

Buy now pay later – a consumer guide

November 2024

Buy now pay later (also known as BNPL) is a type of debt.

Consumers can use buy now pay later to pay for goods or services at businesses that offer this payment method. The lender pays the business, and the consumer repays the lender in instalments, usually within 4–6 weeks.

Consumers do not pay interest on their purchase, but they usually have to pay a fee if they do not pay an instalment on time. Late payments may have a negative impact on the consumer's credit score.

From 2 September 2024, buy now pay later loans are consumer credit contracts. This means that most of the responsible lending consumer protections and disclosure obligations in the Credit Contracts and Consumer Finance Act 2003 (the Act) apply to buy now pay later loans.

One important exemption is that lenders do not have to assess whether the buy now pay later loan is affordable for the consumer if the lender obtains the consumer's credit report and meets other requirements.

More information about the law changes is set out [below](#).

Can FSCL consider complaints about buy now pay later?

FSCL can consider a wide range of complaints about buy now pay later – for example, complaints about:

- > loan disclosures
- > repayment difficulties and hardship assistance
- > debt collection
- > information given to credit reporters.

However, there are some types of complaints we cannot consider.

Complaints about a lender's commercial judgement

We cannot consider complaints about a lender's commercial judgement.

This means that we usually cannot consider a complaint about a lender's decision to:

- > decline a consumer's request to open a buy now pay later account
- > decline a consumer's request to increase their credit (spending) limit, or
- > close a consumer's account.

Complaints about fees

Whether we can consider a complaint about fees depends on the nature of the complaint.

We cannot consider a complaint about the level of a lender's standard fees, but we can consider a complaint about non-disclosure, misrepresentation, or incorrect application of a fee.

Complaints about the item purchased

We cannot help consumers resolve complaints with the business that sold the goods or services – for example, complaints about delivery delays or the business' refund policy. We can only consider complaints about financial services.

We may be able to consider a complaint if:

- > the lender is involved with the dispute between the consumer and the business, or
- > the complaint raises concerns about whether the lender complied with its obligations under the Act or its contract with the consumer.

If we can consider the complaint, we will only consider the lender's involvement. We cannot require the business that sold the goods or services to take any steps to resolve the complaint, such as replacing items the consumer is not satisfied with.

The consumer may be able to lodge a claim at the [Disputes Tribunal](#) against the business that sold the goods or services.

Are buy now pay later loans consumer credit contracts?

From 2 September 2024, buy now pay later loans are consumer credit contracts¹.

¹ Buy now pay later is a consumer credit contract if the borrower is a person and the account is for (or predominantly for) personal, domestic, or household use. Buy now pay later is not a consumer credit contract if the account is for business use.

Responsible lending consumer protections and disclosure obligations in the Act apply to buy now pay later loans, with some exemptions.

Before 2 September 2024, buy now pay later loans were not consumer credit contracts. The responsible lending consumer protections and disclosure obligations in the Act did not apply to buy now pay later.

When we consider a complaint, we must have regard to the law at the time of the events complained about.

What exemptions apply to buy now pay later?

Not all consumer protections that apply to other types of consumer credit contracts apply to buy now pay later.

Suitability assessment exemption

Buy now pay later lenders are exempt from an obligation to assess whether the loan is suitable for the consumer.

Affordability assessment exemption

Buy now pay later lenders are exempt from a loan affordability assessment obligation – to make reasonable inquiries before they enter into a new agreement or increase a consumer’s credit limit to satisfy themselves that the consumer will be able to make their repayments without suffering substantial hardship.

This exemption only applies if the lender:

- > obtains a credit report for the consumer
- > complies with its credit policy that explains how the credit report will be used by the lender to decide whether it will provide credit to the consumer
- > makes required disclosures to the consumer each time they make a purchase about the repayments and default fees.

The requirement on lenders to obtain a credit report and comply with their credit policy applies before a lender:

- > opens an account for a new customer
- > increases an existing customer’s credit (spending) limit.

For new customers, the lender must also give the credit reporter information about the customer’s new buy now pay later account.

Initial disclosure about cancellation rights exemption

Buy now pay later lenders are exempt from an obligation to disclose information to the consumer about their cancellation rights under the Act. This exemption only applies if the lender discloses its cancellation policy.

Consumers have cancellation rights under the Act. The exemption only applies to the lender's obligation to disclose these rights.

Fees exemption

From 1 November 2024, buy now pay later lenders are also exempt from two rules in the Act about unreasonable fees.

More information about the exemptions

The [Commerce Commission](#) have guidelines about buy now pay later that set out the exemptions in more detail.

What should consumers do if they cannot afford their repayments?

If a consumer cannot afford their repayments, they should contact their lender to discuss their circumstances.

Consumers can complain if they are not satisfied with the lender's response. We encourage consumers to contact us as soon as possible if they have a complaint. If a consumer delays in complaining, it may be more difficult for us to help the consumer and lender resolve the complaint in a timely manner.

We also encourage consumers that are struggling with debt to speak with a financial mentor.

[MoneyTalks](#) are a free service that help people and whānau with day-to-day money matters like budgeting and debt management. They can also help people and whānau find their way through processes to access government assistance and find community organisations that help people and whānau in hardship, such as food banks.

More information

[Consumer Protection](#) have a guide about how buy now pay later works, including information about the risks of using buy now pay later.

[Sorted](#) have guides about tackling debt, including a guide about buy now pay later.

Layby is different to buy now pay later. [Consumer Protection](#) and the [Commerce Commission](#) have information for consumers about layby.