



USING BUY NOW PAY LATER

Buy Now Pay Later (BNPL) schemes like Afterpay and Zip Pay may seem convenient and low-risk, but they can have hidden risks which can impact not only your financial situation but also on your overall mental and physical wellbeing.

HOW DOES IT WORK?

BNPL is a payment service offered by many brands and products for purchasing items both online and in-store. It allows the purchaser to pay the cost of the item in interest-free instalments over a set period of time.

WHAT ARE THE DISADVANTAGES?

Lack of consumer protection

Buy Now Pay Later (BNPL) providers do not have the same legal obligations as banks and other lenders. They are not required to check if you can afford your repayments or offer financial assistance when issues arise.

Potential to encourage impulse spending

Interest-free payment plans can seem appealing but may encourage poor spending habits that can lead to overspending and financial difficulties.

Late payment fees

While there are no fees if you pay on time, missing a payment will incur a late fee. Additionally, you will not be able to make further purchases until you settle your account. These late fees can be large and can quickly add up.

WHAT ARE THE FINANCIAL IMPLICATIONS?

BNPL providers advise that using their services will not affect your credit score. However, you should still be mindful of the broader impact that using BNPL services could have on your finances and credit score. For example:

- Overusing BNPL services can put a strain on your finances affecting your ability to pay bills and repay loans.
- Overspending on BNPL services may lead to using your credit card to pay your debt leading to higher credit card balances you need to pay off and high interest rate charges and potential defaults.
- Late repayments on loans, credit cards and bills, will lower your credit score, impacting your ability to obtain a credit products like car and home loans in the future.

If there is something you really want but you can't afford it right now:

- Think about the purchase for a few days. Perhaps it was just an impulse at the time. Save money in your account until you have enough to buy it outright.
- Talk it through with your parents/guardians. They may be able to provide you with a loan or help you budget for that special purchase.