**Tuesday, 8 December 2020 Media release**

# Consumers warned to avoid Christmas debt

The Financial Rights Legal Centre and Mob Strong Debt Help are urging consumers to be careful if taking out loans or using buy now, pay later services (BNPL) to keep up with Christmas expenses.

Financial Rights Legal Centre Chief Executive Officer Karen Cox while these options may seem like an easier way to cope with holiday season and back-to-school expenses, it could be the start of an ongoing debt trap.

“We often see cases of people who find themselves in difficulty upon realising they cannot meet their loan obligations on top of their living expenses,” she said.

“Many people also end up in financial hardship because they take out loans to cover existing repayments.

“It’s important to know that help is available, if you end up in these circumstances.”

Financial Rights Mob Strong Coordinator Amanda Cameron said the risks of debt hardship are particularly high for vulnerable people in the community including Aboriginal and Torres Strait Islander consumers.

“People from our mob may turn to borrowing to travel to see their families or to do things to make Christmas a special time for their loved ones,” Ms Cameron said.

A recent report by the Australian Securities and Investments Commission highlighted some of the negative consequences of using BNPL including:

* 21 per cent missing a payment in the last 12 months and paying late fees;
* 20 per cent had to cut back on essential expenses, including food, to meet the repayments;
* 15 per cent had to take out a loan to meet the payments, and;
* Things get worse when multiple BNPL accounts are opened.

Ms Cameron said there are important steps people could take to help avoid the pitfalls of debt.

“It’s always best to try to stick to a budget to manage holiday period expenses. If you really need to borrow try to keep the amounts to a minimum to ensure it’s as easy to pay back as possible,” she said.

“If you do use the option of a loan, always budget to make sure you can afford each instalment and ensure that each instalment won’t be deducted from your bank account before you receive your next pay.”

Tips to reduce risks when using BNPL:

* Write up a shopping list for the holidays and budget for it;
* Manage your accounts – keep to one BNPL account you can keep track of;
* Avoid taking out loans to keep up with payments;
* Line up your payments with your payday;
* If you can’t meet a payment then contact the BNPL provider for financial hardship assistance;
* If you’re having troubles keeping up with payments, call Financial Rights for free financial counselling and legal advice.

## About Financial Rights

The Financial Rights Legal Centre is a community legal centre that specialises in helping consumers understand and enforce their financial rights with consumer financial products and services, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals through our following channels:

* Financial Rights Legal Centre - https://financialrights.org.au/;
* Mob Strong Debt Help 1800 808 488 – our national service for Aboriginal and Torres Strait Islander callers https://financialrights.org.au/mob-strong-debt-help/;
* Credit and Debt Legal advice line 1800 844 949 for those needing legal advice in NSW;
* National Debt Helpline 1800 007 007 – for people needing to talk to a financial counsellor (please note this line is answered by a number of different services around Australia, Financial Rights is one of those services);
* Insurance Law Service 1300 663 464 – our national service focusing on problems with insurance or debts to insurers.

Background

Buy now pay later arrangements allow consumers to buy and receive goods and services immediately from a merchant, and repay a buy now pay later provider over time.

ASIC’s report: [REP 672 Buy now pay later: An industry update](https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-672-buy-now-pay-later-an-industry-update/) sets out ASIC’s observations from its latest review of the buy now pay later industry.

The report considered aggregated data from six buy now pay later providers (pages 4-5)

* Afterpay Australia Pty Ltd (Afterpay)
* Brighte Capital Pty Limited (Brighte)
* Humm Certegy Ezi-Pay Pty Ltd (Certegy)
* Openpay Pty Ltd (Openpay)
* Payright Limited (Payright)
* Zip Pay ZipMoney Payments Pty Ltd (ZipMoney Payments)

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