

# Starting the dialogue on a BNPL code of practice

FlexiGroup Limited (ASX: FXL) (“FlexiGroup”) welcomes the key recommendations of the Senate Economics References Committee Report into credit and financial services targeted at Australians at risk of financial hardship, which was released on Friday.

**Among the recommendations, FlexiGroup notes the Committee’s recommendation that the fast-growing Buy Now Pay Later sector establish a Code of Practice.**

FlexiGroup is a strong advocate for a Code of Practice and believes that, with good industry engagement, a Code can be drafted, tested and established with some speed.

FlexiGroup suggests the below framework as a means of quickly progressing a Buy Now Pay Later Code of Practice that all parties can agree to. It is not intended to be complete, but is simply a starting point to encourage ideas and debate.

We would welcome the involvement of an industry body such as AFIA to enforce compliance for those who do not hold themselves to the highest standards and help provide the right checks and balances for the sector. FlexiGroup has discussed a BNPL Code of Practice with AFIA and peers previously, and will seek to further progress those discussions over the coming weeks.

FlexiGroup believes, at a basic level, a Buy Now Pay Later Code of Practice should cover:

- Setting minimum standards as to honest and ethical behaviour and compliance with applicable laws.
- Providing clear, accurate and accessible information in all contract documentation and other disclosure and marketing materials to ensure that consumers can make a properly informed decision about whether to enter into a BNPL product.
- An obligation to provide BNPL products only to people who should be able to repay.
- The delivery of a high level of customer service and standards to all consumers and an obligation to have trained and competent staff.
- Ensuring all consumers have access to appropriate financial hardship mechanisms and an obligation to work with consumers in good faith to assist consumers to meet their relevant financial obligations.
- A blanket prohibition on conflicted remuneration structures (e.g. retailer salesperson incentives).

- Prompt and fair resolution of complaints through internal dispute resolution processes and mandatory membership of the Australian Financial Complaints Authority (EDR) for subscribers.
- A general obligation to engage openly and collaboratively with ASIC and other Government and regulatory bodies on all relevant matters.

Furthermore, we would ask our industry to consider:

- A proportionate cap on BNPL default fees; and
- The development of a fit-for-purpose Privacy Act compliant BNPL database to enable BNPL Code of Practice subscribers to check for concurrent consumer BNPL debts (in the absence of mandatory positive credit reporting for BNPL).

FlexiGroup CEO, Rebecca James, said: *“FlexiGroup has operated in Australia for over 30 years and was the provider of the first Buy Now Pay Later product nearly 20 years ago. We acknowledge the dynamics of the product offering have dramatically changed with technology and we expect the sector to continue to grow strongly given the merits of this convenient, fast and flexible interest-free product.*

*“We believe appropriate self-regulation will lead to better outcomes for BNPL customers and ensure that this form of finance maintains the trust of customers. As an interest free offering with a large proportion of the fees borne by the merchant, Buy Now Pay Later has many great advantages for the consumer over other forms of finance.*

*“It has been, and always will be, in the industry’s best interest to ensure customers can afford their repayments. Collectively, the industry has a strong commercial imperative for ensuring affordability.*

*“By working together I believe we can reach swift agreement on a practical Code. For example, it took the SME online lenders less than four months to agree to a Code and only six months to audit the Code’s membership for compliance. We just need to make a start.”*

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## ABOUT FLEXIGROUP

FlexiGroup provides a diverse range of finance solutions to consumers and business through a network of retail and business partners. This includes Buy Now Pay Later products, credit cards and consumer and business leasing. FlexiGroup has been operating in Australia for over 30 years, has partnerships with over 46,000 sellers and now serves 1.1 million customers across Australia, New Zealand and Ireland.

Performance has been characterised by solid profitable growth as the company has expanded and diversified its business through organic growth, acquisition and product innovation.

For more information visit: [flexigroup.com.au](http://flexigroup.com.au)