

Parliamentary Joint Committee on Corporations and Financial Services

ANSWERS TO QUESTIONS ON NOTICE

19 November 2019

Question No: 001
Topic: Afterpay - Loans
Reference: Hansard page 10

Question:

Senator O'NEILL: Thank you for your opening statement. There are many parts of it that I'd like to interrogate. Seeing as we are in the responsible lending phase, can I just articulate some concerns about the verification, which I think is really the area we've just been traversing. In terms of financial literacy—because that's another big part of the work that you've given evidence about over the years—people are very unaware sometimes about the purview of their banks, and clearly we've been hearing quite a bit about particular spending practices. Can you verify if you have heard anything about Afterpay being used as an arbitrary determinate of denial of loans? I have been hearing about that from people in my community—banks just saying, 'If you've got anything to do with Afterpay, that's the end of your loan.'

Mr Shipton: We can take that on notice. My understanding is we have not directly heard submissions to that effect.

Answer:

ASIC has not received information or data suggesting lenders are using the fact of a consumer holding an Afterpay arrangement (or other Buy Now Pay Later (BNPL) arrangements) as a standalone reason to deny an application for credit.

During ASIC's consultation on revision of its guidance about responsible lending, the following issues about the treatment of BNPL arrangements were raised:

- competition concerns – as BNPL arrangements are not regulated as consumer credit under the national credit legislation they are not subject to obligations that apply for regulated forms of credit, including the responsible lending obligations. Stakeholders are concerned that this gives providers of BNPL arrangements a competitive advantage over providers of regulated consumer credit, such as credit cards and personal loans; and
- categorisation of existing BNPL arrangements – stakeholders have queried how BNPL arrangements should be considered in the assessment of the consumer's current financial situation and their capacity to meet financial obligations under a new credit product. In particular, stakeholders query whether these arrangements should be considered as outstanding liabilities or as the underlying expenditure (e.g. purchase of clothing etc).

As part of ASIC's continuing review of the BNPL sector we have spoken with some lenders about how they treat BNPL transactions – whether as a one-off expense or ongoing commitment (liability). Lenders are still in the process of developing their views on the treatment of BNPL transactions. The lenders we have spoken to informed us that BNPL transactions are part of the responsible lending assessment but not a standalone factor for loan denial.