

Safety net for sale: The role of Buy Now Pay Later in exploiting financial vulnerability



Buy Now Pay Later (BNPL) debts are pervasive and growing rapidly among Good Shepherd clients, yet remain largely unregulated. Sixty per cent of our Financial Counselling and Capability practitioners estimate that around half, most, or all of their clients have BNPL debts. The people most affected are women, younger people, single parents (most of whom are women), and people on lower incomes. BNPL is a highly gendered phenomenon tied to women's economic insecurity.

BNPL for essentials

Contrary to the characterisation of BNPL as a harmless product for optional, 'nice to have' purchases, people on lower incomes are using BNPL for essentials, including children's needs such as clothing and baby products, groceries and utilities. Concerningly, our practitioners report that women are accumulating unmanageable BNPL debts after fleeing family violence, needing money for basics and to re-establish their homes.

Plugging income gaps

People are resorting to BNPL to fill income gaps: BNPL is used by 25% of Good Shepherd financial counselling clients who rely on social security as their main income source. BNPL is taking the place of adequate social security payments, which represents a commercialisation of the social safety net.

Avenue for financial abuse

BNPL has become an avenue for financial abuse, an under-recognised form of family violence. This can involve women being coerced into BNPL debts by abusive partners, or BNPL accounts being fraudulently opened in their name without their knowledge. One in four of our Financial Counselling and Capability practitioners see coercive debt in at least half of their clients using BNPL. Rates of coercive BNPL debts appear to be increasing, with 53% of practitioners seeing it more than a year ago.

Strong links with financial stress and hardship

Good Shepherd frequently sees financial stress and hardship among clients using BNPL. Approximately 73% of practitioners say that clients have missed essential payments, or cut back on or gone without essentials, in order to service BNPL debt. Multiple accounts and debt cycles are common, with 84% of practitioners reporting that clients with BNPL debt have tried to manage the debt by opening additional BNPL accounts. This accumulation of debt can then shut people out of affordable, No Interest Loans provided by Good Shepherd's national network of loan providers.

Priority recommendations

It is vital to tackle both the causes and harms of BNPL use. BNPL providers are exploiting government policy gaps as much as regulatory loopholes. Priority recommendations include:

- Establishing a minimum income floor by increasing income support base rates (including JobSeeker) to at least the Age Pension level
- Strengthening debt-free financial support for family violence victim-survivors, by increasing the amount and accessibility of the Federal Escaping Violence Payment
- Maximising alternatives to BNPL, by supporting the promotion and delivery of No Interest Loans, and ensuring people have a regulated right to instalment payments for essential services
- Closing regulatory loopholes to ensure consistent consumer protection, with a focus on preventing unaffordable BNPL debts, unmanageable multiple accounts, and misleading marketing of BNPL
- Prioritising financial abuse prevention in the BNPL regulatory regime

More insights on the gendered use and impacts of BNPL can be found in Good Shepherd's full report.