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What is Buy Now, Pay Later? Our financial experts weigh in

Is joining a BNPL program the best way to avoid a "financial headache?"

Rosalyn Fannin

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What is Buy Now, Pay Later, and is it really worth your while? Picture: iStock/@FreshSplash.

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Cost of living is constantly on Australians' minds, and as a way to try and make their dollar go a little further, many are turning to the flexible payment option of Buy Now, Pay Later.

A BNPL service is a short-term loan from a provider that is paid in instalments following a purchase. Traditionally, after paying 25% upfront, a shopper will pay the remaining 75% of their BNPL loan in three further instalments over the course of six weeks.

However, this can be too good to be true for many consumers, with strict repayment schedules, overdue fees, a reduced credit score and complicated refund policies turning shoppers off.

According to Founder and Director of MyBudget, Tammy Barton, “It can be

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Need to know

- Buy Now, Pay Later (BNPL) is a short-term credit option where shoppers receive an item immediately and split the cost into smaller instalments. Most BNPL providers commonly offer a four-instalment plan requiring 25% upfront followed by three automatic fortnightly payments over six weeks.
- Among Australia’s major BNPL providers, PayPal Pay in 4 charges no late or account fees, Afterpay and CommBank StepPay offer the widest retailer networks, and Zip provides the highest spending limits (up to $50,000 at select retailers) and repayment flexibility.
- Under Australia’s National Consumer Credit Protection Act, BNPL providers must perform mandatory upfront credit checks that record a credit inquiry on your file for five years and can reduce your borrowing power. Falling 60 or more days behind on a BNPL debt of $150 or more after two formal written notices can lead to a credit default lasting five years.
- Australian financial planner Amir Rodnia and MyBudget founder Tammy Barton agree that while BNPL offers fast checkout and predictable instalments for planned purchases, smaller upfront payments can encourage impulse buying, with 75% of Australian BNPL account holders juggling multiple concurrent loans and 45.2% of new personal insolvencies in the 2025-26 financial year involving BNPL debt.
- To manage Buy Now, Pay Later spending responsibly, stick to a single provider, budget for the full purchase price rather than the 25% upfront payment, ensure funds are available the day before scheduled withdrawals and close any unused accounts.

What is Buy Now, Pay Later?

Buy Now, Pay Later (BNPL) is a short-term financing option that splits a charge for a purchase into smaller payments paid over the course of weeks or months. Founder of MyBudget and author of *MyBudget, MyMoney*, Tammy Barton calls it a form of credit.

offering instant approvals:

1. Set up your account: Provide your basic details including your name, phone number and date of birth, as well as the debit or credit card you want to link your BNPL account to.
2. Hard credit check: The provider will run a credit check to verify your identity and assess repayment risks. This triggers a credit inquiry which stays on your credit report for five years and can compromise your credit score.
3. Receive a spending limit: Based on your credit and affordability assessment, the provider sets your initial credit limit. This cap may increase over time if you maintain a consistent on-time repayment history and pass further affordability checks.
4. Authorisation: Once approved by the provider, transactions can be immediately performed in person or online.



Applying to join a BPNL takes minutes from start to finish. Picture: iStock/GaudiLab.

When do you need to make payments for Buy Now, Pay Later purchases?

Most repayment plans and BNPL models use a 'Pay-in-4' payment method

the total cost or purchase if the automatic withdrawal from your account fails.

Importantly, Financial planner, founder of Rodnia Wealth Partners and author of *Freedom Gameplan*, Amir Rodnia explains: "Different Buy Now, Pay Later programs offer different account limits and fee structures, and it's important to understand the terms before you sign up."

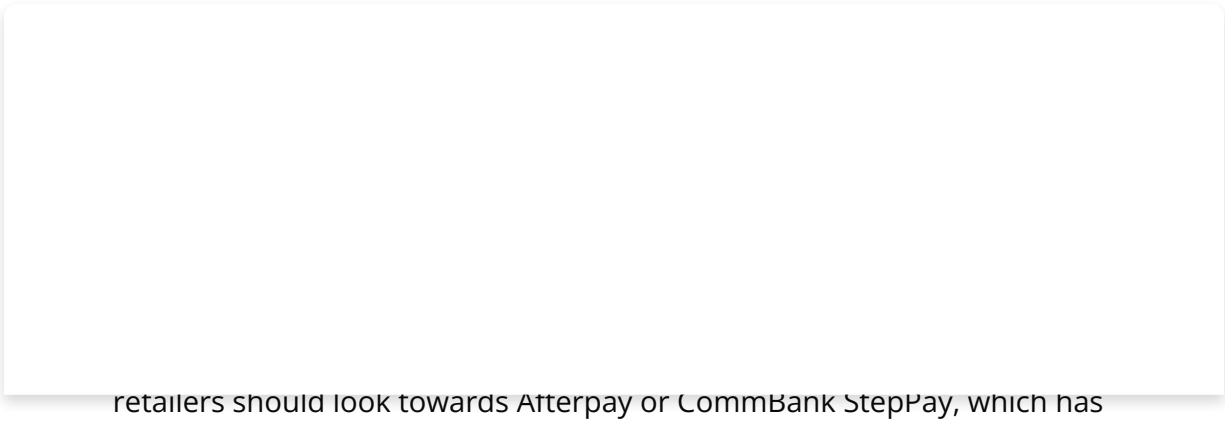
As an example, this is how many BNPL providers set their repayment plans and models:

- Purchase and first payment: You buy a new mobile phone for $1,000. You select your Buy Now, Pay Later provider at checkout, log into your account and receive approval within seconds. $250 will then be immediately deducted from your linked debit or credit card.
- Second payment: Two weeks following the purchase, $250 is automatically deducted from your linked card.
- Third payment: Four weeks following the purchase, $250 is automatically deducted from your linked card.
- Final payment: Six weeks following the purchase, the last instalment of $250 is automatically deducted from your linked card. The total $1,000 cost will be repaid in full, with no interest or fees.

How and when you pay via your BNPL repayment plan does not impact when the merchant, brand or retailer gets paid. While your first payment instalment will be deducted immediately, most merchants will receive full payment of the purchase price within one to three business days, which is paid in full by the BNPL provider.

However, as Rodnia points out: "Buy Now, Pay Later providers make their money from merchant and late fees, which is why the borrowing can feel like 'free money' to consumers."

Before signing up to a BNPL program, be aware of the potential risks and impacts this could have, especially on your credit score. Barton adds: “It pays to check when the payments come out and what it costs. Even an interest-free plan can come with hidden fees.”



retailers should look towards Afterpay or CommBank StepPay, which has one of the widest merchant networks in Australia.

Zip’s programs (Zip Pay, Zip Plus and Zip Money) offer the most repayment options and flexibility, and the highest spending thresholds.

When comparing providers and making your selection, Rodnia suggests: “Go beyond interest-free advertising and pay close attention to other features such as account fees, late fees, repayment timelines, and transaction charges.”

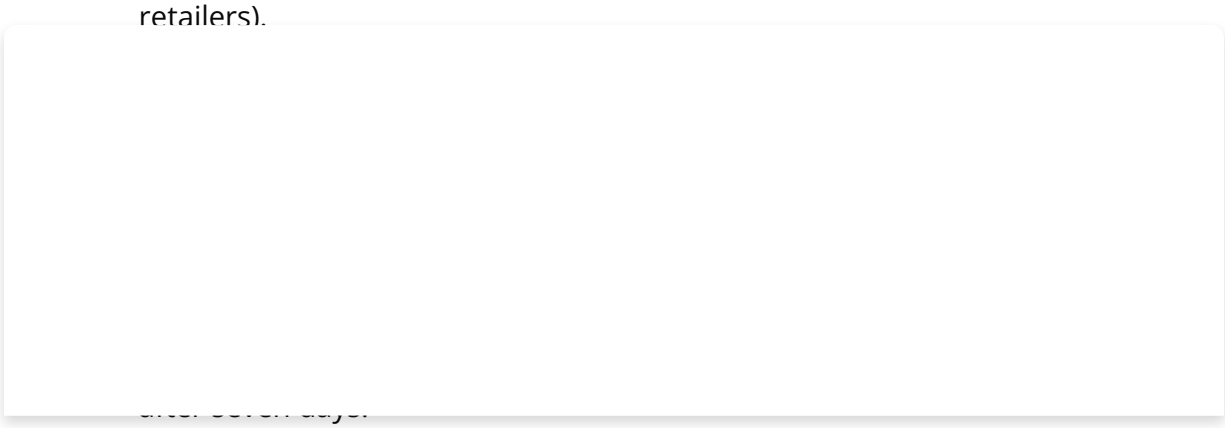
The best Buy Now, Pay Later providers to consider:

Afterpay

- Repayment Periods: Four fortnightly instalments over the course of six weeks.
- Transaction & Credit Limits: Begins at $500 to $600 for new account holders; capped at approx. $3,000 or more for established users.
- Interest & Account Fees: 0% interest; 0% account fees (optional Afterpay Plus account costs $9.99 a month).
- Late Fees & Penalties: $10 late fee per missed payment (plus $7 after seven days); capped at 25% of the original order value or $68 per order – whichever is lower.
- Credit Reporting Policy: Hard and soft credit inquiries recorded; detailed routine repayment history not reported; severe defaults reported.

Zip Pay, Zip Plus and Zip Money

- Repayment Periods: Flexible repayment terms and periods (weekly, fortnightly or monthly).
- Transaction & Credit Limits: Zip Pay: $350 to $1,000; Zip Plus: $2,000 to $20,000; Zip Money: $1,000 to $5,000 (but up to $50,000 at select retailers).



- Credit Reporting Policy: Full Comprehensive Credit Reporting (CCR); hard inquiries, monthly repayment history and any defaults reported.

PayPal Pay in 4

- Repayment Periods: Four fortnightly instalments over the course of six weeks.
- Transaction & Credit Limits: $1 to $1,999.99.
- Interest & Account Fees: 0% interest; 0% account fees.
- Late Fees & Penalties: No late fees.
- Credit Reporting Policy: Credit checks upon application; missed payments or defaults may be reported.

Klarna

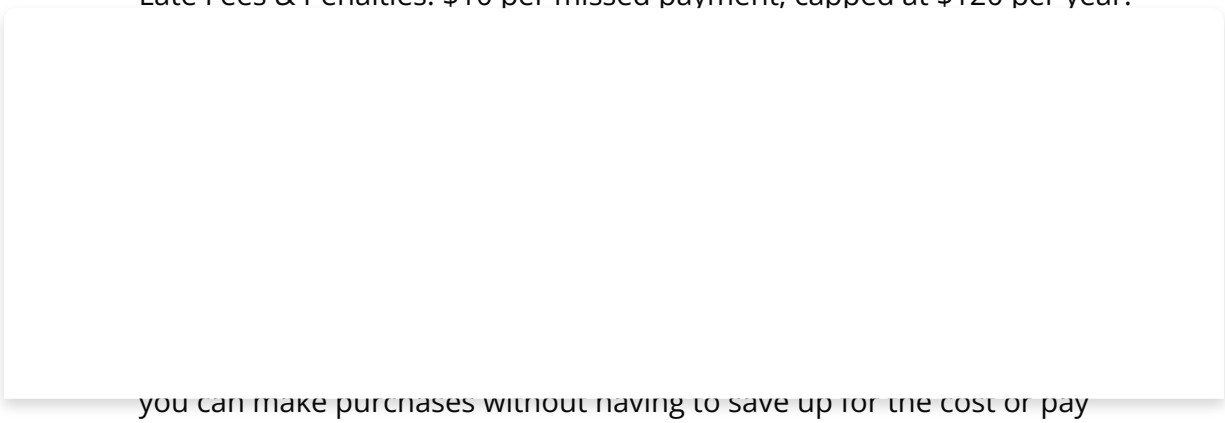
- Repayment Periods: Four fortnightly instalments over the course of six weeks.
- Transaction & Credit Limits: Maximum spend limits assessed per transaction.
- Interest & Account Fees: 0% interest; 0% account fees.
- Late Fees & Penalties: $3 late fee per missed instalment (for orders over $50); capped at $7; no late fees for purchases under $50.
- Credit Reporting Policy: Credit checks performed; reports inquiries, arrears, and defaults under Australian credit regulations.

CommBank StepPay

- Repayment Periods: Four fortnightly instalments over the course of six weeks for orders over $100 for CommBank customers; debits purchases

under $100 in full two days after the transaction.

- Transaction & Credit Limits: $200 to $2,000.
- Interest & Account Fees: 0% interest; 0% account fees.
- Late Fees & Penalties: $10 per missed payment; capped at $120 per year.



you can make purchases without having to save up for the cost or pay interest, assuming payments are made on time," says Rodnia. "If you are disciplined, using Buy Now, Pay Later for living expenses or emergencies such as replacing a broken fridge can be helpful without having to dig into your savings."

- Predictable instalment amounts help with budgeting: BNPL programs allow repayments to be made in several instalments, all of the same amount. This helps shoppers know exactly how much is going to be coming out of their account so they can budget accordingly. Barton notes: "It can be handy if you've planned a purchase and know the payments will fit within your household budget and around your bills."
- Fixed end dates: Unlike shopping with credit cards where only a minimum repayment is required, BNPL programs have set end dates, so the debt will reach $0 faster.
- Easy sign-up and approval times: Despite Australia's June 2025 credit check reforms, BNPL providers can approve or decline an application within a minute.
- Less time at the checkout: Once a BNPL account is set up and ready to go, future purchases will take just a few seconds.
- Interest-free payments: Most standard BNPL services offer 0% interest on all purchases.
- No ongoing fees: Credit cards often charge annual fees into the hundreds, whereas BNPL programs usually charge no fees if all repayments are made on time.
- Accessibility to those with minimal credit history: Australians without a huge credit file to amplify their application are more likely to qualify for a BNPL program compared to personal loans or credit cards.

What are the risks of signing up to a Buy Now, Pay Later program in Australia?

- Risk of overspending: “Buy Now, Pay Later programs can make an unnecessary purchase seem more affordable,” says Rodnia. Barton agrees, adding: “$30 at checkout feels small. Add a few more purchases and suddenly they’re all coming out in the same week as the rent is due to be paid. For me, that risk outweighs the convenience if you’re already

holding more than 10 BNPL loans at a time.

- Pressure to meet repayments: The six-week short repayment turnaround can be difficult for many Australians. Rodnia claims: “It is increasingly easy for debt to creep up on consumers, as small purchases quickly add up. Many people don’t realise this until they have a problem with making repayments.” According to the Australian Financial Security Authority (AFSA), in the 2025-26 financial year, 45.2% of new personal insolvencies in Australia (those forming debt agreements or bankruptcies) held at least one BNPL debt – this is an increase from 34.2% in 2020-21.
- Can reduce credit score: Despite the ability to build a credit score with on-time, full repayments, many can easily lower their credit score. Under Australian credit reporting rules, missed payments can be recorded on your repayment history, while leaving $150 or more unpaid for 60 days or longer can result in a five-year credit default.
- Fees and charges: While standard BNPL plans don’t carry many extra fees, there can be some sneaky hidden fees, including overdraw charges, monthly account fees and compounding interest from consecutive days of missed payments.
- Still requires an upfront payment: The majority of BNPL plans require an initial payment of 25% of the full product price, so it isn’t truly a ‘pay later’ service.
- Australian reporting regulations: Australian BNPL providers are significantly more regulated compared to international services. These providers now face the same formal credit contract obligations as if someone were applying for a credit card or personal loan. This requires BNPL providers to verify the applicant’s identity and perform a credit check before approving a new account.
- Complicated refund and returns policy: If you want to return and get a refund on an item purchased via a BNPL service, you still need to make the scheduled repayments until the store provides the refund and the

BNPL provider has been notified. If you cease these payments prior to notification, you are subject to late fees.

- Few rewards or benefits: Unlike some credit cards that offer rewards to clients, there are no meaningful benefits to signing up to a BNPL program other than delayed payments.



Don't get lured into a spending trap. Always weigh up the pros and cons before joining a BNPL. Picture: iStock/ArtistGNDphotography.

Is it worth signing up to a Buy Now, Pay Later program?

According to Rodnia, “Whether the benefits outweigh the risks depends entirely on how responsibly you use it. A good mindset is to always remind yourself that you are not borrowing from the Buy Now, Pay Later provider, but from your future self.”

There are certainly risks when signing up to a Buy Now, Pay Later program, such as an increased chance of falling into debt, overspending and potentially impulse buying, and reducing your overall credit score, but it can give you more payment flexibility to budget appropriately for the big-ticket items.

To know whether it’s worth your while, ask yourself:

- How much are you earning compared to how much you are borrowing through the BNPL programs?
- Can you effectively budget for each instalment?
- Can you avoid stacking multiple plans to stay on top of your debts?

- Would making the purchase be easier or better when using your savings rather than borrowing money?
- Do you fully understand the repayment conditions and responsible lending practices?

Automatic repayment schedules in Buy Now, Pay Later plans follow one of two models:

1. Fixed fortnightly schedule: Over the course of six weeks, the shopper will have four equal automatic payments charged from their paired account – one initial payment, and the subsequent three charged every two weeks. This is the typical option for providers including Klarna, Afterpay, PayPal and CommBank.
2. Flexible schedule: Account holders can set their own separate automatic payment schedule for every purchase to be automatically charged from their paired account weekly, fortnightly or monthly, as long as it meets the minimum monthly repayment amount set by the provider. Zip is the only major BNPL operator in Australia offering this automatic payment model across its core accounts.

Shoppers will usually get an SMS, email or app notification a few days prior about the upcoming withdrawal. Each purchase will follow its own automatic payment schedule, so if purchasing different products on different dates, the upcoming payments will not be deducted on the same date.

Most providers will let account holders manually pay the upcoming instalment prior to the due date, and some will even let you move the due date back a few days once per order if you do so before payment fails.

If an automatic payment fails, your BNPL account will be frozen so no further purchases can be made until the overdue payment is made. The provider will make another attempt to withdraw the repayment amount from the linked card or bank account (or any backup accounts linked in the app) within the days following the missed payment. Shoppers may also incur late fees and charges.



due dates with automatic repayments in place. Picture: iStock/FreshSplash.

How do interest-free payments, provider costs and merchant fees work in Buy Now, Pay Later services?

To fund the services, BNPL providers are primarily funded by retailer and merchant fees, and missed payment fees rather than charging their account holders interest or provider costs such as account fees:

- Interest-free payments: If advertised as an interest-free payments plan, account holders will not be charged interest. Some providers also offer interest-free periods, where no interest will be charged, but any repayments following these periods will see interest rates rise up to 25.9% per annum.
- Provider costs: These will only be charged in the event of late payments, and if the provider charges a fixed monthly fee. The amount of charge will vary from provider to provider, as well as how late the repayment is.
- Merchant fees: This is how BNPL services typically earn most of their money. For every sale, a retailer or merchant is charged usually between 2% to 8% of the total purchase amount, as well as given a fixed transaction fee.
- Other fees: Some BNPL services also have other fees, including monthly fees for paid upgrades (such as Afterpay Plus' $9.99 a month fee), large loan establishment fees for big-ticket items, and small transaction fees.

How do late fees and late payments work in Buy Now, Pay Later services?

After missing a scheduled weekly, fortnightly or monthly instalment, a Buy Now, Pay Later account holder may be subject to late fees and additional

costs.

When a payment fails:

- The BNPL provider will freeze the account so no new purchases can be made before payment is made.

holder, a credit default is applied to their credit file.

Depending on the BNPL service provider and how many days overdue the repayment is, late fees typically range from $3 to $15 per missed instalment. Before signing up to a Buy Now, Pay Later service, always review the late payment and late fee policies.

What effect can signing up to a Buy Now, Pay Later program have on a customer's credit score?

Depending on how responsible you are with repayments, how many loans you take out, which provider you sign up with, and how the provider reports on your BNPL history, signing up to a Buy Now, Pay Later program can have a positive effect, a negative effect or no effect at all on an account holder's credit score.

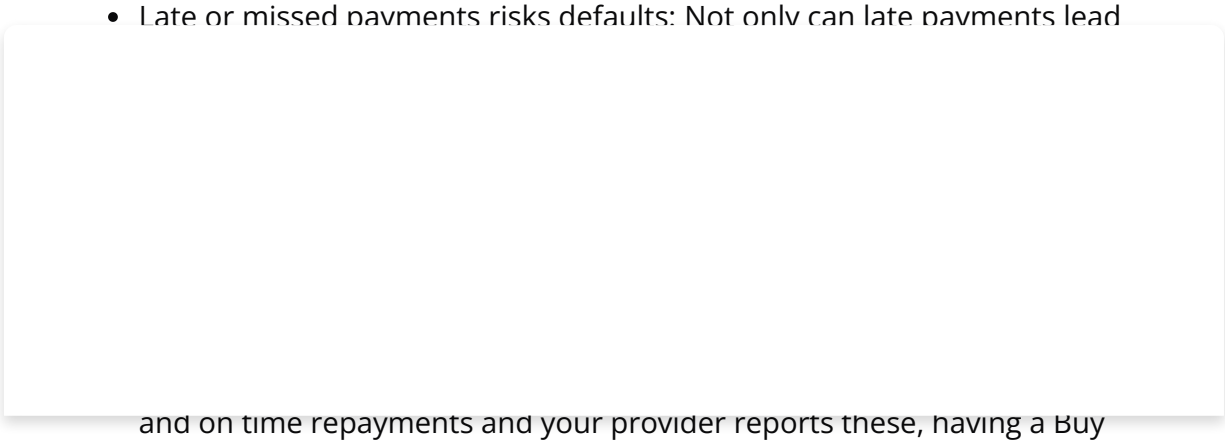
Founder of Rodnia Wealth Partners and author of *Freedom Gameplan*, Amir Rodnia, reveals: "Since June 2025, Buy Now, Pay Later programs have become regulated consumer credit products. This means that providers will need to assess the borrower's ability to repay the loan and applying for a Buy Now, Pay Later can generate an inquiry on your credit report."

How BNPL programs can have negative effects on your credit score:

- Immediate credit footprint: Opening a BNPL account immediately lodges a credit inquiry on your credit record. Rodnia adds: "Even if you never miss a repayment, having a Buy Now, Pay Later account can reduce your borrowing capacity when you apply for a car or home loan."
- Reduced borrowing power: According to MyBudget founder and author of *MyBudget, MyMoney*, Tammy Barton, "A lender may also look at your

BNPL commitments when deciding how much you can afford to borrow, even if you've paid every instalment on time." So even if your BNPL balance is at $0, having the potential to gain debt can reduce the amount you can borrow.

- Late or missed payments risks defaults: Not only can late payments lead



and on time repayments and your provider reports these, having a Buy Now, Pay Later program may actually strengthen your credit score."

- Short-term cash flow: Splitting payments into four interest-free instalments allows for immediate expense management and loans without the high credit card rates and fees.

What is the difference between a soft credit check and a hard credit check when signing up to a Buy Now, Pay Later service?

BNPL providers must perform a hard credit check before approving an application, which can lower credit scores in the short term. They may also perform soft credit checks for a quick snapshot of your credit file for pre-assessment and account monitoring.

What is a soft credit check?

- What is it? An informal background check and review of a loan applicant's credit score.
- When does this happen? When checking your own credit score or using an eligible pre-qualification quote tool prior to submitting a formal BNPL application; or for ongoing account monitoring by the BNPL provider.
- What is its impact on credit score? No impact, as BNPL providers cannot report on the findings of a soft credit check. However, notice of them performing this check will be privately logged.
- Who can see this? The individual once every three months, and the BNPL provider.

What is a hard credit check?

- What is it? A formal credit assessment undertaken upon application for new credit.
- When does this happen? When formally applying for a credit card, loan, BNPL account or BNPL payment limit increase.



and more budget-friendly, while others believe it makes paying more difficult with the juggling of repayments, bank balance monitoring and tracking total spending.

How Buy Now, Pay Later programs makes shopping easier:

- Paying less upfront: Most BNPL programs only require a 25% payment of the purchase initially, so you're spending less when you first buy.
- Speeds up shopping time: Setting up an account with a BNPL provider takes about a minute, and once it's ready, it's quick to pay at the checkout.
- Repayments are automated: Most shoppers don't need to worry about repayment dates, with automatic withdrawals set for every instalment.

How Buy Now, Pay Later programs makes shopping more difficult:

- Need to continually pay for what you bought: As BNPL instalments are paid over the course of weeks or months, you'll still be paying for what you purchased well after the initial transaction.
- Difficult to keep track of: Despite offering budget flexibility, with several BNPL loans, it can be hard to know exactly how much you've paid and how much is still owing.
- Impulse shopping: Because the initial payment is lower, it can give shoppers the impression they have more to spend, but this can lead to more loans and potentially higher debt.
- Still need to keep paying even if you're returning the purchase: Returning and getting refunds on items purchased via BNPL programs is convoluted and complicated. Shoppers must continue paying for the

items in instalments until the retailer or merchant has confirmed with the BNPL provider that the return is made.

- Difficult complaint procedures: If you have a payment issue with the merchant or retailer, complaints must be directed to the BNPL provider rather than the merchant or retailer directly. The provider can then offer



While it can make shopping faster and simple, BNPL loans can lead to some impulse shopping and savings hiccups. Picture: iStock/andresr.

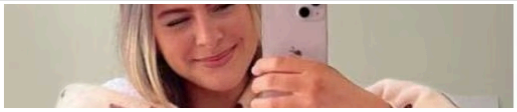
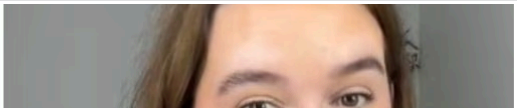
How do I choose a Buy Now, Pay Later provider?

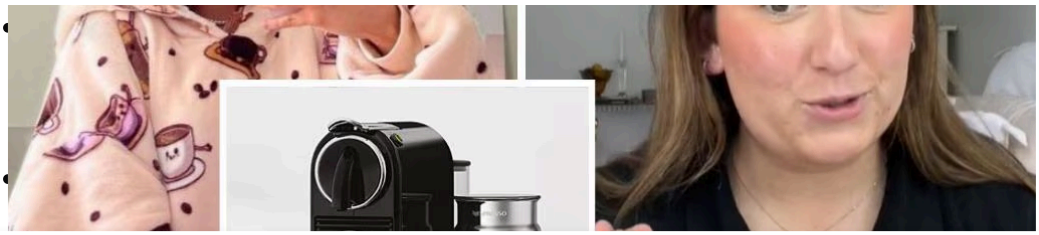
"If you're comparing providers, check the repayment schedule, any account or late fees and what happens if you need to return something. If the numbers are tight before you buy, give yourself time to think it over," says Tammy Barton, founder of MyBudget and author of *MyBudget, MyMoney*.

For Australian consumers, the primary BNPL provider considerations include:

Trending now

- Eligibility criteria and requirements: Always check the prerequisites of joining a BNPL program, including minimum age, accepted credit and debit cards, whether the program requires a certain bank account, and any credit check and affordability assessments.
- Merchant and retailers accepted: See what merchants, retailers and sellers accept the provider, and if it's actually somewhere you want to shop – there's no point joining a provider with hundreds of shops, but





Outrageous Black Friday sales drop: 70% off

Day and EOFY sales pair limited-time discounts with 25% upfront BNPL payments to boost sales and encourage spur-of-the-moment purchases.

To protect your budget while maximising savings during these major shopping events:

- Set a budget and stick to it: Decide exactly how much you want to spend in total before the deals drop, and calculate how much this would be per instalment. Don't fall into the trap of only considering the initial 25% price rather than the total price.
- Follow your pay cycle: Just because expensive items are now cheaper doesn't automatically mean you can afford to buy them – even with deferred instalments. Look at how much you'll be paid, when you'll get your paycheck and if you can actually pay back the total price with the amount you've earned.

- Stack perks without overspending: Because BNPL providers don't offer loyalty points, pair planned sale purchases with verified cashback platforms or retailer rewards programs. Some BNPL providers also offer exclusive in-app promo codes and partner discounts during major sales events like Afterpay Day and Amazon Prime Big Deal Days.

surcharge reforms and updated merchant agreements from PayPal, Afterpay, Zip and Klarna, retailers cannot pass a BNPL surcharge onto shoppers at checkout.

- Think before you check out: Try to leave non-essential deals in your cart for 24 hours before checking out. This gives you time to assess if you really need that product and whether the sale price fits within your budget.

What are the best shopping alternatives to Buy Now, Pay Later?

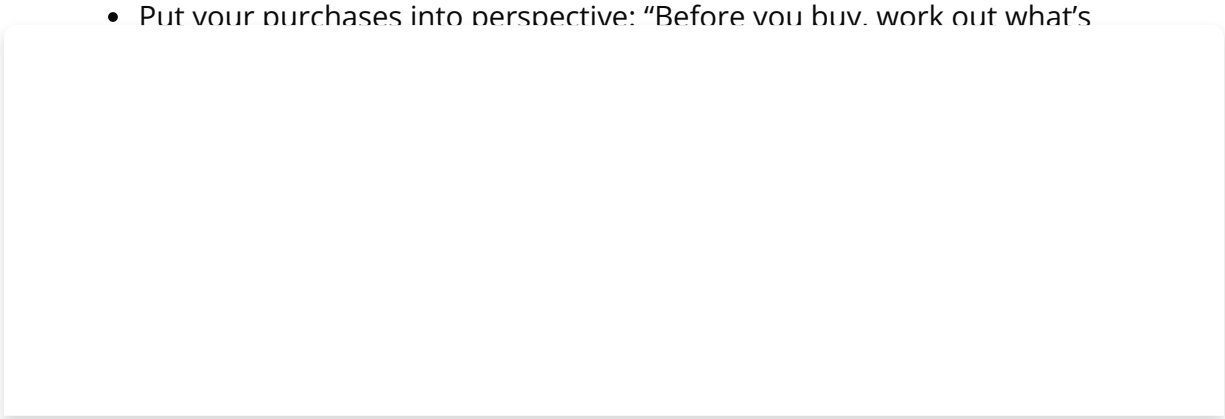
Aside from BNPL programs and other risky options like personal loans and credit cards, there are two main shopping alternatives, according to financial planner and founder of Rodnia Wealth Partners, Amir Rodnia:

- Traditional savings: This fee-free option is "the simplest and most boring option: save and pay for it yourself."
- Lay-by: "This gives you the same instalment payment structure without the borrowing risk, although you can't take the item home until you pay it off."

How do I manage my Buy Now, Pay Later account and spending?

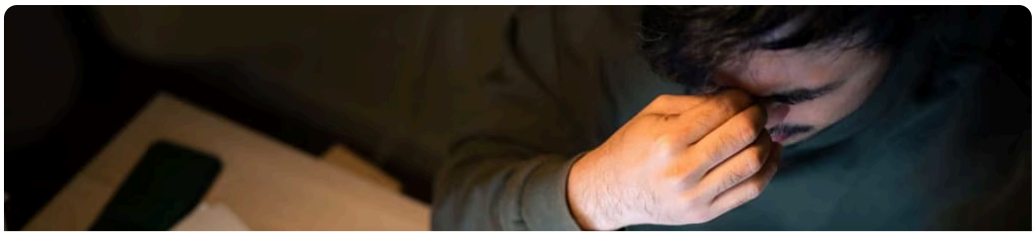
- Track every single payment: Only sign up to one BNPL provider so you can see all your repayment plans in one place and know exactly how much you have paid and how much is still owing.
- Consider the whole price rather than the initial price: Although you only need to pay a portion of the total cost upfront with BNPL, MyBudget founder Tammy Barton says: "Splitting the price can help with timing, but it doesn't make the item cheaper."

- Avoid impulse buying: By spending less initially, it seems like you have more money to work with and buy more, but will lead to you owing more. A workaround is setting a spending cap so you know you can comfortably pay everything off.
- Put your purchases into perspective: "Before you buy, work out what's



on the due date, so not having it there the night prior can risk late or missed payments and their accompanying fees.

- Set payment reminders: Turn on app alerts and notifications to get a warning about upcoming due dates, and an alarm on your phone to double-check your account has a high enough balance for the amount being withdrawn.
- Pay early: You don't have to stick to the automatic payment schedule set by the BNPL provider. Paying well before the due date alleviates stress and helps you avoid account-keeping fees or interest.
- Contact providers well in advance if you can't make the payment: Many providers can offer a grace period to delay payments by a couple of days, but only if you let them know beforehand. Otherwise, you can be charged interest, late fees and potentially risk a default on your credit report.
- Use financial hardship assistance if needed:Australia's Low Cost Credit Contract laws require BNPL providers to support their users who are experiencing any financial hardships. They include illness, unexpected bills and job loss. Contact the provider early to arrange a pause in payments, or request smaller payments. This can prevent you from being charged late fees or receiving a credit default.
- Close accounts you're not using: Once you've finished paying off your last payment, and have no plans of using your BNPL account again, formally close it to prevent the temptation of splurging on a few extra items. Closing these accounts can also potentially improve your borrowing power in the future.
- Spend and save smartly: "If the purchase can wait, try putting the same amount you'd pay in instalments into savings each payday," recommends Barton. "For something you hadn't planned to buy, leave it in the cart overnight and see how you feel tomorrow. That's especially useful at Christmas. Before splitting the cost of presents, look at January and February as well. You don't want a financial hangover from December purchases just as school costs and the usual bills start landing."



Picture: iStock/whitebalance.space.

What regulations are in place to protect consumers in Buy Now, Pay Later programs?

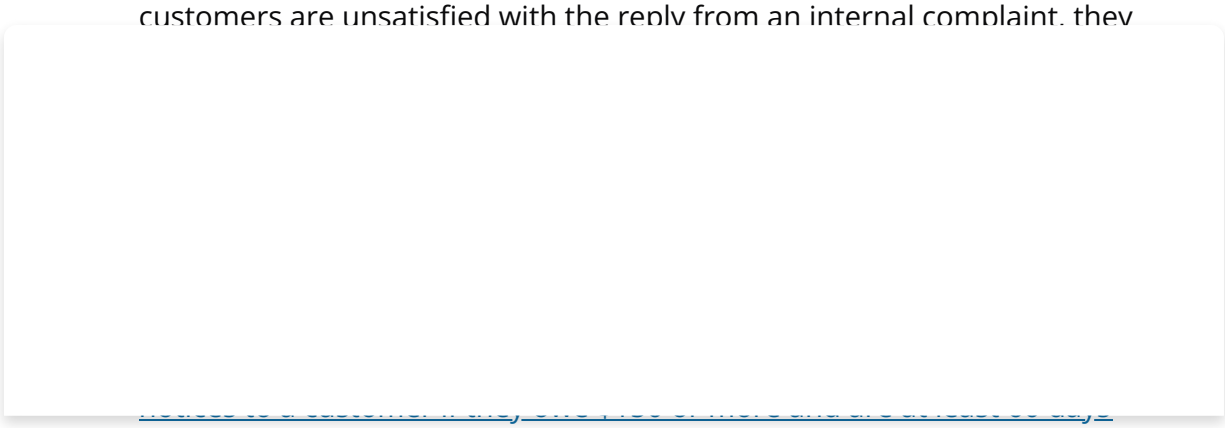
Since June 2025, BNPL providers have been legally regulated as Low Cost Credit Contracts (LCCCs) under the *National Consumer Credit Protection Act 2009*. Enforced by the Australian Securities and Investments Commission (ASIC), these federal laws replace the lighter self-regulation that existed under the former 2021 industry code and are supplemented by the AFIA Finance Industry Code of Practice.

Under Australian law, BNPL providers must comply with the following mandatory consumer safeguards:

- Mandatory Australian Credit Licence (ACL): All Australian BNPL providers need to hold an ACL and meet strict guidelines and responsible conduct standards as enforced by ASIC.
- Compulsory upfront credit and affordability assessments: BNPL providers must verify an applicant's identity and check their credit file before granting account approval as a means to assess if they can afford repayments based on current debts and financial obligations.
- Mandatory financial hardship assistance services: BNPL customers hold the legal right to request a variation to their repayments due to illness, unemployment, emergencies and other issues causing financial hardship. These variations include pausing payments, extending the duration of the loan or reducing instalments. Providers must assess this request, cannot charge a fee or list a credit default during this assessment period, and respond within 21 days.
- Free internal complaint pathways: It is a legal requirement of all BNPL providers to offer a free internal complaints process where customers can lodge a complaint. Providers must acknowledge this complaint and

provide a written response within 30 days (or 21 days if complaints involve default notices or financial hardships).

- Free external complaint pathways: All Australian BNPL providers must be members of the Australian Financial Complaints Authority (AFCA). If customers are unsatisfied with the reply from an internal complaint, they



notices to a customer if they owe $150 or more and are at least 90 days overdue before they can report a credit default. This gives account holders a final opportunity to pay or request financial hardship assistance.

- Free counselling services: Consumers and BNPL account holders have the right to access free and confidential financial counselling services, including the National Debt Helpline (1800 007 007) and ASIC Moneysmart website (moneysmart.gov.au).

How does Australian credit reporting work for Buy Now, Pay Later programs?

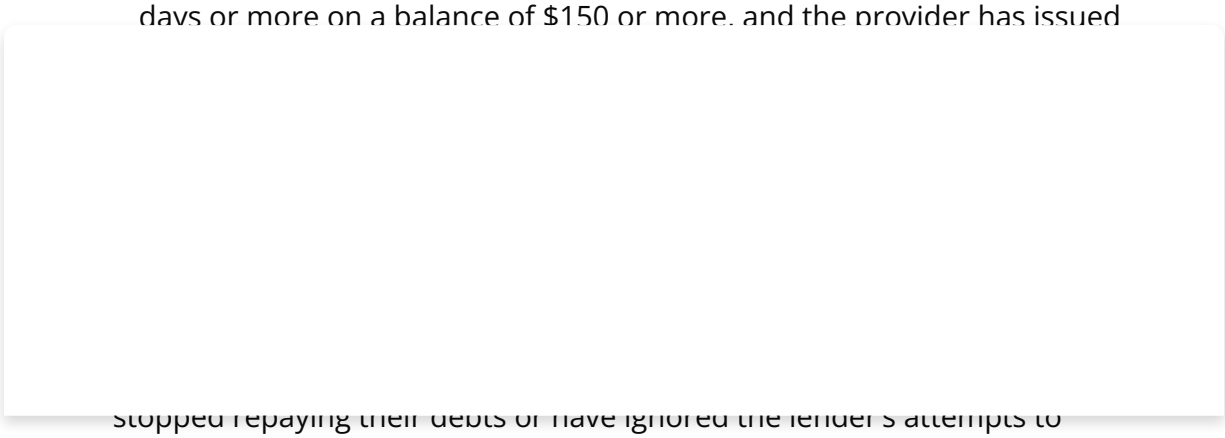
Following reforms of the National Consumer Credit Protection Act in June 2025, Buy Now, Pay Later programs face the same reporting methods as credit providers and personal loan lenders. Individuals holding a BNPL account are now subject to credit score fluctuations, long-term credit report penalties and reduced home loan borrowing power.

These reforms mean BNPL providers must perform mandatory credit checks prior to a new shopper opening an account or increasing their spending limits. These consist of:

- Negative credit checks for spending limits under $2,000: Providers must pull the applicant's credit file to verify their identity and check for any current defaults, personal insolvency or court judgments.
- Partial credit checks for spending limits over $2,000: Providers must examine the applicant's negative credit history, any existing debts, or any existing liabilities to ensure they are confident they can afford repayments without causing financial issues.

Once the application process has ended and a Buy Now, Pay Later account is issued, providers must then:

- Report on inquiries: Every time the individual applies for or requests a spending limit increases, the BNPL provider must record a credit inquiry on their file.
- Report on defaults: If the individual falls behind on repayments by 60 days or more on a balance of $150 or more, and the provider has issued



stopped repaying their debts or have ignored the lender's attempts to collect the remaining sum.

Credit inquiries will show the date of the inquiry and the amount requested. They will stay on an Australian's credit file for five years. If applying for very few and inquiries are spaced out, they will likely have minimal effect on an individual's credit score.

While credit defaults can have serious implications, there are strict guidelines to protect Australians. Providers and lenders can only put a default on your credit file if:

- Your overdue balance is $150 or more.
- The payment has been overdue for at least 60 days.
- The lender or provider has sent a minimum of two written notices, including a warning that the individual must pay within 14 days.
- You currently don't have an active, unresolved dispute or financial hardship request with the provider, the lender or the Australian Financial Complaints Authority (AFCA).

Credit defaults remain on an individual's credit file for five years. If the required payment is made after the default has been listed, it will not be deleted from the file, but simply read 'Paid'.

What do I need to know before signing up to a Buy Now, Pay Later program?

Before applying to join a BNPL program, Australians need to understand what they are accountable for, what the provider is responsible for, and how to put their money to best use:

- Know what the true cost of joining a BNPL is: Even if marketed as having 0% interest for on-time repayments, there are other lingering fees that can make your purchase cost more, including monthly account-keeping fees and late fees. You can also develop interest on paired cards and bank accounts and potentially begin 'debt stacking' when having multiple

because that's how much the first payment will cost. This can also encourage unnecessary purchases or tempt you to buy the more expensive versions of products as the Buy Now, Pay Later program makes them feel less expensive."

- Compare before you sign up: BNPL services vary on repayment instalments, late fees, monthly account-keeping fees and credit limits. Weigh up the financing options and know how each provider reports and charges.
- Always read the terms and conditions: Before you agree to join any BNPL provider, make sure you understand the T&Cs, especially around interest rates, refund and return policies, credit reporting and potential due date flexibility.
- Understand the shifts to borrowing power: By joining a BNPL program, your finances will be treated in the same way as signing up for a credit card. This means your borrowing power when trying to get a personal loan or mortgage could be substantially reduced.
- Understand the consumer protections that are in place: Australians have an abundance of rights when joining a BNPL service, with the providers needing to follow strict regulations and guidelines.
- Know that help is available: There are several services to help those who are struggling financially and are finding it difficult or overwhelming to meet repayment deadlines. You can seek free, confidential counselling by calling the National Debt Helpline on 1800 007 007.

Meet our experts

Amir Rodnia: Financial planner, founder of Rodnia Wealth Partners and author of Freedom Gameplan



Gameplan.

Amir Rodnia is an Australian financial planner, entrepreneur and the author of *Freedom Gameplan*. As the founder of Rodnia Wealth Partners, he specialises in helping everyday Australians escape the "wage cage" of bills and financial pressure. After overcoming severe financial hardship in his early twenties, Amir now focuses his expertise on consumer spending, wealth building and navigating modern debt traps.

Tammy Barton: Founder and Director of MyBudget and author of MyBudget, MyMoney

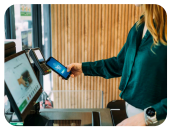


Tammy Barton, Founder and Director of MyBudget and author of MyBudget, MyMoney.

Tammy Barton is one of Australia's leading personal finance and money management experts, having founded MyBudget in 1999. For more than 25 years, she and MyBudget have helped more than 130,000 Australians take control of their finances, eliminate debt and live free from money worries.

Disclaimer: *The information contained in this article is general in nature, is not financial advice, and does not take into account your personal objectives, financial situation or needs. Therefore, you should consider*

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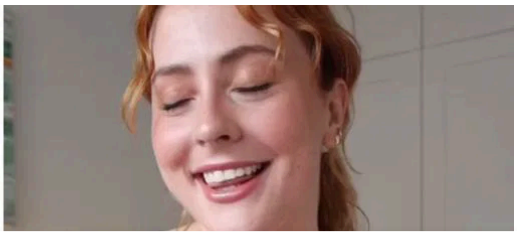


Rosalyn Fannin

SEO, AI and Generative Search Producer

Rosalyn has been working as a shopping writer and producer since 2022, and joined the team in November 2024. She earned her Bachelor of Communications & Media from The University of Notre Dame in 2020. She is an expert in helping shoppers get the best bang for their buck and make quality investments, covering a wide range of products – from appliances and tech to fashion and beauty. Her previous media experience includes over three years working at Nine Entertainment and writing for 9Product Reviews as well as interning at 2GB and Seven Network. In her downtime, Rosalyn plays The Sims, watches netball and spends time with her nephews, niece and cats.

'Obsessed': The reason Aussie women love this underwear

Undies. We all wear them every single day but the struggle to find ones that are actually comfortable seems never ending. Is it really that hard to make ones that a) don't ride up, b) sit nicely on our butts and c) look half OK? Apparently, yes. But, not for my favourite Aussie brand, Boody. I've been wearing Boody undies for over two years now and I'll never go back. The no-fuss underwear brand first launched in 2012 and in the following 12 years has grown to become one of Australia's most popular fashion brands. Their secret? Their products are made from organically-grown bamboo viscose which is not only more gentle on the planet but simply incredibly comfy too. And people love it. Their current bestseller is the Full Briefs ($16.95), with over 6000 five-star reviews.

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