

EXPOSURE DRAFT

EXPLANATORY STATEMENT

Issued by authority of the Assistant Treasurer and Minister for Financial Services

National Consumer Credit Protection Act 2009

National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025

Section 329 of the *National Consumer Credit Protection Act 2009* (the Credit Act) provides that the Governor-General may make regulations prescribing matters required or permitted by the Credit Act to be prescribed, or necessary or convenient to be prescribed, for carrying out or giving effect to the Credit Act.

The purpose of the *National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025* (the Regulations) is to amend the *National Consumer Credit Protection Regulations 2010* (Credit Regulations) to support amendments made by the *Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024* (BNPL Act) to the Credit Act and the Credit Code (i.e. Schedule 1 to the Credit Act) to establish a regulatory framework for low cost credit contracts (LCCC), and may include buy now pay later (BNPL) contracts.

A LCCC is a BNPL contract, or another kind of contract prescribed by the Credit Regulations, under which credit may be provided and which satisfies prescribed requirements relating to fees, charges and other matters as set out in the Credit Regulations.

The new regulatory framework for LCCCs is intended to maintain the benefits of consumer access to credit products, such as BNPL, while providing appropriate and proportionate consumer protections. The BNPL Act amends the Credit Act and Credit Code to:

- ensure that LCCCs are a form of credit regulated under the Credit Act and extend the application of the Credit Code to cover LCCCs;
- require providers of LCCCs to hold and maintain an Australian credit licence and comply with the relevant licensing requirements and licensee obligations, with some modifications to ensure regulation is proportionate;
- establish a modified Responsible Lending Obligations (RLO) framework, which LCCC licensees can elect to be subject to, that scales better with the risks posed to consumers, including requiring providers of LCCCs to develop and review a written policy on assessing whether the LCCC will be unsuitable for the consumer; and
- extend anti-avoidance protections to prevent providers of LCCCs from structuring their business models to avoid regulation.

EXPOSURE DRAFT

The Regulations support the BNPL Act amendments by prescribing:

- inquiries that must be made about a consumer's financial situation;
- requirements for a LCCC licensee's unsuitability assessment policy, including the content of the policy and conducting reviews of and updating the policy;
- the maximum level of fees or charges a LCCC licensee can charge on a consumer in a 12-month period for the credit contract to be considered a LCCC;
- the information that must be included in a first default in payment notice for LCCCs; and
- medical financing at no cost to the consumer is not a BNPL arrangement.

EXPOSURE DRAFT

ATTACHMENT A

Details of the *National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025*

Section 1 – Name

This section provides that the name of the instrument is the *National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025* (Regulations).

Section 2 – Commencement

The Regulations commence on the later of the start of the day after the Regulations are registered and immediately after the commencement of Parts 2 to 10 of Schedule 2 to the *Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024* (BNPL Act).

Section 3 – Authority

The Regulations are made under the *National Consumer Credit Protection Act 2009* (Credit Act).

Section 4 – Schedules

This section provides that each instrument that is specified in the Schedules to this instrument is amended or repealed as set out in the applicable items in the Schedules, and any other item in the Schedules to this instrument has effect according to its terms.

Schedule 1 – Amendments

Credit contracts that are low cost credit contracts

Low cost credit contract (LCCC) is defined in section 13E of Schedule 1 to the Credit Act (i.e. the Credit Code). A LCCC is contract under which credit is, or may be, provided under the contract and the contract is a buy now pay later (BNPL) contract, or another kind of contract prescribed by the *National Consumer Credit Protection Regulations 2010* (Credit Regulations).

Fee caps for low cost credit contracts

Item 9 inserts Part 7-1A into the Credit Regulations. Part 7-1A relates to BNPL arrangements and BNPL contracts. Part 7-1A contains the new regulation 69G. Regulation 69G is made under paragraph 13D(1)(d) of the Credit Code and supports the definition of LCCC by prescribing the requirements relating to fees or charges that are, or may be, payable under a credit contract for that credit contract to be a LCCC.

Subregulation 69G(2) provides that for a contract to be a LCCC, the fees or charges that are, or may be, payable under the relevant contract must not be able to result in a breach of a cap during the relevant fee period.

The Note to subregulation 69G(2) cross refers to the definition of ‘fee period’ in subregulation 69(4). That subregulation defines ‘fee period’ as meaning the period of 12

EXPOSURE DRAFT

months beginning on the later of the earliest day on which the debtor ever became a debtor under a LCCC with the credit provider, and the day on which the ‘delayed commencement time’ (within the meaning of item 8 of Schedule 2 to the BNPL Act) occurred; and then each subsequent 12 month period.

The intended effect of the definition of fee period is that the first fee period will commence on 11 June 2025 (as that is when Schedule 2, Parts 2 to 10 of the BNPL Act commence) or such earlier date as may be fixed by Proclamation (the Proclamation date), if the consumer has a LCCC in force with a credit provider at that time – i.e. because they entered into a LCCC before 11 June 2025 or the Proclamation date but the LCCC is still in force after 11 June 2025 or the Proclamation date.

If a consumer does not have a LCCC in force with a credit provider as at 11 June 2025 or the Proclamation date, the first fee period will commence when the consumer first enters into a LCCC with the credit provider after 11 June 2025 or the Proclamation date.

The first fee period will last 12 months, at which point the subsequent fee periods begin. Each subsequent fee period also lasts for 12 months. The fee periods do not reset. They are continuing from when the first fee period begins. What this means is that when a fee period ends, the next fee period begins. It is not based on when a consumer enters into a LCCC for the purposes of subsequent fee periods commencing. Further, if a consumer closes an account with a credit provider and then opens an account with that same credit provider at a later time, this will not cause the fee period to reset to the first fee period – the LCCC or LCCCs between the credit provider and the consumer would be subject to the relevant subsequent fee period cap.

Subregulation 69G(3) sets caps for the two kinds of fees or charges that can be levied on a debtor by a credit provider. The first kind of fees or charges is fees or charges other than default fees or charges (other fees). The second kind of fees or charges is default fees or charges (default fees).

In the first fee period (i.e. the first 12-month period), the cap for other fees is \$200. This means that a consumer cannot be levied more than \$200 in other fees in the first fee period. If default fees also are, or may be, payable under the relevant LCCC and each other LCCC that is entered into and in force between the credit provider and the debtor during that 12-month period, the cap for default fees is \$120. This means that a consumer cannot be levied more than \$320 in fees or charges in the first fee period (comprising up to \$200 in other fees and up to \$120 in default fees).

In subsequent fee periods (i.e. each 12-month period after the first fee period is a subsequent fee period), a consumer cannot be levied more than \$125 in other fees during the 12-month period. If default fees also are, or may be, payable during that period, the cap for default fees is \$120. This means that a consumer cannot be levied more than \$245 in fees or charges in a subsequent fee period (comprising up to \$125 in other fees and up to \$120 in default fees).

If no other fees are, or may be, payable under the relevant LCCC and each other LCCC that is entered into and in force between the credit provider and the debtor during that 12-month period, the cap for default fees in the first fee period is \$320. In subsequent fee periods, a consumer cannot be levied more than \$245 in default fees if no other fees are, or may be, payable during that 12-month period.

EXPOSURE DRAFT

The caps apply in aggregate across all LCCCs between a credit provider and a debtor in a fee period. In other words, the cap does not apply individually to each LCCC. In other words, there is not a new cap for each LCCC entered into or in-force during the fee period.

The effect of the caps is that there is no circumstance in which a consumer can be levied more than \$320 in the first fee period and \$245 in a subsequent fee period by a credit provider in relation to all the LCCCs between them and the consumer in the fee period.

The operation of the cap seeks to balance protecting consumers from high fees or charges and facilitating the maintenance of the commercial models that credit providers who currently provide credit that would be a LCCC currently use.

Low cost credit contracts issued by an ADI

Regulation 58 of the Credit Regulations provides that the Credit Code will not apply to the provision of credit by an Authorised deposit-taking institution (ADI) limited by the contract to a total period not exceeding 62 days. Items 5 and 6 amend regulation 58 to provide that this exemption does not apply to a BNPL contract, which is otherwise not a LCCC, issued by an ADI, meaning that the issuance of such credit is covered by the Credit Code. Regulation 58 is otherwise disapplied in relation to LCCCs by subparagraph 13C(2)(b)(iv) of the Credit Code.

The policy intent is that BNPL contracts that are not otherwise LCCCs issued by ADIs are covered by the Credit Code so that such credit issued by banks and other ADIs does not have a regulatory advantage over non-ADI credit providers and consumers are protected by the existing full RLO regime.

Credit contracts that are not low cost credit contracts

Part 7-1A of the Credit Regulations, which is inserted by item 9, also contains the new regulation 69F, which, for the purposes of subsection 13D(2) of the Credit Code (which provides for the meaning of BNPL arrangement and BNPL contract), prescribes arrangements or a series of arrangements that are not BNPL arrangements.

Subregulation 69F(2) provides that a medical financing arrangement at no cost to the consumer, including that the consumer does not pay any fees or charges, would not be a BNPL arrangement. For a medical financing arrangement to not be a BNPL arrangement it must have the following characteristics:

- the merchant is a related body corporate of the BNPL provider;
- the merchant supplies a service to the consumer;
- the service is a service for which a medicare benefit is payable under Part II of the *Health Insurance Act 1973*; and
- the BNPL provider provides credit to the consumer at no cost to the consumer.

The policy intent is to exempt arrangements where a medical provider provides treatment and funding via separate legal entities to enable the patient to claim Medicare reimbursement prior to paying for the treatment, thus minimising the patient's out-of-pocket costs. This arrangement ensures compliance with the *Health Insurance Act 1973*.

EXPOSURE DRAFT

The exemption is appropriately limited and does not expose consumers to increased risk as there is no cost (including no fees or charges) to the consumer under these arrangements.

Disclosure requirements for LCCCs

Item 1 amends the definition of precontractual document in regulation 3 of the Credit Regulations. Precontractual document is defined to have any of four meanings. Paragraph (d) of the definition provides that a precontractual document is an information statement mentioned in paragraph 16(1)(b) of the Credit Code. Item 1 amends paragraph (d) of the definition to add paragraph 16(1A)(b) to the definition, thereby including the requirements relating to LCCCs, which are provided for in subsection 16(1A) of the Credit Code.

Items 10 and 11 amend regulation 70 of the Credit Regulations to apply the requirements relating to the information statement about a debtor's statutory rights and obligations to also cover LCCCs. This is achieved by adding reference to paragraph 16(1A)(b) of the Credit Code to subregulation 70(1) and the Note to subregulation 70(2), thereby including the information statement requirements relating to LCCCs, which are provided for in paragraph 16(1A)(b) of the Credit Code.

Regulation 28L provides the disclosure documents that a licensee is required to give a consumer under the Credit Act may be given electronically. Item 2 amends regulation 28L of the Credit Regulations by inserting subregulation 28L(1A), which provides that regulation 28L does not apply in relation to paragraphs 28L(1)(a), (b), (c), (d), (e), (k) or (l) if the disclosure document relates to a LCCC. The reason for disapplying regulation 28L insofar as the disclosure documents relate to a LCCC in these instances is that section 331 of the Credit Act provides for giving information or documents in connection with LCCCs and allows the licensee to provide the consumer with the information or documents exclusively in electronic form.

Circumstances in which a LCCC will be unsuitable

Regulation 28LCF of the Credit Regulations prescribes the circumstances in which a credit contract is unsuitable. Item 3 amends subparagraph 28LCF(2)(b)(iii) of the Credit Regulations to extend the prescribed circumstances where a credit contract is unsuitable for a consumer to include where credit is provided, or to be provided, as part of an arrangement involving two or more LCCCs or a combination of at least two LCCCs, small amount credit contracts (SACCs) or medium amount credit contracts, where the amount that is payable under the combination of credit contracts (in circumstances in which there is no default by the debtor) is higher than the maximum amount that could be charged under a single credit contract.

Inquiries about the financial situation of the consumer

Like the existing full RLO framework, the modified RLO framework requires licensees entering into a LCCC with a consumer to make reasonable inquiries about the consumer's requirements and objectives in relation to the LCCC and about their financial situation, including taking reasonable steps to verify the consumer's financial situation. However, these matters are to be informed by the matters set out in subsection 133BXC(3) of the Credit Act, which is intended to enable LCCC licensees to scale the process according to assessed risk. Subsection 133BXC(3) of the Credit Act sets out a non-exclusive list of factors that must be taken into account in determining what is reasonable – including

EXPOSURE DRAFT

information on the nature of the credit product, the target market and any other processes that minimise the risk of unaffordable lending or mitigate harm if unaffordable lending occurs.

The Regulations make it clear that this principle-based scaling of information collection will require the LCCC licensee to seek to collect information that the LCCC licensee reasonably believes to be substantially correct about the income of the consumer, the expenditure of the consumer and any LCCCs, SACCs or consumer leases to which the consumer is currently a party as part of the requirement to make reasonable inquiries about the consumer's financial situation.

Item 4 inserts Part 3-4A into the Credit Regulations. Part 3.4A outlines the additional rules relating to LCCCs.

Division 1 contains regulations 28HAA and 28HAB.

Regulation 28HAA of the Credit Regulations outlines the scope of Part 3-4A. For Part 3-4A to apply to a licensee, the licensee must have elected under subsection 133BXA(1) of the Credit Act for Part 3-2BA of the Credit Act, which provides for the modified RLO regime, to apply to some or all of its LCCC offerings, and the relevant credit contract must be an LCCC covered by the election. This is further highlighted in the Note to regulation 28HAA.

If a licensee does not elect to be subject to Part 3-2BA, they are instead subject to the existing RLO regime provided for in Divisions 1 to 4 of Part 3-2 of the Credit Act in relation to LCCCs they offer.

When inquiries must be made

Division 2 contains regulations 28HAC and 28HAD. These regulations establish when inquiries about the financial situation of a consumer must be made and what those inquiries entail.

Section 133BXB of the Credit Act modifies the licensee's obligations to assess unsuitability under section 128 of the Credit Act. Under sections 128 and 133BXB, the obligation to assess unsuitability must be undertaken within 90 days (or other period prescribed by the Credit Regulations) before the 'credit day'. Regulation 28HAC of the Credit Regulations provides that, for the purpose of paragraph 133BXB(b) of the Credit Act, the prescribed period is 120 days.

Regulation 28HAD of the Credit Regulations sets out, for the purposes of subsection 130(2) of the Credit Act, particular inquiries that a licensee must make for the purposes of paragraph 130(1)(b) of the Credit Act before making an assessment of whether a LCCC will be unsuitable for a consumer if the contract is entered, or the credit limit of the contract is increased, in the period of assessment.

Inquiries about a consumer's financial situation

Paragraph 130(1)(b) of the Credit Act requires a licensee to make reasonable inquiries about the consumer's financial situation. Section 133BXC of the Credit Act modifies the operation of section 130 as the matters set out are intended to scale up or down what is

EXPOSURE DRAFT

‘reasonable’ for the purposes of the inquiries and verificatory steps required by paragraphs 130(1)(a), (b) and (c). In determining whether a LCCC provider has complied with paragraphs 130(1)(a), (b) and (c) under the modified RLOs, the matters in subsection 133BXC(3) must be considered. These matters do not limit what may be taken into account in determining what is reasonable. The Note for subsection 133BXC(3) of the Credit Act indicates that the particular things that a LCCC licensee must do in order to satisfy their obligations under paragraphs 130(1)(a) to (c) of the Credit Act in relation to LCCCs may vary from case-to-case and may be less onerous in some cases than in others, depending on matters such as those covered by subsection 133BXC(3).

Subregulation 28HAD(2)(a) requires a licensee to seek to obtain other credit information mentioned in subregulation 28HAD(3) from a credit reporting body where the value of all LCCCs in force between the consumer and the LCCC licensee is less than \$2,000 and the consumer is an individual.

Subregulation 28HAD(3) lists the other information that a LCCC licensee must seek to obtain as being:

- identification information (within the meaning of the Privacy Act) about the individual;
- details of any information requests (within the meaning of the Privacy Act) that have been made in relation to the individual;
- default information (within the meaning of subsection 6Q(1) or (2) of the Privacy Act) about the individual;
- payment information (within the meaning of the Privacy Act) about the individual;
- personal insolvency information (within the meaning of the Privacy Act) about the individual;
- information about the individual that is information covered by paragraph 6N(k) of the Privacy Act (which covers certain kinds of publicly available information);
- new arrangement information (within the meaning of the Privacy Act) about the individual; and
- court proceedings information (within the meaning of the Privacy Act) about the individual.

This information aligns with the data contained in what is commonly known as a ‘negative credit check’ with a credit reporting body. The Note to subregulation 28HAD(3) informs that under subsection 5(1) of the Credit Act, ‘credit reporting body’ has the same meaning as in the *Privacy Act 1988* (Privacy Act).

If the value of the LCCC being entered into and all LCCCs in force between the consumer and the LCCC licensee is \$2,000 or greater, at the time the new LCCC is entered into or after the credit limit is increased, whichever applies, and the consumer is an individual, paragraph 28HAD(2)(b) provides that the licensee must seek to obtain from a credit reporting body, the information required by subregulation 28HAD(3) as well as information required by subregulation 28HAD(4), which is information about consumer

EXPOSURE DRAFT

credit (within the meaning of the Privacy Act) provided to the individual that is consumer credit liability information (within the meaning of the Privacy Act) about the individual.

This information aligns with the data contained in what is commonly known as a ‘partial credit check’ with a credit reporting body.

The requirement for a licensee to seek to obtain this other information from a credit reporting body acknowledges that some of this information may not exist for each consumer. It also reflects that there are circumstances in which a credit reporting body is legally not able to provide certain types of credit information – for example, because of time limits, bans in place, or the application of the Privacy (Credit Reporting) Code 2024. Therefore, a licensee can be compliant with section 28HAD despite not obtaining all the other information identified in subregulations 28HAD(3) and (4). However, the policy intent is that a licensee will have made reasonable efforts to obtain that information. In practice, this would require a licensee to comply with the Principles of Reciprocity and Data Exchange (PRDE) in order to obtain partial credit information from a PRDE-signatory credit reporting body. It is expected that credit reporting bodies engaged by the licensee will be signatories to the PRDE dated 6 January 2021 and published by the Australian Retail Credit Association, as amended from time to time. The PRDE could, in 2025, be viewed on the Australian Retail Credit Association website (<https://www.arca.asn.au/prde>).

The requirement for a LCCC licensee to seek to obtain this other information as part of the modified RLO framework is directed at both assessing whether a credit contract will be unsuitable for a consumer and to create a record of credit inquiry (an information request) by that licensee on the consumer’s credit report. This report will indicate to other credit providers that the consumer may have an existing LCCC liability, as information requests are part of the information providers must seek to obtain.

Subregulation 28HAD(5) confirms that nothing in subregulations 28HAD(3) and (4) requires or authorises a credit reporting body to disclose the information referred to in any of subregulation 28HAD(2) to a licensee.

Subregulation 28HAD(6) requires a licensee to seek to obtain other information about the consumer that the licensee reasonably believes is substantially correct. That information is:

- the income of the consumer;
- the expenditure of the consumer; and
- any LCCCs, SACCs, or consumer leases to which the consumer is currently a party.

For example, a benchmark could be considered by a credit provider to test whether the information could be reasonably believed to be substantially correct because it is within the range expected for a person in broadly similar circumstances to the consumer.

Alternatively, the comparison may indicate that the information provided may not be true. A LCCC licensee may need to regularly monitor and review benchmarks and how to use them to ensure the benchmarks remain appropriate – for example, by assessing data on defaults, complaints, and dispute resolution).

EXPOSURE DRAFT

The policy intent is that this obligation is not a verificatory step under paragraph 130(1)(c) of the Credit Act and does not alter a licensee's obligations in that regard.

Unsuitability assessment policies

The new Part 3-4A of the Credit Regulations also includes Division 3, which contains regulations 28HAE and 28HAF.

Regulation 28HAE identifies that Division 3 is made for the purposes of subsection 133BXG(3) of the Credit Act. Subsection 133BXG(1) of the Credit Act requires a licensee to have a written policy, defined as an 'unsuitability assessment policy', which sets out how the licensee will comply with the requirements in sections 128 and 131 of the Credit Act. Section 128 requires a licensee to assess unsuitability before entering into a credit contract with a consumer. Section 131 provides for when a credit contract must be assessed as unsuitable. Subsection 133BXG(3) of the Credit Act requires a licensee to comply with any requirements relating to unsuitability assessment policies that are prescribed by the Credit Regulations.

Regulation 28HAB of the Credit Regulations provides for the definition of 'unsuitability assessment policy'. Unsuitability assessment policy is defined by reference to Part 3-2BA of the Credit Act.

Regulation 28HAF outlines the requirements for a licensee to review and update its unsuitability assessment policy.

Subregulation 28HAF(1) requires a licensee to conduct regular reviews of its unsuitability assessment policy. This subsection is informed by subregulation 28HAF(2), which provides that a licensee must have regard to its obligations under subsection 133BXG(2) of the Credit Act in deciding when to conduct a review of the policy. Subsection 133BXG(2) provides that the licensee must ensure that its unsuitability assessment policy is one that, if followed, makes it likely that the licensee will comply with sections 128 and 131.

Subregulation 28HAF(3) sets out that when undertaking a review of its unsuitability assessment policy, a licensee must assess whether the policy has been and will continue to be one that, if followed, makes it reasonably likely the licensee will comply with sections 128 and 131 of the Credit Act, as those sections apply in relation to LCCCs. The licensee must also identify any changes to the policy that would make it more likely that, if the policy is followed, the licensee will comply with those sections, as they apply in relation to LCCCs.

Compliance with subregulation 28HAF(3) is contingent on fulfilment of subregulation 28HAF(4), which outlines the requirements for the information and evidence that a licensee must have regard to when carrying out a review. The licensee must reasonably believe the information and evidence to be accurate, and that they provide an appropriate basis for assessing the policy and identifying any changes to the policy that are deemed necessary. This would be expected to include information or evidence on poor consumer outcomes that indicates unsuitable lending may have occurred. At a minimum, this should include the rates at which debts are being partially or fully written off, measures of the rates of arrears, relevant complaints data (both under internal and external dispute resolution processes) and hardship data. The licensee is already obliged to collect

EXPOSURE DRAFT

complaints data and information on consumer outcomes in order to comply with its Design and Distribution Obligations and must have regard to the nature of the Target Market under paragraph 133BXC(3)(b) of the Credit Act.

Subregulation 28HAF(5) requires that a licensee must make changes to its unsuitability assessment policy as soon as practicable if it has identified that such changes are necessary. It is expected that changes to the policy would be necessary if the licensee has identified that the policy does not enable it to comply with sections 128 and 131 of the Credit Act, or if the licensee identifies that it could more fully comply with these obligations.

Other amendments

Items 7, 8, 13, 15, 16 and 17 amend the Credit Regulations to give effect to the change of language from ‘direct debit default’ to ‘first default in payment’ in the Credit Act effected by the BNPL Act.

Items 7 and 8 amend regulation 69 of the Credit Regulations, which relates to the requirement for a licensee to give a consumer a default notice under section 87 of the Credit Code. Regulation 69 is amended by substituting ‘first default in payment’ for ‘direct debit default’ in the regulation heading and in subregulations 69(1) and (2). These amendments are to ensure consistency with the heading to Subdivision C of Division 1 of Part 5 of the Credit Code and section 87 of the Credit Code, both of which use the language ‘first default in payment’ rather than ‘direct debit default’.

Items 13 to 17 amend regulation 85 of the Credit Regulations, which provides for the information to be contained in a default notice. Items 14 and 17 also amend regulation 85 by adding a subregulation 85(2) and amending the existing chapeau to be subregulation 85(1).

Item 13 amends the heading to regulation 85 of the Credit Regulations to substitute ‘first default in payment’ for ‘direct debit default’. Item 16 amends subregulation 85(1) to substitute ‘first default in payment’ for ‘direct debit default’ in the second column of the provision’s table.

Item 15 further amends subregulation 85(1) of the Credit Regulations to give effect to the amendment caused by item 16 of these regulations.

Item 17 amends regulation 85 of the Credit Regulations by adding subregulation 85(2), which sets out the information that a first default in payment notice must contain. That information is:

EXPOSURE DRAFT

- that there has been a default in payment of an amount under the LCCC;
- how to arrange for payment of the amount;
- the licensee's internal dispute resolution procedures and financial hardship processes; and
- the external dispute resolution procedures available with the Australian Financial Complaints Authority (i.e. AFCA).

For further clarity on the standard of information required and examples of the types of information that is expected to be included in a default notice, credit providers should be guided by forms prescribed under subregulation 85(1), including Credit Form 11 and Credit Form 11A.

Item 12 amends subregulation 79C(1) of the Credit Regulations to omit the reference to subsection 39C(1) and substitute section 39C. This amendment is consequential to amendments made by the BNPL Act to repeal subsection 39C(2) of the Credit Code which is no longer necessary.

Application provisions

To support the commencement of the Regulations with the commencement of the BNPL Act amendments to the Credit Act and Credit Code, item 18 adds regulation 49L at the end of Part 6-3 of the Credit Regulations.

Regulation 49L is an application and transitional provision.

Subregulation 49L(1) provides that regulation 69G, which is the fee cap provision, applies to LCCCs entered into before, on or after the commencement of Part 1 of Schedule 2 to the BNPL Act. This means that a LCCC entered into before the commencement of the fee cap regime in regulation 69G but still in force when regulation 69G commences will be subject to the caps set out in subregulation 69G(3) from that commencement date.

Subregulation 49L(2) provides that the amendments to regulations 69, 79C and 85 (made by items 7, 8 and 12 to 17 of the Regulations) apply in relation to a default that occurs on or after the commencement, which is the later of the start of the day after the Regulations are registered; and immediately after the commencement of Parts 2 to 10 of Schedule 2 to the BNPL Act.