Australian
Finance
Industry
Association

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AFIA CONFIRMS IMPORTANT ROLE OF THE BNPL CODE OF PRACTICE

The Australian Finance Industry Association (AFIA) has today confirmed the Buy Now Pay Later (BNPL) sector is reviewing and updating the BNPL Code of Practice, so it continues to play an important role in our co-regulatory framework.

The BNPL Code was introduced as a world-first on 1 March 2021 and has been important in setting best practice standards and strengthening consumer protections, with a number of the industry commitments made in the BNPL Code now embedded in the forthcoming BNPL regulatory framework. The signatories to the BNPL Code represent an estimated 75 percent of the BNPL market.

The new BNPL regulatory framework is due to commence on 10 June 2025, with the regulations only finalised in March just before the Federal election, and the subsequent regulatory guidance published last week by the Australian Securities and Investments Commission.

“Now that the BNPL sector has a complete picture of the new BNPL regime being introduced by the government, we can recommence our work of updating the BNPL Code to ensure it is consistent with the new laws and supports good consumer and industry outcomes,” AFIA CEO Diane Tate said.

“While there are many sections in the BNPL Code that are unaffected by the new laws, there are a number that will need to be redrafted; whether that is to use the language now included in the law or whether that is to make sure the BNPL Code explains how the law might operate for a customer.”

An independent review of the BNPL Code was completed by Promontory on 31 March 2023, which made 51 recommendations to improve and update the Code. The BNPL sector supported all recommendations, with a number of these recommendations helping to shape the new laws for BNPL products and services.

“AFIA and our members are committed to making sure we complete the update of the BNPL Code as fast as possible, but we will need time to complete this work,” Ms Tate said.

“With important consumer protections in the BNPL Code now contained in the new laws, such as responsible lending, complaint handling, and financial hardship, we need to make sure the language in these clauses is now aligned with these new laws, so the law and the BNPL Code can work together.

“What’s important is the existing commitments in the BNPL Code will continue to operate during this transition period. However, where there are differences with a section of the current version of the Code and the new laws, as is always the case, the law will prevail, and we will prioritise the application of the new laws in this circumstance.

"What's also important is that the BNPL sector takes the time necessary to make sure we align appropriately with the new laws, make changes consistent with the recommendations made in the independent review, and adopt other updates to ensure the Code continues to drive best practices and addresses new or emerging issues. Industry codes are a hallmark of good practice.

"This approach will avoid uncertainty for BNPL providers and consumers as well as ensure this transition period is managed consistently across the BNPL providers accredited to the BNPL Code, while we all get on with the work of updating and finalising the next version.

"The BNPL Code Compliance Committee will continue to monitor the Code. Where a matter taken to the Committee relates to the operation of the BNPL Code before the new BNPL regulatory framework commences on 10 June 2025, the Committee will look to the entire Code, whereas after this date, the Committee will look to the Code and the new laws, with the law being prioritised in the sections identified as directly impacted," Ms Tate said.

The sections in the BNPL Code that are directly most impacted by the new laws are: disclosures about our products and services (clause 10), making sure our products and services are suitable (clauses 11 and 12), which will be aligned to the new responsible lending obligations for BNPL in the new laws, dealing fairly with complaints (clause 13), and offering financial hardship assistance (clause 14).

There are a number of other administration clauses and definitions that will also need to be redrafted and updated due to the commencement of the new laws.

"With the new BNPL regulatory framework now in place, AFIA and our BNPL members are aiming to have the revised version of the BNPL Code of Practice published in the second half of this year. We are all getting on with this work to strengthen the BNPL Code and doing it as fast as possible, so this transition period is as short as possible. We are also aiming to bring in some additional signatories to the BNPL Code, which is very exciting," Ms Tate said.

The BNPL providers accredited to the current version of the BNPL Code of Practice are Afterpay, Brighte, Humm Group, Payright, Plenti and Zip Co.

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ABOUT AFIA

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators, and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.