



13 December 2022

Consumer Credit Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: CreditReforms@Treasury.gov.au

Re: Regulating Buy Now, Pay Later in Australia – Options Paper

Thank you for the opportunity to provide our views on the above Options Paper.

Being familiar with the literature as academics, we concur with Treasury's assessment that unregulated, the BNPL sector has the potential (inadvertently or otherwise) to cause significant damage to consumers and, to a lesser extent, the quality of competition in consumer lending within Australia.

We therefore concur with Treasury's intention to adopt better regulation of the BNPL sector and, as requested, provide below our views on the three identified options and related questions posed.

Question 1: Are the guiding principles appropriate and fit for purpose to inform the development of a BNPL regulatory framework? What other factors should be considered?

We believe that the guiding principles are appropriate and would suggest that these principles also cater for the need to (1) develop better reporting data on a state and national level from the operations of the BNPL sector in Australia (2) ensure that there is no exploitation of merchants by BNPL operators and (3) monitor BNPL operations to assess whether excessive profits or returns were generated within the BNPL sector; the latter normally an indicator that existing market mechanisms are failing.

Question 2: Of the three options below, which option do you think is most appropriate? Would you change any aspects of that option?

We would support option 2 as this option best balances the need to regulate the BNPL sector whilst promoting market efficiency. Furthermore, option 2 offers a more nuanced approach allowing for future changes if needed.

Question 3: What do you think are the issues with the other two options?

We believe that option 1 does not go far enough particularly in the critical areas of consumer protection in terms of assessing capability and capacity to engage in a BNPL transaction without likely being caught up unable to meet BNPL debt and managing issues around excessive fees and charges. Option

3, on the other hand, would, at this stage, restrict the benefits that the BNPL sector brings to consumers and other stakeholders in areas of financial inclusion and competition.

Thank you and please let us know if you would like a more detailed submission or have any queries.

Kind regards.

Harjinder Singh

Dr Harjinder Singh
School of Accounting, Economics & Finance
Curtin Business School
Curtin University
Email: h.singh@curtin.edu.au

Nigar Sultana

Professor Nigar Sultana
School of Accounting, Economics & Finance
Curtin Business School
Curtin University
Email: n.sultana@curtin.edu.au