, or invoice you separately for the unpaid total.</p> <p><u>Default:</u> You will be in default if you: (a) fail to make any payment by Due Date after any applicable slack period(s); (b) become the subject of insolvency or bankruptcy proceedings; (c) supply</p>	<p><u>8. Credit information policy and your rights in relation to your credit information</u></p> <p>When you use a credit Service (as described in Section 4.1), we will collect credit information about you. The types of credit information we collect may include information about: ...your repayment history and defaults; and</p>	<p><u>Why was I charged a late fee?</u><sup>453</sup></p> <p>Late fees are added to your payment plan if:</p> <ul style="list-style-type: none"> <li>• The payment fails to be collected on the due date</li> <li>• The entire payment is missing for a purchase</li> </ul> <p><i>Good to know:</i> If a payment is late, you will not be able to continue using Klarna until you’ve paid off your debt. Late payments might also be reported to the credit bureaus.</p>

<sup>453</sup> Klarna [Why was I charged a late fee? | Klarna New Zealand](#) (accessed 20 November 2025).

	<p>materially false, misleading, or incorrect information to us; or (d) violate or are unwilling to comply with any material provision in the Payment Option Terms.</p> <p>If you are in default Klarna may: (a) charge the outstanding balance, including late fees, on your Pay later in 4 instalments purchase after notification, using any card we have on file for you or by a separate invoice; (b) employ a debt collection agency to receive payment and you will have to pay all reasonable costs (including attorney’s fees) incurred by Klarna and/or the debt collection agency; and (c) report default information to credit reporting agencies.</p> <p><b>Late instalment fee table in NZD</b></p> <p><u>Total order value of 0–24.99</u></p> <ul style="list-style-type: none"> <li>- Late fee per instalment: 0</li> <li>- Total max late fees for three late: 0</li> </ul> <p><u>Total order value 25–59.99</u></p> <ul style="list-style-type: none"> <li>- Late fee per instalment: 2</li> <li>- Total max late fees for three late: 6</li> </ul> <p><u>Total order value &gt;60</u></p> <ul style="list-style-type: none"> <li>- Late fee per instalment: 2.66</li> <li>- Total max late fees for three late: 8</li> </ul>		
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## Appendix 4: FinCap data

This is the FinCap data analysis of the Client Voices entries from January 2021–July 2025. Client Voices is a client management tool for financial mentors which is powered by FinCap and allows mentors to store client information.<sup>454</sup> The final version of this data is outlined below and was produced in September 2025. This work was done jointly with Consumer NZ and made possible through the support of the Michael & Suzanne Borrin Foundation.

### Overall analysis

There are a few positive trends. However, the two phases of Client Voices data shows “there is continued evidence of financial hardship caused by BNPL” as set as a criteria by the Minister of Commerce and Consumer Affairs to reconsider exempting these loans from affordability requirements.<sup>455</sup>

**Note:** Overall case numbers have been increasing. This and other wider trends to the end of 2024 are available in the appendix of FinCap’s Voices report.<sup>456</sup> The methodology for the two projects varies but the general trends mostly remain comparable.

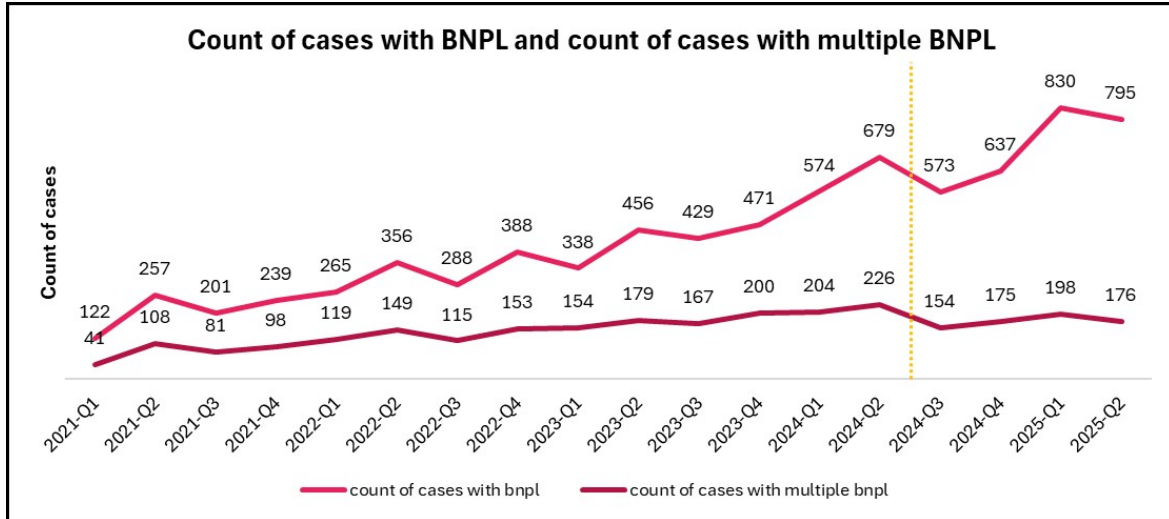
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<sup>454</sup> See the Client Voices webpage on the FinCap website at: [Client Voices | FinCap](#) (accessed 4 December 2025).

<sup>455</sup> See: the cabinet paper [Fit for purpose regulation of consumer credit](#), point 73 (accessed 4 December 2025).

<sup>456</sup> FinCap. June 2025. *Voices: 2025 update on income, expenses and debt trends and why reasonable debt collection conduct is critical now*. National Building Financial Capability Charitable Trust (FinCap). URL: [www.fincap.org.nz/blog/fincap-voices-report-2025](http://www.fincap.org.nz/blog/fincap-voices-report-2025) (accessed 4 December 2025).

A. Presentations of people in hardship with buy now, pay later continue to increase.



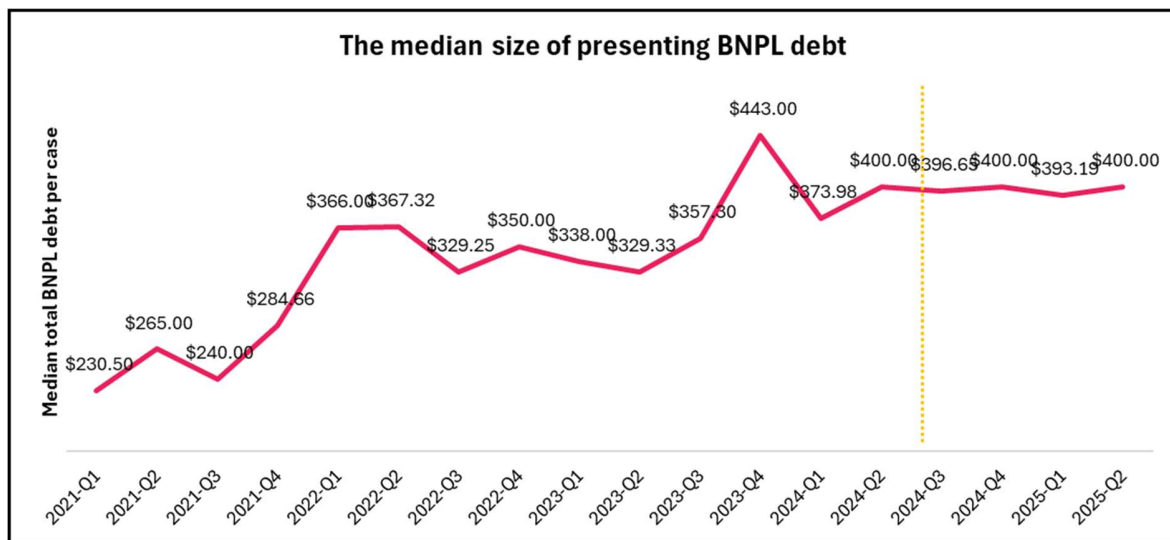
FinCap analysis

- While our *Voices report* notes an increase in clients, it also notes an increase in BNPL as a proportion of listed debts, so the trend is not just a reflection of general increases in presentations.
- The reduction in presentations with BNPL debts following the regulatory intervention might represent more conservative lending by BNPL providers just before the law change and the decision from Cabinet to not apply restrictions on late fees. However, it may also indicate a reduction in loans as lenders adjusted their systems or be a more dramatic version of the seasonal variation throughout the timeseries where there are less BNPL presentations in quarter 3.
- The reduction in people presenting with multiple BNPL debts may indicate that the regulation has been partially successful in reducing the risk of hardship from multiple BNPL. However, our focus group revealed that mentors have observed that the two most prominent lenders now allow multiple loans to be bundled into a single payment. This means that multiple loans from a single provider are more likely to be coded as a single debt, as the client understands it.
- Previously, mentors had raised concerns about multiple BNPL loans causing distress as the many repayments coming out in a pay cycle were hard to remember and code into a debt

schedule and cash flow template. Mentors in the focus group said the change in product design had helped resolve this issue and also helped borrowers better understand the amount they had borrowed.

- It must be noted however that the focus group seemed to agree that few borrowers view or understand BNPL is a loan. One focus group member suggested that borrowers understand it to be a currency.

B. The median size of outstanding buy now, pay later debts has been much more stable since regulatory intervention. However, it is higher than most earlier points in the time series.



Note: (Excluding BNPL debts noted as 'zero' as a 'zero' reflects partially completed records – most often a financial mentor putting a placeholder in the database to gather more information about BNPL debt amounts.)

### FinCap analysis

- The stabilising of the median outstanding figure could indicate lenders' credit risk policy becoming more consistent in response to the regulatory intervention.
- Lenders said they were likely to lend greater amounts in order to recover more funds to cover regulatory costs, and this may be reflected in the data.

- Can the researcher find any policy or statements from BNPL lenders that confirm they would only allow up to this amount to be owing where there is a risk of repayments being unaffordable?
- The focus group did not reach any consensus as to whether there have been any trends on the amounts advanced by BNPL providers since the regulatory change. Many in the group raised concern about unsolicited increases of credit limits. Some worried that borrowers wouldn't have given informed consent for the credit checking that occurs when the limit increases and speculated that changes to terms and conditions to allow this wouldn't have been read (as it would be impractical to do so) before being agreed to.
- Some noted there had been improvements in the way these lenders apps allowed people to reduce their borrowing limit and set a time before it begins to automatically increase again. This contrasts with feedback in the last few years that reducing credit card limits was overcomplicated. Mentors also noted that the unsolicited increase in credit limits can impact the outcome of affordability assessments from other lenders.

### C. Are people who are using buy now, pay later spending more of their income on rent than those without buy now, pay later?

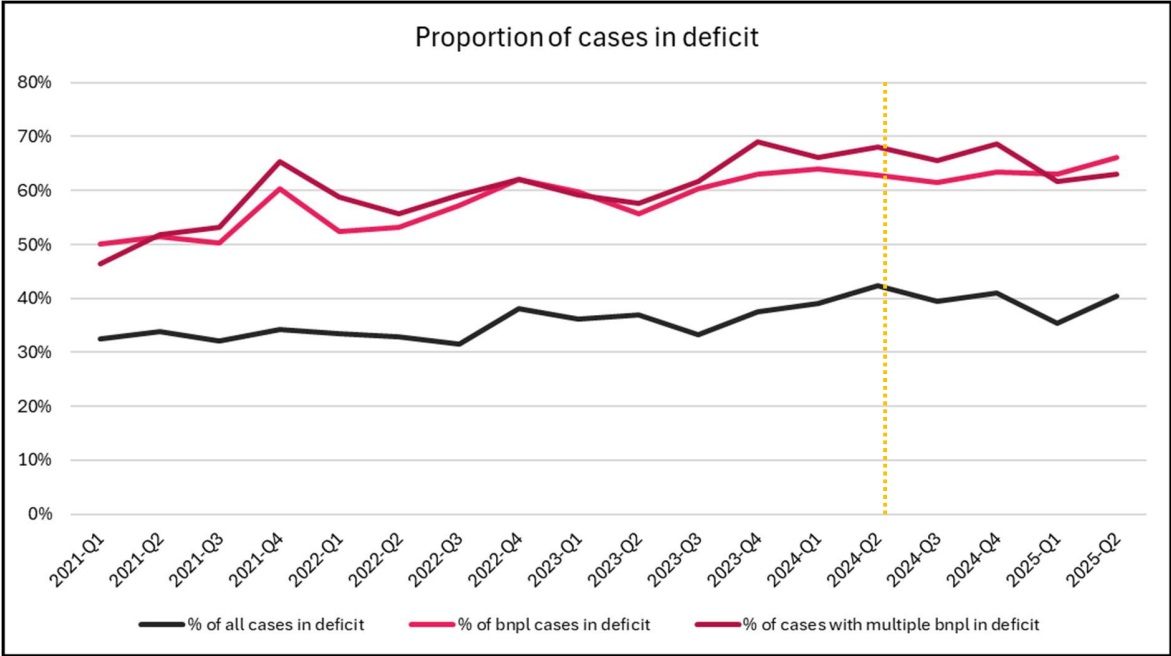
	Median weekly rent	Median weekly income	Proportion of income spent on rent
<b>All cases</b>	\$280.00	\$723.79	38.7%
<b>BNPL cases</b>	\$340.00	\$912.50	37.3%

#### FinCap analysis

Concerns that unaffordable rent was seeing people access BNPL debt led to us exploring our data on rent. We found that across the entire sample there was little difference in the proportion of income spent on rent when comparing medians.

It was more notable that those with BNPL had a higher median weekly income. We have kept this in mind when analysing the income brackets.

D. Those with a buy now, pay later debt are still far more likely to be in budget deficit.



Proportion of cases in deficit

Quarter	% of all cases in deficit	% of BNPL cases in deficit	% of cases with multiple BNPL in deficit
2021-Q1	32%	50%	46%
2021-Q2	34%	51%	52%
2021-Q3	32%	50%	53%
2021-Q4	34%	60%	65%
2022-Q1	33%	52%	59%
2022-Q2	33%	53%	56%
2022-Q3	32%	57%	59%
2022-Q4	38%	62%	62%
2023-Q1	36%	60%	59%
2023-Q2	37%	56%	58%
2023-Q3	33%	60%	62%

2023-Q4	38%	63%	69%
2024-Q1	39%	64%	66%
2024-Q2	42%	63%	68%
2024-Q3	39%	61%	66%
2024-Q4	41%	63%	69%
2025-Q1	35%	63%	62%
2025-Q2	41%	66%	63%

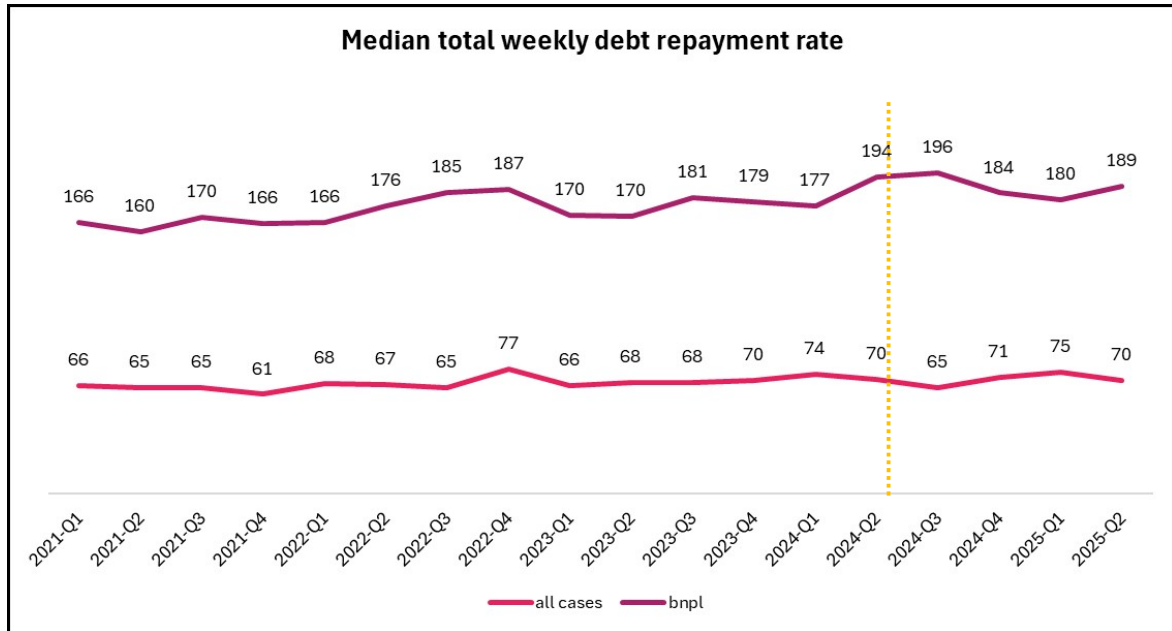
**FinCap analysis**

The regulatory intervention has not impacted the disparity between those with and without BNPL being in weekly budget deficit. This indicates the regulatory intervention has failed to bring about effective alternative checks for affordability or bolstered hardship assistance requirements to account for the potential for these loans to cause or compound hardship.

Mentors in the focus group shared that borrowers rarely present to specifically request help with these loans, instead other creditors had them worried. They commented that BNPL lenders were easy to work with to form reasonable and affordable payment plans where the clients opted to take this approach. However, they noted the borrowers rarely wanted to access hardship support from BNPL lenders as they were aware or were informed that they would no longer be able to make payments through this credit if they had a hardship repayment arrangement in place. BNPL lenders have promoted this policy around hardship support as an example of their responsible lending, however, this loss aversion on the part of borrowers means they are not likely to take up what could be seen as better practice hardship assistance compared with other lenders.

In contrast to the comments on BNPL lender hardship support being helpful when engaged with, the focus group also repeatedly commented that BNPL lenders were quick to send loans on to specialist debt collection. This is likely where payments are missed but the borrower does not attempt to make arrangements for repayment.

E. Those with buy now, pay later loans are spending more of their income on debt repayments than those without.

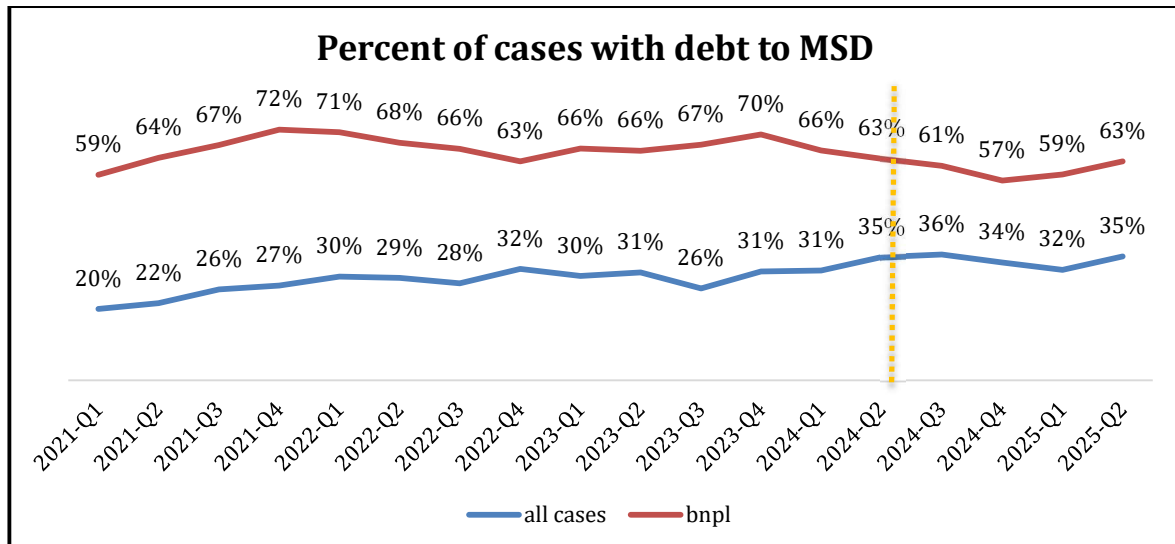


### FinCap analysis

People presenting to financial mentors, with BNPL loans clearly noted, consistently had a higher median total weekly debt repayment rate in the report period. The regulatory intervention has not had any strong impact on the median total weekly debt repayment rate, a significant reduction in this rate would have meant less contribution from BNPL for these borrowers' hardship (see Section D above on weekly deficit).

Other analysis done in the *Voices* report has shown those with car loans also have higher incomes and greater proportional weekly budget deficits, likely from loan repayments. However, financial mentors often successfully complain about non-compliance with affordability assessment requirements in relation to car loans whereas this is not possible with the exemptions for BNPL loans. Mentors in the focus group noted BNPL lenders are sometimes accessed after other loan repayments have become unaffordable given affordability requirements rule out other credit options.

F. Those with buy now, pay later continue to be far more likely to have outstanding overpayment amounts or hardship-grant-related debt to the Ministry of Social Development.

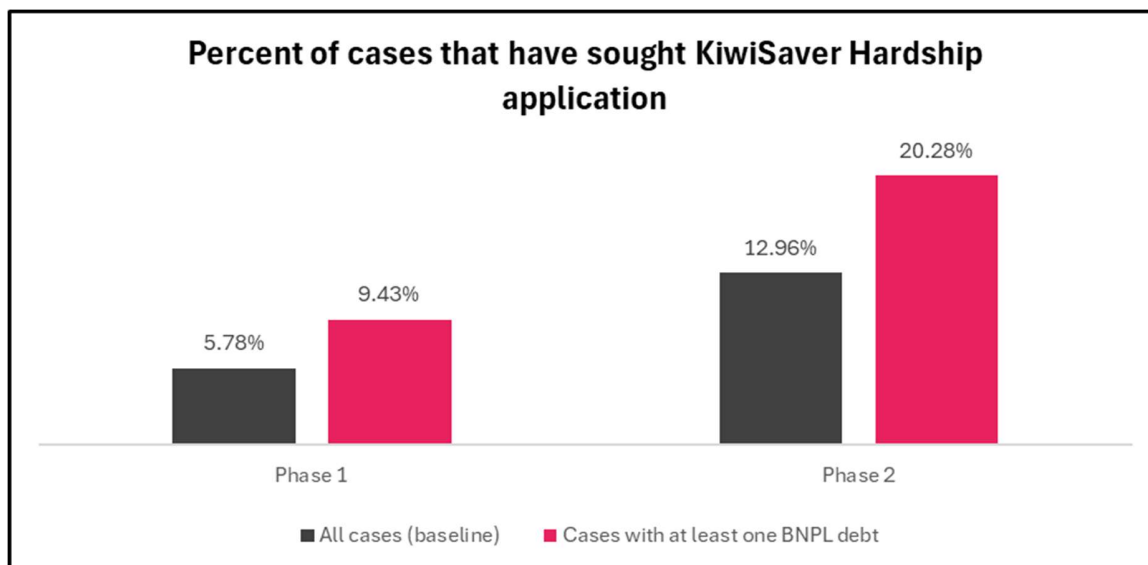


### FinCap analysis

While there might be the start of a downward trend in the gap here, there has not been a great improvement in outcomes for those with BNPL. Those with these debts either have proven their hardship to get debt from Work and Income or haven't been in a financial position to repay overpayments from Work and Income in full immediately. This indicates affordability issues for any other loans they have.

In the focus group, some mentors commented that most people with benefit incomes were presenting with BNPL debt. One noted that policy changes by the current coalition Government meant Work and Income was declining assistance more often. This raises the possibility that the trend seen is contributed to by less recoverable grants being made available as well as a trend towards more financial mentoring clients presenting in paid work. *Voices* data shows the median amount owing on debts to the Ministry of Social Development is reducing but these debts are increasing as a proportion of all listings.

G. Those with buy now, pay later debts are more likely to seek early withdrawal of retirement savings.



**Note**

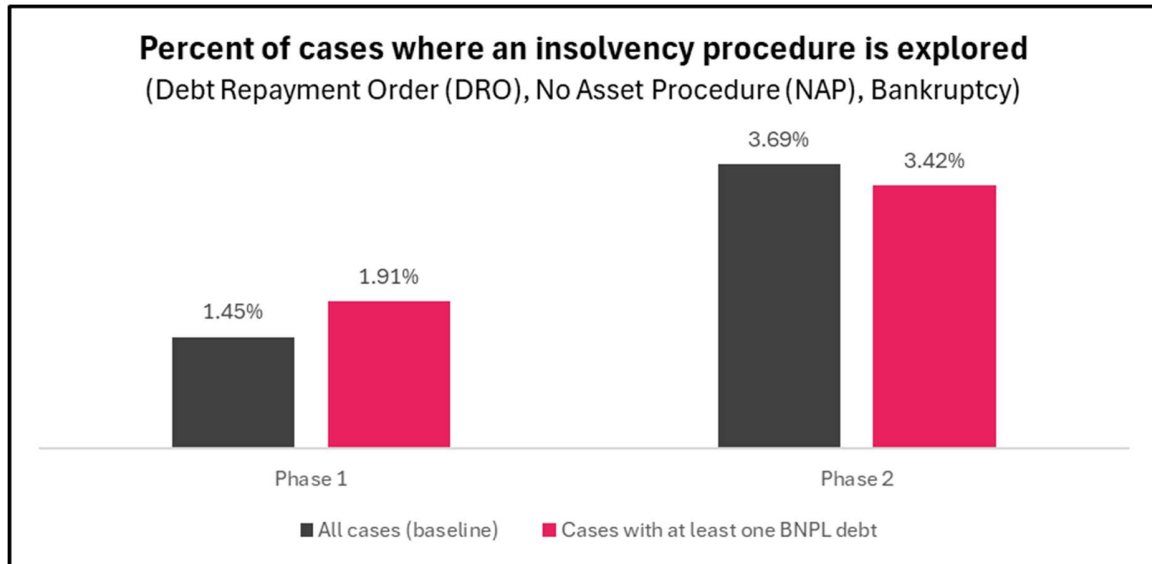
We decided that 'Phase 2' was from the beginning of quarter 3 (July–September) 2024. The regulations commenced within this period, so our assumption is that traders would have begun compliance in the months before.

**FinCap analysis**

Those with BNPL are proportionally more likely to seek to make withdrawals from their KiwiSaver on the grounds of significant hardship. The higher income of those in the sample with BNPL loans may mean they more often have KiwiSaver funds to draw on. Because BNPL lenders are not required to undertake affordability assessments, the repayments are likely to cause a deficit that leads to harm from a person having to liquidate investments that are intended to generate income for their retirement.

Some in the focus group noted a trend of clients looking to keep BNPL accounts open through KiwiSaver hardship withdrawals and clients who were reluctant to include BNPL in insolvency proceedings due to the loss aversion discussed earlier.

## H. Are those with buy now, pay later debts more likely to explore insolvency?



### Note

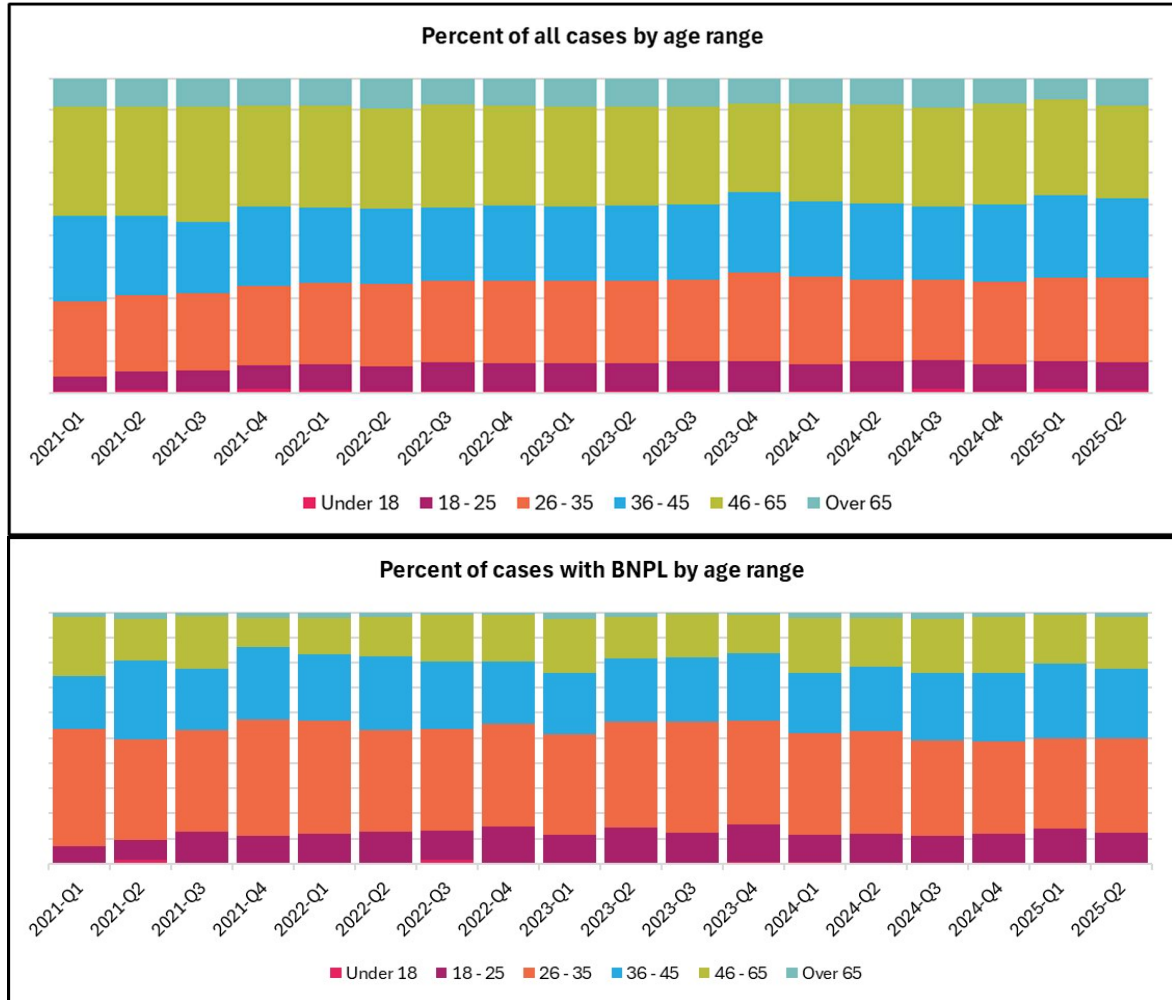
There is a limitation in that some cases may be counted multiple times with our formula if the financial mentor has explored more than one type of insolvency procedure.

We decided that 'Phase 2' was from the beginning of quarter 3 (July–September) 2024. The regulations commenced within this period, so our assumption is that traders would have begun compliance in the months before.

### FinCap analysis

We must be careful not to rely too much on this data given the limitations. The slight reduction in the exploring of insolvency procedures for those with BNPL may be a reflection of the increasing proportion of clients with BNPL who are seek KiwiSaver hardship withdrawal as a solution instead.

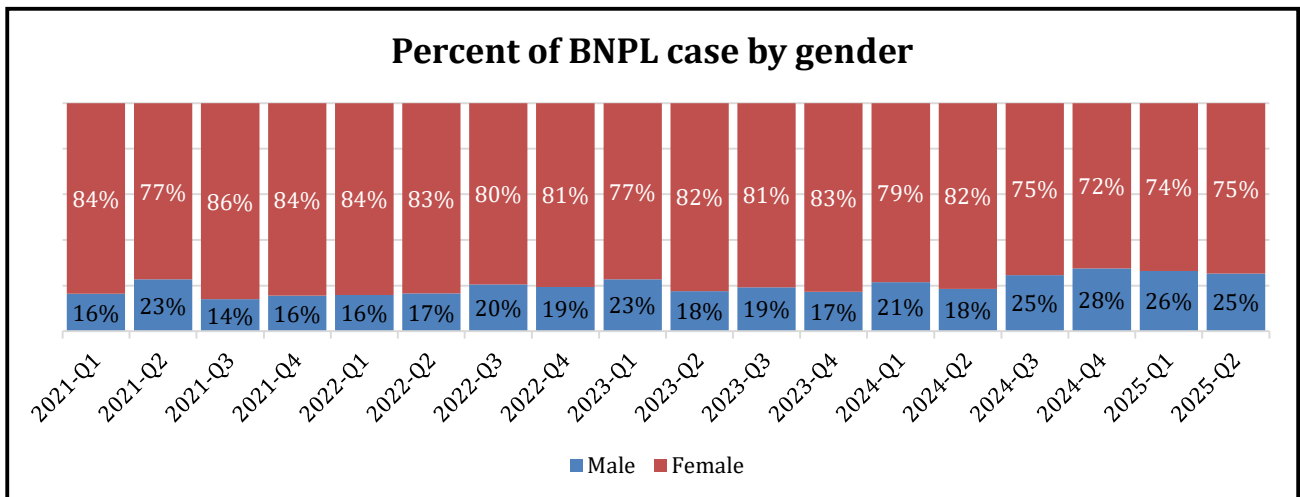
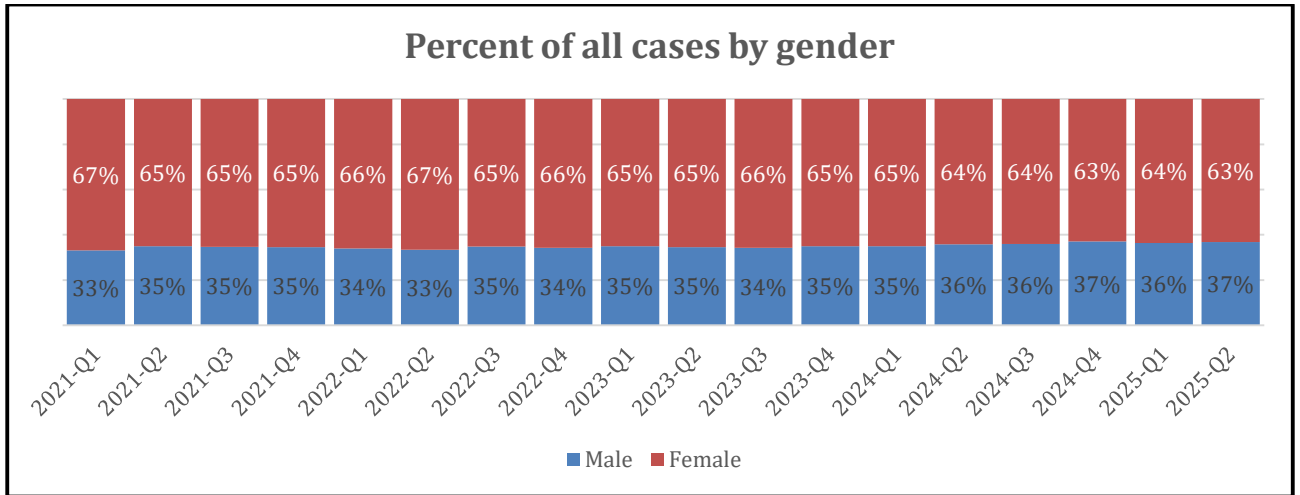
I. Younger people are more likely to present in hardship with buy now, pay later debt.



FinCap analysis

26–35 year olds were more likely to present in hardship with BNPL debts relative to all presentations throughout the time series. This group is therefore more likely to be harmed by BNPL lending. There has been no clear change in this dynamic following the regulatory intervention.

J. Women continue to present more often in general and even more so with buy now, pay later debt.



**Note**

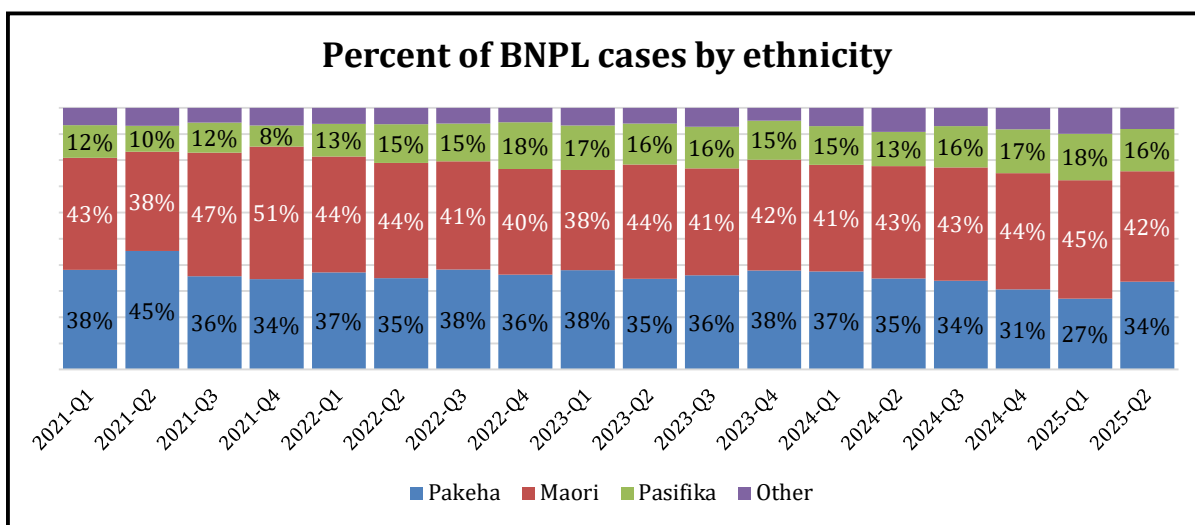
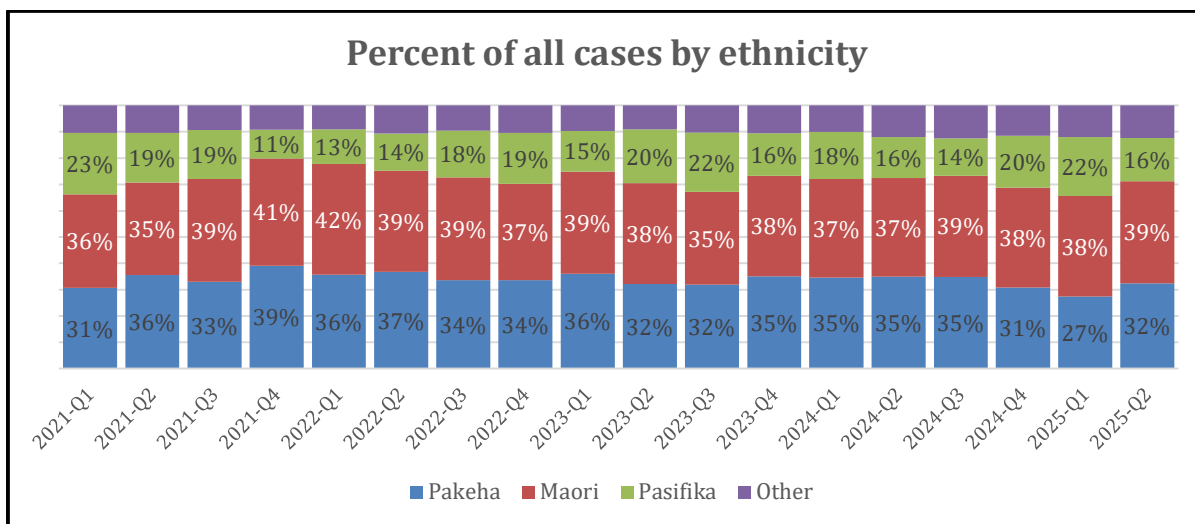
There are very few cases in our sample where a client has identified as gender diverse, to the extent the sample was too low for any strong findings. These cases have not been included in the analysis or graphs.

**FinCap analysis**

While there is a slight trend to a decrease in disproportionate BNPL presentations in phase two, it is still very clear. This seems to support phase one research that found that these loans were targeted at women. It also adds weight to previous financial mentor observations that women on sole parent benefit had experienced some of the worst outcomes from there being limited safeguards for BNPL lending. The

financial mentor focus group also agreed that women had this type of loan more often and reiterated insights from earlier *Voices* reporting on drivers behind women having more debt than men.

### K. Disproportionate presentations for Māori in general are slightly extended for presentations with buy now pay later and continue.



**Note**

Our ethnicity data may not match methodology elsewhere for where a client identifies with multiple ethnicities.

**FinCap analysis**

This finding might support recent FMA findings in relation to the use of BNPL.

## Percentage of case by income bracket each year (2021–2025)

Income bracket	2021		2022		2023		2024		2025	
	All	BNPL	All	BNPL	All	BNPL	All	BNPL	All	BNPL
\$1–\$10,000	1.2	0.4	0.9	0.0	0.9	0.3	0.8	0.4	0.9	0.4
\$10,001–\$15,000	5.0	1.5	2.1	0.9	1.1	0.5	1.0	0.3	1.0	0.3
\$15,001–\$20,000	9.4	4.1	8.1	4.5	5.6	2.6	4.	1.5	3.5	2.3
\$20,001–\$25,000	9.5	4.7	9.2	4.1	9.3	4.3	8.8	4.0	10.5	5.4
\$25,001–\$30,000	9.6	4.6	9.0	4.1	7.9	3.8	8.7	5.6	8.6	4.7
\$30,001–\$35,000	8.6	8.3	8.3	6.1	8.3	5.4	8.7	4.1	8.6	4.9
\$35,001–\$40,000	9.0	12.1	7.8	7.4	7.6	5.9	7.4	5.5	8.4	7.2
\$40,001–\$50,000	15.6	19.7	16.0	17.4	15.3	14.6	13.8	12.6	13.2	12.0
\$50,001–\$60,000	11.1	16.3	12.2	17.9	12.0	13.4	12.4	14.5	11.9	15.6
\$60,001–\$70,000	6.9	9.5	8.5	11.1	9.1	12.7	9.3	13.4	9.1	11.8
\$70,001–\$100,000	9.5	13.5	12.1	17.7	15.0	24.1	16.1	25.1	15.4	22.4
\$100,001–\$150,000	3.8	4.7	4.8	7.4	6.3	9.7	6.8	10.3	7.0	10.3
\$150,001–\$200,000	0.5	0.3	0.7	1.3	1.2	2.1	1.5	2.1	1.4	2.1
\$200,001 or more	0.2	0.1	0.3	0.2	0.4	0.4	0.6	0.5	0.5	0.6

### Note

FinCap excludes records from our sample where they record zero income as these are often partially complete. This means percentages in tables won't always tally to 100.

## 2023 comparison of population by income bracket (Census, FinCap baseline, buy now, pay later cases)

Income bracket	Census	All FinCap cases	BNPL cases
\$1–\$10,000	7.7	0.9	0.3
\$10,001–\$15,000	4.5	1.1	0.5
\$15,001–\$20,000	7.0	5.6	2.4
\$20,001–\$25,000	8.7	9.3	4.1
\$25,001–\$30,000	7.1	7.9	3.7
\$30,001–\$35,000	4.8	8.3	5.2
\$35,001–\$40,000	5.0	7.6	5.6
\$40,001–\$50,000	8.9	15.3	13.9
\$50,001–\$60,000	9.7	12.0	12.8
\$60,001–\$70,000	8.7	9.1	12.1
\$70,001–\$100,000	14.8	15.0	22.9
\$100,001–\$150,000	8.1	6.3	9.2
\$150,001–\$200,000	2.6	1.2	2.0
\$200,001 or more	2.3	0.4	0.4

### Note

Comparison with Census must take into account the fact that often individual financial mentor clients will opt to include the total household rather than individual finances in their budgets. Also, FinCap excludes records from our sample where they record zero income as these are often partially complete. This means percentages in tables won't always tally to 100.

### FinCap analysis

The numbers show a gradual increase towards higher income brackets for those with buy now, pay later debt. The focus group had not noticed this trend and commented it may be a reflection of more people in work seeking financial mentoring support in general.