

Buy Now, Pay Later: A Comprehensive Approach Beyond Supply-side Regulation

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Abstract

This dissertation examines the limitations of New Zealand’s current approach to addressing consumer harms associated with Buy Now, Pay Later (**BNPL**). Although policymakers have extended consumer credit regulations to include BNPL providers, these supply-side measures focusing on disclosure, credit reporting, and unreasonable fees, address only the surface-level risks of BNPL. The persistence of BNPL-related over-indebtedness reflects deeper behavioural, social, and structural dynamics that industry regulation alone cannot resolve. Drawing on interdisciplinary insights from law, behavioural economics, and financial technology research, this dissertation explores how core features of BNPL – including its frictionless payment processes, zero-interest framing, and aspirational marketing, operate within a culture of modern consumerism that amplifies impulsive spending and normalises debt, particularly among young consumers and those experiencing financial or mental vulnerability. Through qualitative analysis of policy literature, industry reports, and consumer wellbeing research, this dissertation identifies significant gaps of New Zealand’s recent response in addressing BNPL-related over-indebtedness. It demonstrates that the prevailing emphasis on supply-side regulation rests on the assumption of rational consumer behaviour, overlooking the psychological and social factors that shape financial decision-making. Building on these findings, this dissertation advocates for a more holistic policy approach that complements supply-side regulation with consumer-oriented demand-side interventions. While it does not propose a specific policy framework of such interventions, it highlights areas where targeted measures may be warranted, including initiatives to strengthen digital financial literacy, increase awareness of social support services, and promote responsible fintech innovation. The dissertation concludes by underscoring the need for further research to translate these insights into practice, including, but not limited to, the redesign of financial literacy education and the integration of just-in-time interventions within BNPL platforms to encourage more sustainable financial behaviour.

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I. Introduction

Consumer credit has evolved significantly over time from early pawnbroking and nineteenth-century hire-purchase schemes to the widespread use of credit cards in the mid-twentieth century.¹ Buy Now, Pay Later (**BNPL**), a point-of-sale lending service, represents the latest evolution of this trajectory.

With the rise of digitisation and e-commerce, BNPL has become increasingly popular and arguably, normalised, in today's consumer landscape.² Unlike traditional credit arrangements which are typically used for large or luxury purchases,³ BNPL offers a level of usability comparable to credit cards, available across most sectors and transaction sizes, both online and in-store.

Despite its frequent marketing as a “consumer-friendly” option, its rapid rise has raised concerns, with studies highlighting its potentially harmful effects on spending behaviour, debt accumulation, and financial well-being.⁴ As BNPL becomes increasingly embedded in consumer markets, these effects extend beyond individual users, shaping aggregate demand, household financial resilience, and the allocation of economic costs and benefits across the wider economy. Although the extent of intervention varies,⁵ regulatory bodies in several jurisdictions, including New Zealand, have begun to implement or propose measures to oversee this rapidly expanding industry.⁶

¹ Richard Tooth “Behavioural economics and the regulation of consumer credit” (New Zealand Law Foundation, August 2012) at [8].

² Sahil Soni “Regulating Buy Now, Pay Later” (2023) 123(7) *Columbia Law Review* 2035 at 2036-2037. See also Georgie Walsh “BNPL trends: What’s shaping the BNPL market in 2025” *GWI* <www.gwi.com> where shifts are referred to not just being “smart”, but “essential”.

³ Daniel Boorstin “Credit History: The Evolution of Consumer Credit in America – Federal Reserve Bank of Boston” *The Ledger: Economic Education Newsletter* 16 (online ed, Boston, 2004) at 4.

⁴ Marshall Lux and Bryan Epps *Grow Now, Regulate Later? Regulation urgently needed to support transparency and sustainable growth for Buy-Now, Pay-Later* (Mossavar-Rahmani Center for Business & Government or of Harvard University, Associate Working Paper Series | No. 182, April 2022). See also Afterpay’s webpage addressing common criticisms: Afterpay “The Truth about Afterpay” <www.afterpay.com>

⁵ The varying extent reflects a broader balancing act between the economic benefits of financial innovation, and the need to address its associated risks. See Diana Milanese *Buy Now, Pay Later (“BNPL”) Under Regulatory Scrutiny – The Evolving Regulatory Landscape for BNPL in the United States, the United Kingdom, and Europe* (Stanford-Vienna TTLF Working Paper No. 89, 2022) at 82.

⁶ For example, Singapore adopted industry self-regulation via a code of conduct, see Buy Now, Pay Later (BNPL) Working Group “Buy Now, Pay Later (“BNPL”) Code of Conduct” Singapore FinTech Association (20 October 2022); while Australia has extended its existing consumer credit laws to cover BNPL, see Ministers Treasury portfolio “Government introduces consumer protections for Buy Now Pay Later” (5 June 2024) <ministers.treasury.gov.au>. Many countries have not yet considered BNPL specific regulation, see Bird & Bird “Buy Now Pay Later Regulatory Tracker” (2025) <www.twobirds.com>

However, this dissertation contends that most policy attention in New Zealand has been directed toward the supply side of BNPL, focusing on the mechanisms for monitoring, managing, and controlling this credit. This dissertation seeks to rebalance this approach by acknowledging the role of consumer decision making in shaping outcomes and shift the focus toward the demand side of the harm equation. By examining the psychological and social factors driving the uptake and popularity of BNPL, it highlights these underlying influences as the “roots” of the issue that has received comparatively less attention in existing literature and policy discussions.

Although this dissertation does not attempt to develop a detailed framework, it will highlight areas where targeted interventions may be warranted. The proposed areas are to: (1) strengthen digital financial literacy, (2) promote awareness of social support services, and (3) promoting responsible fintech innovation.

This dissertation is structured as follows. Part II begins by providing an overview of BNPL, including its growth in consumer markets and the regulatory regime in New Zealand. It also examines how BNPL operates and the way in which it is presented to consumers. Part III highlights the reasons to why BNPL has become a matter of public and policy concern. It first examines key vulnerable users that are of interest, and then its contribution to over-indebtedness alongside further compounding factors such as its interactions with credit cards, and social and cultural attitudes. Part IV evaluates the current regulatory approach in New Zealand, arguing that they fail to address the demand-side factors that contribute to problematic use. Recognising that truly sustainable outcomes require not only supply-side regulation, Part V outlines areas of demand-side interventions that addresses consumer behaviour to complement existing regulatory efforts. Finally, Part VI concludes and suggests further areas of research.

II. Understanding Buy Now, Pay Later

A thorough assessment of the risks and harms associated with BNPL must begin with a clear understanding of the product itself. Accordingly, this section examines BNPL’s rising popularity, the regulatory regime governing the industry in New Zealand, its operational structure, and the ways in which it is marketed to consumers.

A. The Surge of BNPL in Consumer Markets

Once a niche alternative to traditional credit, BNPL is now embedded in everyday shopping – both online and in-store. It has moved beyond being another available payment option, to an expected, and in some cases relied-upon, part of the purchasing experience for many consumers,⁷ with businesses increasingly featuring Afterpay in response to repeated customer enquiries about its availability.⁸

To highlight the extent, BNPL is projected to account for approximately US\$680 billion in transactions globally,⁹ with the New Zealand market alone expected to approach NZ\$2 billion by 2026.¹⁰ A report available on ResearchAndMarkets.com titled “New Zealand Buy Now Pay Later Report 2024–2029” further suggested that the gross merchandise value of BNPL in New Zealand is forecast to increase from US\$1.22 billion in 2023 to reach US\$2.4 billion by 2029.¹¹

B. Regulatory Regime in New Zealand

The principal legislative framework regulating consumer credit in New Zealand is the Credit Contracts and Consumer Finance Act 2003 (CCCFA). Enacted as a replacement for the Credit Contracts Act 1981, the CCCFA modernised the regulation of consumer credit, with the primary purpose of promoting, facilitating, and safeguarding consumer interests in the credit market.¹²

Because BNPL arrangements do not charge interest, credit fees or take a security interest over goods, BNPL did not meet the definition of a “consumer credit contract” under section 11 of the CCCFA.¹³ As a result, BNPL providers were not automatically required to comply with the more stringent rules applicable to lenders of consumer credit, and were instead regulated more broadly

⁷ Julia Coffey and others “Embodying debt: youth, consumer credit and its impacts for wellbeing A New Zealand baby brand – offering baby clothes, swaddles, wraps, milestone cards, and accessories” (2024) 27(5) *Journal of Youth Studies* 685 at 686 and in the Danish context, Pernille Hohnena, Malene Grama and Turf Böcker Jakobsenb “Debt as the new credit or credit as the new debt? A cultural analysis of credit consumption among Danish young adults” (2020) 23(3) *Journal of Youth Studies* 356 at 359.

⁸ Anna Saunders “11 ways to help drive more sales with Afterpay” Afterpay <www.afterpay.com>

⁹ Steffen Sorrell “Buy Now Pay Later Digital Spend, Led by Klarna, Paypal, and Afterpay, to Double by 2025: Reaching \$680 Billion - Kaleido Intelligence” *Businesswire* (22 September 2020).

¹⁰ Australia Asia Forum “New Zealand’s BNPL market to reach nearly \$2 billion in 2026” 21 February 2023 <australiaasiaforum.com.au>

¹¹ ResearchAndMarkets.com *New Zealand Buy Now Pay Later Market Report 2023* (17 March 2023).

¹² Credit Contracts and Consumer Finance Act 2003, s 3.

¹³ Ministry of Business, Innovation & Employment [MBIE] “Buy Now Pay Later” <www.mbie.govt.nz>

and under the Fair Trading Act 1986.¹⁴ In 2018, the Ministry of Business, Innovation and Employment (MBIE) reviewed this position, and concluded that BNPL posed only limited harm and should therefore remain outside the scope of the CCCFA.¹⁵ However, at that time a provision was added to the CCCFA enabling the government to bring BNPL (and similar arrangements) within its regulatory framework in the future if necessary.¹⁶

By 2021, increasing concerns from financial mentoring organisations ultimately led to a reassessment.¹⁷ Stakeholders reported that BNPL can cause a range of forms of financial hardship. For example, consumers may miss scheduled payments, with late fees increasing their debt, or, even when payments are made, automatic collections via debit or credit card can leave them unable to cover essential expenses such as groceries or utility bills.¹⁸ These concerns prompted MBIE to launch a consultation to explore how BNPL might worsen financial hardship, and ways to regulate it without undermining its benefits.¹⁹ With considerations to balance both consumer protection and access to low-cost credit, a subsequent Regulatory Impact Statement proposed seven regulatory options, ranging from an industry code to varying degrees of applying the CCCFA.²⁰ Although New Zealand sought to introduce a voluntary industry code in 2021, progress stalled amid concerns that it would be insufficient to address financial hardship.²¹

In October 2022, the Government announced its decision to bring BNPL within the scope of the CCCFA.²² The Credit Contracts and Consumer Finance (Buy Now Pay Later) Amendment Regulations 2022 was subsequently released for consultation, with stakeholders invited to provide

¹⁴ Ibid.

¹⁵ Letter from Hon Kris Faafoi (Minister of Commerce and Consumer Affairs) to Office of the Minister of Commerce and Consumer Affairs Chair, Cabinet Economic Development Committee regarding Review of Consumer Credit Regulation (2018) at [53].

¹⁶ Credit Contracts Legislation Amendment Act 2019, s 52.

¹⁷ MBIE *Buy-Now, Pay-Later Understanding the triggers of financial hardship and possible options to address them* (Discussion Document 2021) at [38]-[41]. This likely relates to the surge in digitisation and e-commerce accelerated by the COVID-19 pandemic (see [15] and footnote 3). According to data commissioned by MBIE from Centrix (covering around 35–40 per cent of the New Zealand BNPL market, September 2021), the number of active consumers doubled over [2019-2020], with a 20 per cent increase in [2020] alone; see also 11:FS *How the COVID-19 pandemic will accelerate digital financial services* (2020).

¹⁸ MBIE, above n 13.

¹⁹ MBIE, above n 17, at [2], [20]-[26].

²⁰ MBIE *Regulatory Impact Statement: Applying the Credit Contracts and Consumer Finance Act in a proportionate way to Buy-Now, Pay-Later arrangements* (19 October 2022).

²¹ MBIE “Regulatory Impact Statement: Applying the Credit Contracts and Consumer Finance Act in a proportionate way to buy now pay later lenders” (9 August 2023) at [12]-[14].

²² MBIE, above n 13.

feedback.²³ In addition to classifying BNPL as consumer credit, the proposed regulations exempted transactions below a \$600 threshold from affordability assessments – provided that comprehensive credit checks are conducted and repayment data is shared with credit reporting agencies. Amounts above \$600 would trigger full affordability checks, as required of other consumer credit lenders under the CCCFA.²⁴ The regulations also required that repayment schedules and late fee disclosures be presented at the time of each purchase.

However, following public consultation, many aspects of the draft regulations were not retained in the final Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023, which took effect on 2 September 2024.²⁵ The Government emphasised that, imposing the same regulatory obligations as interest-bearing credit would be disproportionate to BNPL that is interest free, and would risk undermining the consumer benefits the product currently provides.²⁶

Under the final regulations, BNPL providers must meet the CCCFA’s general lender responsibilities, including helping borrowers make informed decisions, treating them reasonably and ethically, and limiting unreasonable default fees.²⁷ They must also offer contract variations in cases of unforeseen hardship, inform consumers about financial mentoring services for missed payments, and participate in an external dispute resolution scheme.²⁸ BNPL providers are also subject to relevant governance obligations, such as to require its directors and senior managers to be certified as “fit and proper” by the Commerce Commission.²⁹

To maintain the viability of the BNPL model, some responsible lending obligations were adjusted. These include the absence of requirements to assess loan suitability, tailored disclosure rules for

²³ At [8]-[20].

²⁴ As opposed to comprehensive credit checks, which involves provider’s obligations to obtain credit reports from credit bureaus and supplying that bureau with information such as repayment histories, a full affordability check will involve making reasonable inquiries into a borrower’s income, expenses and likelihood of repayment. See MBIE *Responsible Lending Code* (31 July 2024) at 26.

²⁵ Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2023 [CCCFA 2023 Regulations].

²⁶ Hon Dr Duncan Webb *Fit for purpose regulation of consumer credit* (MBIE, 9 August 2023) at 13-14.

²⁷ CCCFA 2023 Regulations, above n 25, Statement of Reasons.

²⁸ CCCFA 2023 Regulations, above n 25, Statement of Reasons.

²⁹ Though this may soon change, with responsibility for regulating consumer credit transferring from the Commerce Commission to the Financial Markets Authority. See Commerce Commission “Transfer of responsibility for regulation of consumer credit” <www.comcom.govt.nz> If implemented, this shift will introduce a licensing requirement under the FMA, although existing certified providers will be deemed to be licensed.

cancellation rights, and exemptions from carrying out affordability assessments so long as providers meet credit reporting and other risk mitigation requirements.³⁰

The most recent amendment – the Credit Contracts and Consumer Finance (Buy Now, Pay Later) Amendment Regulations 2024, effective 1 November 2024, further exempts BNPL providers from certain CCCFA provisions on unreasonable fees.³¹ Again, this was intended to support operational viability while also retaining essential consumer protections and transparency around default charges.

C. How BNPL Works

The term “BNPL” is not universally defined,³² with other financing forms, such as point-of-sale instalment loans, potentially included.³³ For the purposes of this research, BNPL refers specifically to the “pay-in-4” product offering short-term, unsecured, interest-free credit in instalments.³⁴

A typical transaction of such model involves three parties:³⁵ the consumer (the borrower), the merchant, and the BNPL provider (the lender). At the point of sale for a good or service, the BNPL provider pays the merchant the full purchase amount (on behalf of a consumer), less a merchant fee (which relates to the agreement between the provider and merchant for the use of the BNPL product). Then, the BNPL provider collects repayments from the consumer over a number of instalments in a given period of time.³⁶

Following Klarna’s acquisition of Laybuy and various exits from the market,³⁷ the BNPL industry in New Zealand is currently dominated by three providers: Afterpay, Zip, and Klarna.³⁸ Given that

³⁰ MBIE, above n 13.

³¹ Credit Contracts and Consumer Finance (Buy Now, Pay Later Exemptions) Amendment Regulations 2024.

³² Martin Kleinbard, Jack Sollows and Laura Udis *Buy Now, Pay Later: Market trends and consumer impacts* (Consumer Financial Protection Bureau, September 2022) at 6.

³³ McKinsey & Company “Buy now, pay later: Five business models to compete” (29 July 2021) <www.mckinsey.com>

³⁴ Soni, above n 2, at 2042.

³⁵ In some cases, parties may vary, banks or aggregators may be involved, see for example: Ecommpay “Buy Now, Pay Later (BNPL): 6 different ways they can work” <ecommpay.com>

³⁶ Hon David Clark *Preventing financial hardship caused by the use of Buy-Now, Pay-Later* (MBIE, 10 November 2022) at [11]-[12].

³⁷ NZ Herald “Buy now pay later firm Openpay Group in trouble, receivers take over and new deals suspended” 6 February 2023 <www.nzherald.co.nz>; Gem by Latitude “Genoapay has closed” <www.gemfinance.co.nz> (n.d) and Klarna “Klarna acquires Laybuy in New Zealand” (21 August 2024) <www.klarna.com>

³⁸ Clark, above n 36 at [15].

Afterpay “leads the market” in New Zealand,³⁹ this section will use Afterpay as a representative example to outline the below BNPL consumer lifecycle. It is worth noting that only minimal differences, like maximum limit, repayments details, and late fees, vary.⁴⁰

A typical BNPL consumer lifecycle involves the following.⁴¹

Step 1 – Sign-Up: To access BNPL payment methods in-store, consumers are typically required to register for an account online. This process is designed to be fast and minimally burdensome and is often completed within minutes. For online purchases, registration is embedded within the checkout process: consumers can select Afterpay (or an equivalent provider) as the payment method and will be redirected to complete sign-up. The information required from consumers at this stage is minimal. This typically includes their name, address, phone number, email address, date of birth, and card details.⁴² Once approved, the account will be created and ready for use.

Step 2 – Purchase: Upon selecting BNPL as the payment method at checkout (whether in-store or online), Afterpay (or the relevant BNPL provider) pays the merchant the full purchase price, minus any applicable merchant fees. At the same time, the consumer pays the first instalment, typically 25% of the total amount of purchase, directly to the BNPL provider. The consumer then receives immediate access to the goods or services purchased. Eligible consumers can even “get more time to pay” for certain eligible purchases with a “no payment upfront” option.⁴³

Step 3 – Repayment: The remaining three instalments are then automatically deducted from the consumer’s nominated debit or credit card (provided at registration) approximately every two weeks. This results in full repayment over a six-week period. Consumers who make timely payments may become eligible for higher spending limits, or access to further perks (like the no payment upfront option).

³⁹ GlobalData “New Zealand’s buy now pay later market to reach nearly \$2 billion in 2026, estimates GlobalData” (7 February 2023) <www.globaldata.com> and Worldpay *Global Payments Report 2025* (Worldpay, LLC, 2025) at 68.

⁴⁰ Community Law provides a helpful comparison table, although it has not been updated to reflect providers that have ceased operating: Community Law “Buy now, pay later sales” (n.d) <communitylaw.org.nz>

⁴¹ YongKang Xing, HaiQi Chen, and XiaoHeng Zhuang “Australian Online BNPL Services Research - Building Gain Value Model of Individual Credit Background” (2019) Proceedings of the 2019 International Conference on Information Technology and Computer Communications 45 at 46; and Afterpay “Still got questions?” <www.afterpay.com>

⁴² Kleinbard, Sollows and Udis, above n 32, at 16.

⁴³ Jayse Bergheim and others “The Negative Influence of Buy Now Pay Later Platforms on Irresponsible Spending” (2024) 11 ICIS 2024 1 at 5 and Afterpay “Get more time to pay” <www.afterpay.com>

Step 4 – Missed Payments (if applicable): Failure to meet repayment obligations can result in financial penalties. Afterpay imposes an initial \$10 late fee, with an additional \$7 applied if the amount remains unpaid after seven days (with total late fees capped based on the order value).⁴⁴ Persistent non-payment may lead to account suspension, reduced spending limits, and exclusion from further use. In some instances, continued delinquency may also be reported to credit agencies, potentially impacting the consumer’s credit profile.

The simplistic and straightforward lifecycle outlined above illustrates how BNPL has significantly lowered barriers to accessing credit. Registration is highly simplified, approval for purchase is near-instantaneous, and processes for repayment are streamlined and largely automated. Higher spending limits and additional perks further encourage ongoing engagement with BNPL as a preferred payment method over other alternatives. At the same time, the consumer lifecycle also reveals embedded credit assessments, financial penalties for missed payments, and the potential for longer-term credit implications.⁴⁵

It is worth noting however, that as of 2021, MBIE revealed that information received from some BNPL providers indicates that “around 68 per cent to 82 per cent of revenue was generated through fees charged to businesses”.⁴⁶ The percentage of revenue generated by default fees from consumers had also fallen from an average of 29% in 2019/20 to 26% in 2020/21.⁴⁷ While the financial statements of the three BNPL providers currently operating in New Zealand do not explicitly itemise default fees, their revenue disclosures consistently emphasise merchant fees as the primary income stream, with no direct mention of default charges.⁴⁸ The fact that BNPL providers do not primarily profit from default charges and typically do not charge sign-up fees highlights a key distinction in the nature of harm associated with BNPL compared to traditional credit products, where consumer detriment often stems from high fees or punitive interest.

⁴⁴ Afterpay “Afterpay Terms – New Zealand” (17 October 2024) <www.afterpay.com>

⁴⁵ A study conducted in the United Kingdom found that 45% of its respondents “don’t know that if they miss a BNPL payment they could be referred to a debt collector”, and 43% “don’t know that BNPL lenders add a later payment fee for missed payments”. See Creditspring *Financial Stability Tracker 2024* (2024) at 18.

⁴⁶ MBIE, above n 17, at [14].

⁴⁷ At [14].

⁴⁸ See for example: Klarna *Second Quarter 2025* (June 2025), Afterpay *Afterpay Limited FY21 Annual Report* (n.d), and Zip *Annual Report 2025* (n.d).

D. How BNPL Is Marketed and Positioned to Consumers

The way BNPL is presented to consumers is neither incidental nor neutral. As with other forms of marketing, deliberate strategies are designed to shape consumer perception and influence behaviour by leveraging known psychological effects.⁴⁹ This section examines how BNPL is marketed and positioned to consumers, beginning with its substantive messaging, and then turning to its form.

1. Substance

Substantially, the promotion, advertising, and presentation of BNPL exhibits three notable themes.

(a) Aspirational messaging

The first recurring theme in BNPL marketing is its portrayal as a gateway to fulfilling aspirational and materialistic lifestyles. Campaigns often spotlight industries like fashion, beauty, and technology, reinforcing the notion that desired goods and lifestyle are easily attainable.⁵⁰ This approach leverages psychological mechanisms such as social proof and identity signalling, which influence consumer behaviour by encouraging individuals to emulate others or project a curated social image.⁵¹

This strategy is particularly effective in light of the broader cultural shift in consumption patterns over recent years. As various studies have observed, modern consumerism now extends beyond the satisfaction of economically justified needs, and has evolved into a “lifestyle model”.⁵² Material goods are increasingly seen as integral to one’s quality of life and personal identity, becoming so deeply embedded in the collective consciousness that individuals often tie their ambitions, goals, joys, and sorrows to the pursuit and acquisition of possessions.⁵³ Social media amplifies this dynamic by continuously showcasing idealised lifestyles, where peer norms –

⁴⁹ Mark Walker-Ford “Leveraging Psychology in Marketing: The 7 Principles of Persuasion to Use” *Social Media Today* (30 October 2022) <www.socialmediatoday.com>

⁵⁰ Rintan Nuzul Ainy and others “The Buy Now Pay Later Paradox: Financially Literate Yet Impulsive?” (2025) 9(5) *Rev. Gest. Soc. Ambient.* 1 at 7; see also Afterpay, “Why customers love Afterpay” <www.afterpay.com> “we enable customers to access the things they want, *when* they want them”.

⁵¹ Maria Antonietta Raimondo and others “Consumers’ identity signaling towards social groups: The effects of dissociative desire on brand prominence preferences” (2022) 39(10) *Psychology & Marketing* 1964 at 1965.

⁵² Bartosz Bagniewski, Jakub Kubiczek and Zuzanna Żuchowska “BNPL in the Consumerism World: About The Excessive Debt Trap” (2024) 4(44) *Journal of Finance and Financial Law* 49 at 51.

⁵³ At 51.

shaped through likes, follows, and curated content – reinforce and intensify pressure to consume aspirational products.⁵⁴ In this context, BNPL emerges as a powerful tool for consumers seeking to bridge the gap between their financial realities and the aspirational image of “living that life”.

(b) Immediacy and Ease of Use

Another prominent theme of BNPL marketing is its emphasis on frictionless sign-up, instant approval, and seamless integration into checkout processes.⁵⁵ By emphasizing the convenient and speedy process, this can significantly reduce consumer’s “pain of paying”,⁵⁶ a psychological discomfort one associates with when parting with cash.⁵⁷ Combined with the ability to defer payments, BNPL effectively decouples payment from consumption, making the transaction feel less tangible and emotionally salient.⁵⁸ Since transactions are typically managed through mobile apps and third-party platforms, rather than through direct interaction with bank balances, BNPL use diminishes consumers’ awareness of their financial outflows. This dynamic closely mirrors the well-documented “credit card effect”,⁵⁹ where reduced payment transparency and increased convenience have been shown to heighten consumers’ willingness to spend.⁶⁰ Given that BNPL often introduces even lower friction than credit cards (through its relatively simplified registration process and even more so deferred payments), it likely exerts an even more pronounced influence on psychological barriers to spending.

⁵⁴ Ferdino Putra Pratama and others “The Influence of Fear of Missing Out (FoMO), Financial Literacy, and Trust on the Use of Pay Later Service by Gen Z Through Mediating Consumer Satisfaction” (2024) 7 Proceedings of 7 the International Conference of Economic, Business and Government Challenges 2024 107. See also Contentworks “BNPL Brands Killing It on Social Media” (2 May 2023) <contentworks.agency>: “Utilising Creators is one of the best ways to use TikTok”.

⁵⁵ See Zip “Apply in minutes and pay 25% upfront” (2024) <zip.co/nz>, and Afterpay “Why use Afterpay” <www.afterpay.com>

⁵⁶ Ruffin Relja, Philippa Ward, and Anita L. Zhao “Understanding the psychological determinants of buy-now-pay-later (BNPL) in the UK: a user perspective” (2023) 42(1) International Journal of Bank Marketing 7 at 8-11.

⁵⁷ Thomas Manoj, Kaushik Desai Kalpesh, and Seenivasan Satheeshkumar “How credit card payments increase unhealthy food purchases: Visceral regulation of vices” (2010) 38 Journal of Consumer Research 126 at 128.

⁵⁸ See Drazen Prelec and George Loewenstein Prelec “The red and the black: Mental accounting of savings and debt” (1998) 17(1) Marketing Science 4 and Priya Raghurir and Joydeep Srivastava “Monopoly money: The effect of payment coupling and form on spending behavior” (2008) 14 Journal of Experimental Psychology 213 at 224.

⁵⁹ Yunxin Liu and Siegfried Dewitte “A replication study of the credit card effect on spending behavior and an extension to mobile payments” 60 Journal of Retailing and Consumer Services 1 and Drazen Prelec and Duncan Simester “Always Leave Home Without It: A Further Investigation of the Credit-Card Effect on Willingness to Pay” (2001) 12(1) Marketing Letters 5.

⁶⁰ Joe Boden, Erik Maier and Robert Wilken “The effect of credit card versus mobile payment on convenience and consumers’ willingness to pay” 52 Journal of Retailing and Consumer Services 1 at 7.

(c) Empowerment and Financial Control

Finally, another recurring theme in BNPL marketing is its framing as a tool of empowerment and financial control.⁶¹ Consumers are often encouraged to see themselves as in control of their payments, with indebted users reimagined as responsible and savvy decision-makers.⁶² This narrative is reinforced through three key strategies:

(i) Interest-free messaging

First, BNPL is routinely marketed as “interest-free”.⁶³ This contributes to the perception that, rather than choosing to spend the money one has now, or incur costs to delay payment, using BNPL is a cost-free option of delaying payment. This framing positions BNPL users as making smart financial choices, rather than taking on debt.

(ii) Exclusive deals and rewards

Second, BNPL is often bundled with incentives such as early access to sales, loyalty perks, cashbacks, and limited-time discounts.⁶⁴ These features leverage the scarcity principle and reward anticipation and encourages consumers to perceive BNPL as a strategic tool for gaining privileged access. By linking financial choice to exclusive benefits, the marketing reinforces users’ self-perception as competent and in control.

(iii) Consumer-facing financial tools

Finally, BNPL providers also leverage perceptions of financial control by offering features such as payment calculators, budget-tracking dashboards, and proactive repayment reminders.⁶⁵ This creates the impression that BNPL users are actively monitoring and optimising their finances, further positioning the product as a responsible and empowering choice. Some consumers even

⁶¹ Propositions like “get more control over your cash flow”, “manage your money with confidence”, “fit payments to your schedule”, “stick to your spend goals”, “Save it. Label it. Plan it”, and “Zip puts you in control”. See for example: Klarna “Split the cost. Pay in 4, interest-free.” <www.klarna.com>; Afterpay “Get more out of Afterpay.” <www.afterpay.com> and Zip “Pay later where you want” <<https://zip.co/us>>

⁶² Rachel Aalders “Buy now, pay later: redefining indebted users as responsible consumers” (2023) 26(5) *Information, Communication & Society* 941.

⁶³ At 945 and Afterpay “Pay it in 4, interest-free. Afterpay it.” <www.afterpay.com>

⁶⁴ Bergheim and others, above n 43, at 5. See also Afterpay “More Perks” <www.afterpay.com>

⁶⁵ Namrata Singh and Dr. Sangeeta Sahni “The Psychological Drivers Behind Bnpl Usage Strategic Insights For Retail Marketing And Customer Retention” (2025) 5(3) *Journal of Informatics Education and Research* 1761 at 1769. See also Afterpay, above n 50: “we are a budgeting tool”, “we encourage responsible spending”.

report that using BNPL enables them to “save money”, further illustrating the psychological appeal of perceived control.⁶⁶

2. *Form*

Notwithstanding substance, the form of presenting BNPL as a payment option is also a result of careful deliberation. BNPL is embedded across a wide range of touchpoints throughout the consumer journey, with the aim of maximising visibility and shaping decision-making. According to Afterpay’s merchant facing materials, there are at least 11 recommended strategies for boosting sales with BNPL, including window and floor decals, homepage banners, emails, social media posts, product page widgets, and point-of-sale prompts.⁶⁷ These placements are encouraged to appear at “crucial moments of consideration” – such as while browsing products, making purchase decisions, and completing transactions. The combined effect is that not only consumers are influenced at points of heightened susceptibility, but that BNPL is also reinforced as a normalised, default payment option.

III. *Concerns Raised by BNPL*

Having outlined how BNPL operates and the context in which it has become embedded in consumer markets, this section turns to connecting the product, its features, and its users, to demonstrate how BNPL raises significant concerns that warrant further discussion and research.

A. *Vulnerable User Groups of BNPL and relating Concerns*

Examining the demographic profile of BNPL users is crucial for understanding the associated risks and harms. Certain groups are particularly significant, as their financial behaviours, vulnerabilities, or life circumstances make them more susceptible to over-indebtedness and related negative outcomes from being able to access BNPL. This section focuses on three key consumer groups: (1) young people, (2) consumers on limited and unstable incomes, and (3) other vulnerable consumers. It highlights how economic, social, and psychological contexts can intersect with BNPL usage and why these groups are of particular concern to policymakers and researchers.

⁶⁶ Relja, Ward and Zhao, above n 56, at 24.

⁶⁷ Saunders, above n 8.

1. Young People

As BNPL increasingly displaces credit cards among younger consumers,⁶⁸ young people have become one of the most frequently discussed BNPL user groups.

This appeal is closely linked to the cultural and technological context of young people, who, having grown up in a digital age, are familiar and comfortable with technology and engaging with mobile platforms.⁶⁹ To them, BNPL is convenient, transparent, and less intimidating than traditional credit. As observed by Krupal and Buszko, “mobile or online channels... [constitutes] an inherent part of a young person’s lifestyle, communication style, and manner of dealing with everyday matters”.⁷⁰ This corresponds to their preference for e-wallets, bank transfers, and other digital payment methods,⁷¹ as they are looking mostly for “ease of use” when considering options.⁷²

Young people are also particularly vulnerable due to the strong connection between social media use and heightened materialism.⁷³ Research consistently shows that individuals who spend more time on social media exhibit higher levels of materialism compared to those engaging with traditional media such as newspapers.⁷⁴ Increased intensity of social network use is also associated with greater materialism.⁷⁵ More recent research reveals that social media users build an identity that portrays themselves in order to encourage engagement from other users.⁷⁶ Compounding this,

⁶⁸ Payments NZ *Consumer Research 2024 Understanding how consumers in Aotearoa pay - now and in the future* (August 2024) at 9.

⁶⁹ Della Ayu Zonna Lia and Salsabilla Lu’ay Natswa “Buy-Now-Pay-Later (BNPL): Generation Z’s Dilemma on Impulsive Buying and Overconsumption Intention” (2021) 193 *Proceedings of the BISTIC Business Innovation Sustainability and Technology International Conference* 130 at 130.

⁷⁰ Dorota Krupal and Michał Buszko “Age-dependent differences in using FinTech products and services—Young customers versus other adults” (2023) 18(10) *PLoS One* 1 at 12.

⁷¹ Elsa Mariya George, Malavika A, and Sneha Santy “A study on Young Consumers Preferences of Mobile Wallets – Gateway for Cashless Payments” (Bachelor of Commerce Dissertation, St. Teresa’s College (Autonomous), Ernakulam, 2024) at 1.

⁷² Mohannad A. M. Abu Daqar, Samer Arqawi and Sharif Abu Karsh “Fintech in the eyes of Millennials and Generation Z (the financial behavior and Fintech perception)” (2021) 15(3) *Banks and Bank Systems* 20 at 26.

⁷³ See for example, Alfonso Pellegrino, Masato Abe and Randall Shannon “The Dark Side of Social Media: Content Effects on the Relationship Between Materialism and Consumption Behaviors” (2022) 13 *Front. Psychol.* 1 at 1–3 and Cecilia Hagerborn, Isabella Ivarsson and Samuel Linde “Trending towards overconsumption: The role of social media in shaping Swedish Gen Z’s buying patterns” (Bachelor Thesis Project in Business Administration, Jönköping University, 2024).

⁷⁴ Victoria D. Bush and Faye W. Gilbert “The web as a medium: an exploratory comparison of internet users versus newspaper readers” (2002) 10(1) *J. Mark. Theory Pract.* 1 at 6.

⁷⁵ Sara Kamal, Shu-Chuan Chu and Mahmood Pedram “Materialism, attitudes, and social media usage and their impact on purchase intention of luxury fashion goods among American and Arab young generations” (2013) 13 *J. Interact. Advert* 27 at 27.

⁷⁶ Nina Haferkamp and Nicole C. Krämer “Social comparison 2.0: examining the effects of online profiles on social-networking sites” (2011) 14 *Cyberpsychol. Behav. Soc. Netw* 309.

studies have found that young people are prone to feelings of worthlessness, insecurity, stress, anxiety, and defeat.⁷⁷ Accordingly, this makes them more receptive to the persuasive messaging and perceived pathways to self-worth through consumption.⁷⁸ As the most active user group of social media, young people are especially susceptible to marketing that leverages aspirational lifestyles and social proof.

Finally, young people generally have lower financial capability due to their more limited and unstable incomes.⁷⁹ These conditions amplify the psychological effects discussed earlier, such as the reduced “pain of paying”, in contrast to older consumers, who tend to view BNPL as a more daunting and unfamiliar form of credit.⁸⁰ Additionally, their limited financial literacy raises concerns that they may overestimate their sense of control and the perceived benefits of using BNPL, without fully appreciating the associated risks. As they continue to meet their repayment obligations, this can lead them to rationalise overconsumption as being “responsible” and “smart”.⁸¹ Combined with their digital fluency, these factors position young consumers as an especially enthusiastic yet vulnerable segment of BNPL users.

2. Consumers on Limited and Unstable Incomes

Another key group of BNPL users are those with limited and unstable incomes. Such consumers are more likely to face urgent or unexpected expenses, and BNPL allows them to “stretch their budget” and access goods immediately.⁸² While BNPL in New Zealand is not currently used for healthcare services,⁸³ 75% of practitioners in Good Shepherd (a not-for-profit charity for women, girls and families) reported that BNPL is commonly used to cover children’s necessities such as clothing and baby products, with a high prevalence also seen for furniture and household

⁷⁷ Kate Tokeley “Reflections on Consumer Law Over the Past 60 Years” (2023) 30(3) NZULR 433 at 451.

⁷⁸Wong Chee Hoo and others “Determinants of Intention to Use Buy Now Pay Later (BNPL)” (2024) 5(1) Journal of Lifestyle and SDGs Review 1 at 7-8.

⁷⁹ Aaron Gilbert and Ayesha Scott *Problem Debt, Buy Now Pay Later (BNPL) & Young Adults in Aotearoa New Zealand: Report* Auckland Centre for Financial Research (August 2023) at 9.

⁸⁰ Rosa Haukongo “Exploring Factors Affecting the Adoption of Financial Technology Services a Case Study of Tukondjeni Open Market” (Master of Science In Development Finance Thesis, University of Namibia, 2025) at 60.

⁸¹ Aalders, above n 62.

⁸² Ruffin Relja, Anita Lifan Zhao, and Philippa Ward “Friend or Foe? How Buy-Now-Pay-Later Is Seeking to Change Traditional Consumer-Retailer Relationships in the UK” in Kristina Bäckström, Carys Egan-Wyer and Emma Samsioe (eds) *The future of consumption: How technology, sustainability and wellbeing will transform retail and customer experience* (Springer Nature, Cham, 2024) 95 at 117.

⁸³ See “Buy-now-pay-later closure hits unfunded medicines” 21 August 2023 <newsroom.co.nz>

appliances (68%), and food and groceries (66%).⁸⁴ Other frequent purchases include utilities (44%) and transport or fuel (34%).⁸⁵ Particularly relevant in the New Zealand context are Māori and Pasifika communities, where financial vulnerability is disproportionately high. Compared to 1 in 6 New Zealanders overall, 1 in 4 Māori and Pasifika individuals report they are “sinking” financially, with BNPL-related debt accounting for approximately 40% of their total debt burden.⁸⁶ This signals a significantly elevated reliance on BNPL among those facing financial difficulties.

Furthermore, research indicates that higher education and income are linked to better creditworthiness.⁸⁷ Therefore, for low-income individuals with limited credit history, BNPL is more accessible than traditional credit due to the minimal eligibility requirements and soft credit checks. Indeed, “financial fragility”, especially “financial insecurity and lack of emergency fund”, was found to significantly increase both the likelihood and frequency of BNPL use.⁸⁸ Like young consumers, low-income users often have limited financial literacy and experience with credit. When under-informed about the potential harms and long-term risks, seemingly consumer-friendly features of BNPL can readily obscure its true cost.

As a result, “BNPL functions both as a credit access tool and a potential risk amplifier”.⁸⁹ While financial vulnerability may prompt households to rely on BNPL for short term relief, “such usage may, over time, deepen financial stress” through repayment complexity and over-indebtedness.⁹⁰

3. Other Vulnerable Consumers: Mental Health, Addiction, and Compulsive Spending

Beyond age and income, certain consumers are vulnerable due to pre-existing psychological or behavioural conditions. Individuals experiencing mental health conditions, as well as those with addictions to gambling, alcohol, or other substances, have been found to exhibit heightened

⁸⁴ Good Shepherd Australia New Zealand “Safety net for sale: The role of Buy Now Pay Later in exploiting financial vulnerability” (November 2022) <goodshep.org.au> at 2.

⁸⁵ At 2.

⁸⁶ Mikayla Pakinga-Barber, Amie White and Gael Price *Making Good Cents of Vulnerability* (Financial Markets Authority, Occasional Paper Series – Research Note, May 2025) at 2.

⁸⁷ Naomy Simiyu and others “Bridging The Gap – Understanding Demographic Disparities in Consumer Credit Adoption: The Case for Buy Now Pay Later” (2024) *Employment, Education and Entrepreneurship* 2024 493 at 497.

⁸⁸ Ficawoyi Donou-Adonsou and Neleen Leslie-Piper “BNPL and financial fragility in U.S. households” (2025) 86 *Finance Research Letters* 1 at 5.

⁸⁹ At 5.

⁹⁰ At 5.

impulsivity and a greater tendency toward risky decision-making.⁹¹ This vulnerability is further illustrated by Gardner’s research on borrowers in the United Kingdom, conducted in the context of high-cost credit.⁹²

These psychological and behavioural vulnerabilities can be exacerbated by how BNPL products are designed and marketed. For those with low self-esteem, BNPL provides an easy way to participate in these social norms, to “keep up” with peers, and to temporarily regain identity through consumption.⁹³ For those suffering mental health challenges, BNPL can serve as a means of temporarily alleviating negative emotions, as it creates cognitive arousal that distracts attention from one’s mood and thereby reinforces purchasing behaviours.⁹⁴ Some individuals, such as those suffering from bipolar disorders involving “poorly regulated action”, may simply struggle to control their spending.⁹⁵ For these consumers, the easy access to funds and lack of supervision or monitoring, makes BNPL particularly hazardous.

This dynamic gives rise to a negative feedback loop, where increasing financial stress stemming from BNPL purchases, exacerbates existing psychological distress associated with mental health conditions. While empirical research on this issue remains limited in the New Zealand context, overseas literature indicates a strong association between BNPL usage and mental health challenges.⁹⁶ In the United Kingdom, 45% of individuals with mental health challenges and 37% of disabled people had used BNPL as of 2021.⁹⁷ Unsecured personal debt, and more specifically,

⁹¹ Robert D. Rogers and others “Recent Research on Impulsivity in Individuals With Drug Use and Mental Health Disorders: Implications for Alcoholism” (2010) 34(8) *Alcohol Clin Exp Res* 1319 at 1319.

⁹² See Chapter 6.4 Significantly Impaired Borrowers in Jodi Gardner *The Future of High-Cost Credit: Rethinking Payday Lending* (Bloomsbury Publishing, London, 2024).

⁹³ Lisa Pettersson and Maja Möller Dahlberg “BNPL Made Me Do It the Influence of Buy Now Pay Later on Impulsive Buying in Sweden (A lifesaver or a curse?)” (Thesis for Business Administration, Karlstad Business School, 2024) at 34–35.

⁹⁴ Alishia D. Williams and Jessica R. Grisham “Impulsivity, Emotion Regulation, and Mindful Attentional Focus in Compulsive Buying” (2012) 36(5) *Cognitive therapy and research* 451 at 452.

⁹⁵ Rogers and others, above n 91, at 1322.

⁹⁶ See for example, Elizabeth Sweet and others “The high price of debt: Household financial debt and its impact on mental and physical health” (2013) 91 *Social Science & Medicine* 94 at 97; Elina Turunen and Heikki Hiilamo “Health effects of indebtedness: A systematic review” (2014) 14 *BMC Public Health* 489; and Thomas Richardson, Peter Elliott and Ronald Roberts “The relationship between personal unsecured debt and mental and physical health: A systematic review and meta-analysis” 2013 33(8) *Clinical Psychology Review* 1148.

⁹⁷ BBC “Charities sound alarm over buy-now-pay-later debt” (23 April 2021) <www.bbc.com>

higher financial debt to asset ratio, is often associated with higher perceived stress and depression, worse self-reported general health, and higher diastolic blood pressure.⁹⁸

Taken together, these factors show that BNPL does not merely attract vulnerable users; it actively intensifies their vulnerability. Unlike traditional consumer credit, where stress typically arises from high interest rates and punitive late fees, BNPL-associated harms are more insidious. The continual cycle of small, recurring repayments, coupled with the perception of affordability and control, can obscure underlying financial strain and sustain a heightened cognitive burden. Therefore, even when repayments are made on time, consumers may experience persistent anxiety and diminished financial autonomy – a form of harm that arises not from default, but from the ongoing psychological demands inherent in BNPL use itself.

B. General Over-indebtedness

Whilst there are groups that are more susceptible to harms from BNPL (as discussed above), there is also concerns of general over-indebtedness. Although definitions vary, scholars and regulatory bodies generally agree that over-indebtedness involves excessive debt, difficulty meeting repayments and living expenses, and a perception of financial obligations as burdensome.⁹⁹

Merchant feedback provides early indications of such risks. As discussed above, Afterpay has developed resources like its “11 ways” guide to help merchants maximise sales conversions.¹⁰⁰ While these strategies are framed as tools for customer convenience and business growth, some of the claims presented as evidence of effectiveness raises alarming concerns. For example, businesses have reported that the introduction of BNPL contributed to increased sales among consumers aged 18 to 25, a demographic widely recognised for limited financial capability and literacy.¹⁰¹ Further, businesses have also reported that many customers would only complete

⁹⁸ Barbara O’Neill and others “Financially distressed consumers: Their Financial Practices, Financial Well-Being, and Health” (2005) 16(1) *J. Financ. Couns. Plan.* 73.

⁹⁹ See Astrie Krisnawati and Dzikra Malika Rabbani Sam “The Impact of Debt Literacy on Over-Indebtedness of Buy Now Pay Later (BNPL) Users in West Java” (2024) *International Conference on Sustainable Collaboration in Business, Technology, Information, and Innovation (SCBTII 2024)* 203 at 204–205; Julio Cesar Leandro and Delane Botelho “Consumer over-indebtedness: A review and future research agenda” (2022) 145 *Journal of Business Research* 535 at 537; Łukasz Kurowski “Household’s Overindebtedness during the COVID-19 Crisis: The Role of Debt and Financial Literacy” (2021) 9(4) *Financial Stability and Systemic Risk in Times of Pandemic* 62; Money & Pensions Service *Levels of Over-Indebtedness in the UK* (2018) at 8.

¹⁰⁰ Saunders, above n 8.

¹⁰¹ Saunders, above n 8.

purchases if BNPL was available.¹⁰² If taken at face value, this suggests some consumers may be purchasing items they would otherwise avoid. This raises a critical question: does BNPL merely reduce the “pain of paying”, or does it enable spending beyond consumers’ financial means? Indeed, participants from a study reported using BNPL to access higher-value goods that they could otherwise afford. As one respondent explained, “[u]sing my BNPL account lets me purchase more premium or expensive items when I want them, instead of having to save up”.¹⁰³

These concerns are further supported by empirical evidence. In Klarna’s First Quarter Results of 2025, consumer credit losses (when borrowers fail to meet their obligations) was revealed to be at \$136mil, which was a 17% increase from the same period last year.¹⁰⁴ This has subsequently raised questions around consumer affordability in media, particularly whether such products are offered to those with the ability to pay instalments on time.¹⁰⁵ In the New Zealand context, a 2023 study by Auckland University of Technology found that over 70% of students surveyed had used BNPL, with 20% of them reporting “problematic use”.¹⁰⁶ Scott further noted in an interview that this implies more than 190,000 young New Zealanders are over-indebted or at serious risk of becoming so.¹⁰⁷

New Zealand practitioners working with vulnerable communities have also observed similar patterns. Natalie Vincent, former Chief Executive Officer of Ngā Tāngata Microfinance,¹⁰⁸ reported that many clients, earning an average of \$36,000 per annum and largely reliant on government benefits, use BNPL to cover essential living costs. In such cases, BNPL is commonly being used as a means of day-to-day survival.¹⁰⁹ This dynamic significantly increases the risk of individuals entering into recurring cycles of debt.

¹⁰² Saunders, above n 8.

¹⁰³ Payments NZ, above n 68, at 14.

¹⁰⁴ Klarna *First Quarter 2025 Results* (April 2025) at 3.

¹⁰⁵ Callum Williams “Klarna Q1 boasts continued growth but questions over late payment losses” (21 May 2025) <paymentexpert.com>

¹⁰⁶ Gilbert, above n 79, at 6.

¹⁰⁷ Felix Walton “Buy now pay later schemes leaving young Kiwis ‘over-indebted’ – academic” (8 September 2023) <www.rnz.co.nz>

¹⁰⁸ Ngā Tāngata Microfinance is a financing organisation offering fair, kind, interest free loans. Their aim is to “break the cycle of financial stress by offering fairer, kinder, more affordable loans” that “help Kiwi on low incomes to get ahead with money”. See Ngā Tāngata Microfinance “About Us” <ngatangatamicrofinance.org.nz>

¹⁰⁹ Rob Stock “\$600 buy now, pay later threshold ‘would lead to absolute disaster’” (10 March 2023) <www.stuff.co.nz>

Indeed, users are increasingly describing BNPL as an “addiction”, “a hole”, and not being able to sleep “because of the stupid crap [they] bought”.¹¹⁰ This aligns with existing research. In interviews, participants linked indebtedness to shame, anxiety, uncertainty, fear, and helplessness, describing debt as causing deep and significant impacts for their wellbeing, sense of self, and future outlook.¹¹¹ Studies also highlighted feelings of regret and the cyclical nature of BNPL use – one participant reflected: “[i]t starts with happiness and excitement... [b]ut later in the month, you start getting anxious thinking about the upcoming payment. Regret gradually starts to build”.¹¹² They also noted: “[y]ou feel bad about spending, then you buy something again to feel better... and the BNPL option makes that really easy”.¹¹³ Others highlighted the growing anxiety that accompanies prolonged use, particularly the fear of never being able to repay the debt.¹¹⁴ Accordingly, this research is grounded in these significant concerns of over-indebtedness associated with BNPL use.

C. Throwing Credit Cards in the Mix

A further complication arises when consumers use credit cards to finance BNPL instalments; essentially using future debt to pay off existing debt. In July 2022, Consumer NZ’s Sentiment Tracker showed that 22% of BNPL users made repayments using credit cards.¹¹⁵ Similar findings were also found in the United Kingdom, where some consumers, particularly younger individuals and those living in deprived areas, were charging their supposedly “interest-free” BNPL payments to credit cards.¹¹⁶ This practice effectively transforms a short-term, no-interest debt into long-term, high-interest credit card debt. The “average credit card interest rate in New Zealand [was] around 18 per cent” in 1999,¹¹⁷ and as of July 2025, has increased to around 19.8%.¹¹⁸ With credit cards

¹¹⁰ These comments came from groups on Reddit and Facebook discussing BNPL products and their impact.

¹¹¹ Coffey and others, above n 7, at 697.

¹¹² Leyla Ladan Ayaan Raage and Patranit Lerdsuvankul “Buy Now, Burden Later A Qualitative Study on How BNPL Regret Turns into Blame and How the Blame Influences Consumer-brand Relationships” (Master’s thesis in Marketing and Consumption, University of Gothenburg, 2025) at 26.

¹¹³ At 23.

¹¹⁴ Steven Threadgold and others “Buy Now, Pay Later technologies and the gamification of debt in the financial lives of young people” (2025) 18(1) *Journal of Cultural Economy* 52 at 58.

¹¹⁵ Ruairi O’Shea “The perils of paying later” (1 November 2022) <www.consumer.org.nz>; with one in five New Zealanders being users of BNPL, see Consumer NZ “Global pressure to rein in buy now pay later services” (March 2022) <www.consumer.org.nz>

¹¹⁶ Benedict Guttman-Kenney, Chris Firth and John Gathergood “Buy now, pay later (BNPL) ...on your credit card” (2023) 37 *Journal of Behavioral and Experimental Finance* at 5–7.

¹¹⁷ Paul Heath “Consumer Bankruptcies: A New Zealand Perspective” (1999) 37 *Osgoode Hall Law Journal* 427 at 440.

¹¹⁸ Reserve Bank *New Zealand Credit card summary* (19 September 2025) at 1.

being notorious for charging high interest rates,¹¹⁹ using them to cover BNPL instalments in the absence of sufficient funds can place considerable financial strain on consumers. As debts accumulate and become harder to manage, what may initially seem affordable can instead trigger long-term debt spirals.¹²⁰

D. The Role of Social Media

In addition to credit cards, social media represents another channel that significantly amplifies the risk of BNPL-related over-indebtedness. This can manifest in several ways.

One such example is the impact of TikTok.¹²¹ Although some creators share realistic, informational content on their experiences of using BNPL,¹²² there are increasingly dangerous narratives circulating around the platform. For example, creators openly promote strategies to avoid BNPL repayments, often portraying debt as inconsequential or humorous. Dismissive attitudes are common, with comments such as “What are they going to do, sue us?” circulating alongside tips for exploiting loopholes, like manipulating credit limits through refund cycles to bypass repayment obligations.¹²³ “I got it with Afterpay, so it’s technically free”, is also a common phenomenon in the application.¹²⁴ Such narratives are dangerous, as they have the effect of trivialising financial responsibility, whilst also contributing to the cultural normalisation and undermining of debt.

The influence of social media is also amplified by BNPL providers themselves, who frequently employ high-profile celebrity ambassadors to boost brand visibility and user uptake. Marketing campaigns featuring celebrity figures, such as Paris Hilton and A\$AP Rocky, lend aspirational appeal to BNPL products,¹²⁵ aligning them with lifestyle, status, and trend-driven consumption.

¹¹⁹ Carol C Bertaut and Michael Haliassos *Credit cards: Facts and theories* (CFS Working Paper, No. 2006/19, Goethe University Frankfurt, 2005) at 2.

¹²⁰ The blurring of these debt types had also raise regulatory questions about allowing consumers to refinance unsecured BNPL debts in ways that increase financial distress. This research does not examine such supply-side interventions (defined below) but note here as a potential area for future research.

¹²¹ See Alisa Vire “‘TikTok made me buy it’ Consumers’ views on how TikTok encourages their impulse buying behaviour” (Master of Science in Economics and Business Administration Thesis, University of Vaas, 2025).

¹²² Hongwei Ma “The Downplayed Debt Attributes of BNPL: A Thematic Content Analysis of Tiktok” (Thesis for the Degree of Master of Arts, University of Windsor, 2023).

¹²³ Sourced from my observations of TikTok content featuring BNPL-related promotions around September 2025.

¹²⁴ Joshua Bote “‘Buy now, pay later’ is sending the TikTok generation spiraling into debt, popularized by San Francisco tech firms” SFGate <www.sfgate.com>

¹²⁵ Klarna “Klarna announces global campaign starring Paris Hilton, in collaboration with Hilton’s 11:11 Media” (7 February 2023) <www.klarna.com> and Klarna “A\$AP Rocky joins Klarna as investor and CEO for a day” (1 June 2021) <www.klarna.com>

While this strategy may be effective in increasing consumer uptake, it is also concerning in the sense that it blurs the boundaries between financial services and personal identity. In such contexts, BNPL is not merely presented as a payment mechanism to consumers, but rather as a symbol of participation in contemporary culture.

Finally, consumer-led communities on platforms like Facebook reveals further concerns. In addition to expressing concerns about over-indebtedness, participants in these groups actively circulate advice on maximising BNPL access. For example, consumers may use premium services such as Afterpay Plus, or purchase gift cards through BNPL, to enable transactions with merchants that do not directly accept BNPL, such as liquor retailers.¹²⁶ While restrictions on BNPL use in certain retail contexts exist for clear regulatory reasons, such as Auckland District Licensing Committee’s decision to ban BNPL at a Panmure bottle shop due to alcohol-related harm concerns,¹²⁷ the normalisation of debt has led consumers to seek ways to circumvent these limits, often in ways not anticipated by regulators.

E. Summary

BNPL’s features, user characteristics, and social influences interact to create significant financial vulnerability and concern on over-indebtedness. Evidence demonstrates that BNPL can encourage spending beyond individuals’ means, with young and vulnerable users particularly at risk. Such risks are further compounded with the use of credit cards to fund BNPL obligations and the reinforcement of dismissive debt attitudes through social media and peer networks.

Overall, these findings highlight the need for ongoing research and oversight to mitigate associated BNPL harms.

IV. Evaluating the Regulatory Approach in New Zealand

This section evaluates New Zealand’s regulatory approach to BNPL, assessing its design and effectiveness in addressing the risks and challenges highlighted in the preceding sections.

¹²⁶ See, for example, Facebook groups such as Afterpay Obsession NZ and We <3 Afterpay Australia as of September 2025.

¹²⁷ Sean Cao “Licensing decision highlights concerns over BNPL in liquor stores” (9 January 2025) <insideretail.co.nz>

A. Identifying the Sources of BNPL Harm

To evaluate a regulatory approach, it is first necessary to understand the full scope of harms it seeks to mitigate. This section begins by examining demand-side contributors of BNPL, focusing on the behavioural, social, and structural factors that generate risk, before turning to product-related contributors, which consider how the specific features of BNPL’s design and operation intensify those risks.

1. Demand-Driven Contributors to BNPL Harm

While much of the existing discussion has focused on how BNPL is offered and the concerns it has raised, this section examines how fundamental consumer demand is a distinct source of risk and can itself generate harm.

A 2024 study drawing on a comprehensive New Zealand database examined a broad range of factors influencing demand for BNPL credit.¹²⁸ It analysed personal characteristics (such as gender, age, income, marital status, and education), calendar effects (including holidays, weekdays, and months), COVID-19 restrictions, recent regulatory changes, and financial market variables (interest rates, stock returns, and stock return volatility) to assess their impact on BNPL usage.¹²⁹

One of the study’s key findings was that demand for BNPL was higher among lower-income individuals, particularly those earning under NZ\$30,000.¹³⁰ As discussed earlier, while interest-free repayment is central to BNPL’s appeal, it also diminishes the “pain of paying” and fosters a perception of control. Because financially vulnerable consumers are most sensitive to this “pain of paying”, BNPL usage is especially attractive to this group. This illustrates how consumer characteristics, such as low income, interact with BNPL’s design to create demand, and therefore risks of over-indebtedness.

Second, the study also revealed demographic differences in BNPL credit demand. Married individuals and those aged 46 and above, who generally enjoy higher or more stable household incomes, were less likely to engage with BNPL.¹³¹ In contrast, younger consumers were more

¹²⁸ Tao Chen and others “What influences demand for Buy Now, Pay Later credit?” (2024) 242 *Economic Letters* 1.

¹²⁹ At 1.

¹³⁰ At 5.

¹³¹ At 5.

readily drawn to its immediacy and frictionless design and may also feel more comfortable, as “they take up modern technology and incorporate it in their everyday lives more rapidly and more unceremoniously than others”.¹³² Because BNPL is streamlined and immediate, natural pauses for reflection, such as the opportunity to reconsider a purchase, are effectively minimised or removed. This encourages rapid uptake among young consumers, who are often predisposed to short-term financial decision-making, particularly within their social and cultural context discussed above.¹³³ This finding demonstrates that demand can be shaped by behavioural and social factors, which, when interacting with product features of BNPL, creates risk of over-indebtedness.

Finally, the study also found strong calendar effects, with BNPL demand peaking midweek (Tuesdays to Thursdays) and rising during months such as April, May, and December,¹³⁴ which are socially significant periods associated with holidays, popular wedding seasons, and major sales events.¹³⁵ While the study does not directly examine the role of marketing or cultural norms, the timing of these demand peaks could suggest that BNPL usage is not only shaped by product features but also by the timing of social and cultural activities. In this way, the very factors that appear neutral – such as when people choose to spend, and how necessary they view that spending, can contribute to the conditions for harm by normalising frequent or high-volume borrowing. This reinforces the broader point that demand-driven dynamics, including temporal and social influences, are fundamental sources of BNPL-related risk.

Taken together, these findings illustrate how consumer demand is, itself, a distinct source of BNPL risk. Behavioural, social, and structural factors – such as income, age, social norms, and timing of spending, interacts with the core product features, including immediacy, ease of access, and interest-free repayment, to create conditions for harm. The key point is that BNPL-related harm does not arise solely from how the product is offered; it also originates in, and is sustained by, consumer demand itself.

¹³² Claus J. Tully “Growing Up in Technological Worlds: How Modern Technologies Shape the Everyday Lives of Young People” (2003) 23(6) *Bulletin of Science, Technology & Society* 444 at 444.

¹³³ Qian Jiang and Liangying Ma “Swiping More, Thinking Less: Using TikTok Hinders Analytic Thinking” (2024) 18(3) *Cyberpsychology: Journal of Psychosocial Research on Cyberspace*.

¹³⁴ Chen, above n 128, at 5.

¹³⁵ March marks end-of-financial-year sales that often extend into April and May, while Black Friday in November and Christmas and Boxing Day in December drive further spikes in consumer spending.

2. *Product-related Contributors to BNPL Harm*

While the risks of BNPL usage can arise from demand-driven contributors, certain product features can influence how that risk manifests and the extent of its impact. In a perfect world where BNPL is used responsibly, higher demand would simply reflect effectiveness of the product which benefits businesses and the economy.¹³⁶ However, there are certain features that, while not core to BNPL, increase and exacerbate the likelihood of unaffordable contracts and financial harm. Considering these factors is essential for understanding the full scope of risk and for developing effective interventions.

A useful starting point for identifying such product features is the Regulatory Impact Statement published in 2021 by the New Zealand Government, which examined risks associated with unaffordable BNPL contracts.¹³⁷ This document serves as a useful benchmark when considering the effectiveness of regulation, as it highlights the very issues that policymakers themselves consider problematic. For clarity, certain factors highlighted in the report that are fundamental to the nature of BNPL – such as the speed of transactions, late payment fees, and timing of instalments that do not align with income or other expenses, are classified as central, or core to the BNPL product. These are not considered “aggravating” features for the purposes of this research, as they are inherent to BNPL and are not readily modifiable. These are discussed in the previous section in the context of demand-related contributors of harm.

The identified features of BNPL that are *not* considered “core” to the product, but influences the extent or manifestation of harm and therefore important for this analysis, include: (a) the lack of meaningful affordability checks, (b) the ability to hold multiple BNPL arrangements across different lenders with limited visibility to other financial institutions, (c) automatic increases of credit limits, (d) the use of credit cards to pay instalments, and (e) promotional practices that encourage uptake.¹³⁸ Since many of these factors have been considered in recent regulatory reforms, they will be discussed in more detail in the next section, when examining the extent to which current reforms have addressed BNPL-related harm.

¹³⁶ MBIE, above n 17, at [23]–[24].

¹³⁷ MBIE, above n 17.

¹³⁸ MBIE, above n 17, at [34].

B. Reform in Question: Is It Adequate?

Having categorised BNPL risks into demand-driven and product-related contributors, the question then becomes whether recent regulatory reforms are sufficient to mitigate them. Given the limited empirical evidence available, this research will address this question from a qualitative perspective rather than attempting to quantify it.¹³⁹ It first outlines how New Zealand’s regulatory response has focused primarily on supply-side interventions, before discussing their limitations in addressing demand-driven contributors.

1. New Zealand’s Focus on Supply-side Interventions

Government interventions aimed at regulating product-related harms can generally be divided into supply-side and demand-side. Supply-side interventions target the behaviour and practices of providers, aiming to influence the design, delivery, and governance of the product. In the context of harm reduction, these measures primarily address product-related risks arising from how BNPL is offered. Demand-side interventions, on the other hand, target consumers directly, seeking to influence their knowledge, decision-making, and behaviour.¹⁴⁰ Such interventions are better suited to addressing demand-driven risks.

New Zealand’s response to BNPL has focused heavily on supply-side regulations. As outlined in Part II, bringing BNPL as consumer credit under the CCCFA subjects the providers to responsible lending obligations, which includes mandatory product disclosure, participation in dispute resolution schemes, and engagement in comprehensive credit reporting rules. These are all reforms that aim to shape provider behaviour and the design and governance of BNPL products.

When assessed against the product-related contributors of harm identified earlier,¹⁴¹ these interventions can mitigate some design-related sources of harm. For example, credit reporting and responsible lending obligations create a framework in which providers are expected to monitor borrowers’ repayment histories. Providers can no longer automatically increase credit limits and

¹³⁹ “The choice of qualitative versus quantitative measures (or methods) in research program evaluation, as well as in other types of program evaluation, is a false choice”. See David Roessner “Quantitative and qualitative methods and measures in the evaluation of research” (2000) 9(2) *Research Evaluation* 125 at 125.

¹⁴⁰ See OECD *Policies for encouraging healthier food choices* (OECD Food, Agriculture and Fisheries Papers, October 2019) at 15, where this distinction was made in the context of policies to encourage healthier dietary choices.

¹⁴¹ Part IV, Subpart A(2).

provide unaffordable credit arbitrarily. This, in theory, should reduce the likelihood of excessive borrowing.¹⁴² Similarly, disclosure requirements can improve transparency, ensuring that users understand the nature of the product being credit, whilst mandating participation in dispute resolution schemes provides consumers with avenues to resolve conflicts.¹⁴³ As a result, product-related risks can be largely mitigated through such interventions.

However, the same cannot be said for the demand-driven contributors.¹⁴⁴ While some may argue that credit reporting and sharing obligations could restrict BNPL access for consumers who cannot afford it, or that mandatory disclosure requirements might promote more conscious use by clearly framing BNPL as debt, and thus, in principle, intervene on demand, this dissertation disagrees. Such measures do not inherently limit demand, as behavioural and structural factors continue to drive BNPL use. The following discussion explains why these interventions are insufficient to fully address the demand-side contributors to harm.

2. Limitations of Credit Reporting Obligations as a Demand-side Intervention

As discussed in Part II, BNPL providers are now required to carry out comprehensive credit reporting under the new regulations. Broadly speaking, this involves both obtaining a credit report from a credit bureau and supplying that bureau with information such as repayment histories.¹⁴⁵ When combined with the responsible lending obligations under the CCCFA,¹⁴⁶ this should ensure that providers act ethically and responsibly, as they are no longer able to ignore readily available information. Consumers with poor repayment histories across financial institutions should, therefore, in principle be prevented from accessing additional credit. However, there are three key issues that undermine the effectiveness of this response.

(a) Unobservable financial hardship

First, credit reporting can fail to capture financial hardship that is not immediately visible on paper. Hardship may not be directly observable by a provider, as a consumer can meet all BNPL

¹⁴² MBIE, above n 13.

¹⁴³ MBIE, above n 13.

¹⁴⁴ Part IV, Subpart A(1).

¹⁴⁵ CCCFA 2023 Regulations, above n 25, reg 18J–18L.

¹⁴⁶ See Part II, Subpart A (2).

repayments on time while still sacrificing essential expenses or experiencing significant stress.¹⁴⁷ Credit reports record repayment arrears, which may indicate past or existing hardship, but they do not reflect overall income, expenses, or overall repayment capacity – all of which are crucial elements of a consumer’s “ability to pay”.¹⁴⁸ In contrast, affordability assessments provide a comprehensive picture of an applicant’s financial situation.¹⁴⁹

As a result, even consumers with good credit scores or a history of on-time repayments may still struggle to afford additional BNPL credit. Financial mentors have highlighted this risk, noting that some consumers go without essentials to meet BNPL repayments, with surveys showing that 13% of users delay bill payments, cut back on necessities, or miss three or more repayments.¹⁵⁰ This is also further supported by the fact that 44% of respondents who no longer used BNPL did so because they “found it hard to stop purchasing *more than they could afford*”.¹⁵¹ Relying solely on credit reporting can therefore mask the less visible forms of debt-related harm that arise even when repayment histories appear sound. As Hon David Clark notably recognises, “credit reports are not a substitute for affordability assessments... they consider a consumer’s ability to re-pay credit (backward looking) rather than ability to afford a BNPL arrangement (forward looking)”.¹⁵²

(b) Unmonitored risk in existing accounts (the grandfather clause)

Second, another limitation of the current regulations is that, aside from new borrowers, BNPL lenders are only required to obtain and report credit information for existing customers when their credit limit is increased.¹⁵³ As a result, customers who signed up with a BNPL provider before 2 September 2024 are not subject to credit checks unless they apply for a higher limit. This makes the application of credit reporting requirements for existing customers entirely contingent on a

¹⁴⁷ Hon David Clark “Approval to release discussion paper: Buy-Now, Pay-Later – Understanding the triggers of financial hardship and possible options to address them” (MBIE, 10 November 2021) at [24.2].

¹⁴⁸ Victoria Stace and Olivia Overfield *Buy Now Pay Later - A Critique Of The 2024 Reforms Report on Stage One of a Research Project on Buy Now, Pay Later Products in New Zealand and of the Regulatory Reforms Effective September 2024* (A joint Consumer NZ/FinCap project With research by Victoria University of Wellington Te Herenga Waka, 18 October 2024) at 32.

¹⁴⁹ See MBIE, above n 24, at 25–33.

¹⁵⁰ Webb, above n 26, at [28].

¹⁵¹ At [28].

¹⁵² Clark, above n 36, at [37].

¹⁵³ Stace and Overfield, above n 148, at 35.

limit increase. Even with poor credit scores, consumers are only limited in taking on additional credit and can continue using BNPL, potentially beyond their means.

It is worth noting that Afterpay has stated that they conduct “soft” credit checks (one that gives the same information as a hard credit check but does not leave a record of the check on the bureau) on both new and existing customers throughout the life of their accounts, not only when limits are raised.¹⁵⁴ While this suggests a degree of proactive monitoring, it also exposes the next problem: enforcement.

(c) Enforcement Gaps in the Use of Credit Reporting Information

Although providers are required to obtain credit reports, there is currently no obligation to act on them.¹⁵⁵ This means that where a report reveals poor repayment history or otherwise indicates unaffordability, providers may still extend credit without consequence. FinCap, a charitable trust supporting financial mentors, expressed that since some lenders are already willing to extend credit without conducting credit checks, they have little confidence that providers will meaningfully engage with credit scores, even when required to obtain them.¹⁵⁶ They’ve also further noted a trend of BNPL providers prioritising portfolio growth over the quality of their loan books, which adds to the concern.¹⁵⁷

In principle, knowingly extending credit to consumers with poor repayment histories could constitute a breach of the responsible lending principles,¹⁵⁸ particularly now that providers are required to obtain credit reports. The deeper issue, however, is enforceability.¹⁵⁹ Even if the law were amended to mandate that providers apply credit reporting information in their lending decisions, there remains no clear mechanism to ensure compliance, nor transparency around how breaches are identified or addressed. While consumers may lodge complaints through a dispute

¹⁵⁴ Stace and Overfield, above n 148, at 35.

¹⁵⁵ Stace and Overfield, above n 148, at 33–34.

¹⁵⁶ FinCap “Re: Draft Credit Contracts and Consumer Finance (Buy Now Pay Later) Amendment Regulations 2022” at 6.

¹⁵⁷ At 7.

¹⁵⁸ MBIE, above n 24, at 38.

¹⁵⁹ “Enforcement... is the activity by which a legally constituted power is applied to make the law’s dictates actual; it is a matter of law’s efficacy”. See Joshua Kleinfeld “Enforcement and the Concept of Law” (2011) 121 *The Yale Law Journal Online* 293 at 293.

resolution scheme,¹⁶⁰ such breaches are unlikely to be challenged in practice. Borrowers have little incentive to complain about a failure to assess affordability when that very omission enabled them to access credit. More often, complaints are likely to arise only once borrowers are already experiencing hardship and entering financial distress. As a result, it is likely for such breaches to remain undetected until it is too late for effective intervention. Moreover, there is a risk that BNPL providers may simply view non-compliance as a manageable cost of doing business, choosing to absorb the occasional monetary penalty (up to \$600,000)¹⁶¹ in exchange for continuing to operate profitably.¹⁶²

3. *Limitations of the Disclosure Obligations*

Beyond credit reporting, requirements to disclose Terms and Conditions (T&Cs) and to present BNPL as a form of debt represent another intervention that seemingly addresses demand. However, this dissertation maintains that its effectiveness is limited, and cannot be considered a true demand-side intervention. The actual impact is uncertain, as demand for BNPL is inherently inelastic for the following three reasons.

First, T&Cs disclosed are either often skimmed through,¹⁶³ or difficult to understand.¹⁶⁴ From a cost-benefit perspective, it is even rational for consumers not to engage with them.¹⁶⁵ As T&Cs are lengthy, time-consuming to read, and often drafted in complex legal language, the costs are high. The benefits, on the other hand, are low, since most are standard form contracts, where provisions are irrelevant to individual circumstances. Competing providers typically adopt similar terms, and there is no real scope for negotiation.¹⁶⁶

¹⁶⁰ Afterpay is a member of the Financial Dispute Resolution Service (FDRS), while Klarna and Zip are members of Financial Services Complaints Limited (FSCL). BNPL providers are not subject to the Banking Ombudsman Scheme. See Afterpay, above n 44; Klarna “Klarna Pay Later in 4 Instalments Terms” <cdn.klarna.com>; Zip “Disputes and Complaints” <zip.co/nz>; and Banking Ombudsman Scheme “Payment methods” <bankomb.org.nz>

¹⁶¹ Commerce Commission “Changes to credit laws” <www.comcom.govt.nz>, see “Changes to the penalties for breaching Lender Responsibility Principles”.

¹⁶² See for example, Vanessa Pratley “Opinion: Is our government tough enough on all offending?” (31 October 2024) Consumer NZ <www.consumer.org.nz> and Scoop “ANZ Penalty Shows Banks Still Treating Compliance Failures As Cost Of Doing Business” (8 September 2025) <www.scoop.co.nz>

¹⁶³ Alessandro Rossetti, Patrick Cadwell and Sharon O’Brien *The Terms and Conditions Came Back to Bite* (Springer, Cham, 2020) at 709.

¹⁶⁴ Maartje Elshout and others *Study on consumers’ attitudes towards Terms and Conditions (T&Cs)* (Final Report, European Commission, 2016) at 21.

¹⁶⁵ At 7.

¹⁶⁶ At 7.

Second, reliance on disclosures often rests on the assumption that consumers are rational, fully informed, and insulated from external pressures.¹⁶⁷ In reality, consumers are subject to bounded rationality and cognitive biases,¹⁶⁸ which limit their ability to process information effectively. Indeed, consumers also “often exhibit overconfidence in their financial management abilities, a bias that is not significantly mitigated by increased disclosure”,¹⁶⁹ and have been shown to consistently behave in ways that deviate from traditional economic theory, which rests on the assumption of rational decision-making.¹⁷⁰

Finally, reliance on disclosures assumes that consumers have genuine choice. In reality, financially vulnerable users of BNPL have limited options despite urgent needs.¹⁷¹ In such circumstances, disclosures are likely to have minimal influence on their borrowing decisions. For individuals confronted with immediate necessities or short-term desires, these pressures typically outweigh considerations of long-term financial wellbeing. Consequently, the extent to which this intervention can meaningfully influence demand is highly uncertain, and it cannot be considered a sufficient demand-side measure to mitigate the harms outlined above.

C. Findings

Taken together, the analysis above indicates that recent policy decisions on BNPL have largely overlooked demand-side factors. This is understandable: BNPL is a relatively new credit product that only experienced rapid growth in recent years. Its recognition as a form of consumer credit under the CCCFA, and therefore the corresponding obligations imposed on BNPL providers, represent an important step toward improved consumer protection. These reforms addressed an important gap in modern consumer credit law, which had not kept pace with this emerging product.¹⁷²

¹⁶⁷ John Kozup and Jeanne Hogarth “Financial Literacy, Public Policy, and Consumers’ Self-Protection – More Questions, Fewer Answers” (2008) 42(2) *The Journal of Consumer Affairs* 127 at 132.

¹⁶⁸ Brian Bix “Contracts” in Miller and Wertheimer (eds) *The Ethics of Consent: Theory and Practice* (Oxford University Press, 2009) 251 at 265–266.

¹⁶⁹ Stace and Overfield, above n 148, at 44.

¹⁷⁰ Richard Thaler “Toward a Positive Theory of Consumer Choice” (1980) 1 *Journal of Economic Behaviour and Organisation* 39 at 39.

¹⁷¹ Gardner, above n 92, Chapter 3.5.2.

¹⁷² Di Johnson, John Rodwell and Thomas Hendry “Analyzing the Impacts of Financial Services Regulation to Make the Case That Buy-Now-Pay-Later Regulation Is Failing” (2021) 13(4) *Sustainability* 2021, 1992.

However, this reveals the inherently limited scope of supply-side interventions, especially for a product like BNPL. As discussed in Part II, much of the harm associated with BNPL stems from the persistent appeal of its core features: immediacy, frictionless design, and perceived affordability. Although supply-side interventions can constrain certain design and procedural risks, they cannot directly influence the behavioural, social, and psychological dynamics that sustain consumer demand. In practice, the only way supply-side reforms can meaningfully temper consumer demand is by limiting access to credit. Such restrictions, however, risk undermining consumer choice and market competition.¹⁷³ New Zealand’s decision to exclude mandatory affordability assessments reflects this tension. Policymakers sought to avoid unintended consequences, such as pushing BNPL providers out of the credit market, reducing competition, increasing fees or minimum credit amounts, and limiting consumer access to credit.¹⁷⁴ The result, however, is a regime that mitigates provider-driven risks but leaves demand-driven vulnerabilities largely intact.

Consequently, so long as the underlying drivers of demand remain unaddressed, even well-designed regulation may struggle to curb over-borrowing and subsequent over-indebtedness. This dissertation therefore urges policymakers to also consider complementary demand-side strategies that addresses consumer behaviour to achieve a more durable reduction of BNPL-related harm.

V. Proposed Areas of Intervention

Building on the preceding analysis, this section applies its insights to consider potential policy interventions that address the structural and individual dimensions of the problem. This section focuses on the following key areas.

A. Strengthening Digital Financial Literacy

With the rapid growth of financial technology, the concept of “financial literacy” – traditionally understood as the ability to make informed financial decisions,¹⁷⁵ has evolved to encompass “digital financial literacy”, which refers to the ability to navigate digital platforms safely, conduct online financial transactions, and protect oneself within increasingly complex digital

¹⁷³ Robert Higgs “Banning a Risky Product Cannot Improve Any Consumer’s Welfare (Properly Understood), with Applications to FDA Testing Requirements” (1994) 7(2) *The Review of Austrian Economics* 3 at 10.

¹⁷⁴ Clark, above n 36, at [76].

¹⁷⁵ OECD “Student financial literacy” <www.oecd.org>

marketplaces.¹⁷⁶ In the BNPL context, lighter regulatory oversight is often justified by the product’s relatively simple design.¹⁷⁷ Consequently, consumers bear greater responsibility for understanding and managing their financial commitments, making this heightened form of financial literacy especially crucial.

In New Zealand, financial literacy has gained renewed focus as a critical life skill. The refreshed national curriculum will embed financial literacy education for students in Years 1–10 by 2027, covering basic money management through to budgeting, taxation, and insurance.¹⁷⁸ Beyond schools, the National Strategy for Financial Capability 2025–2027 coordinates efforts across more than 900 organisations, with targeted initiatives for Māori, Pacific Peoples, women, and young people.¹⁷⁹ These initiatives include reducing costly debt, promoting savings, and improving access to financial guidance and tools.¹⁸⁰ Notably, partnerships with cultural organisations such as Te Puni Kōkiri, Te Wānanga o Aotearoa, and Sorted in Schools, Te Whai Hua represent a meaningful step toward reaching underrepresented communities.¹⁸¹ This approach aligns with findings from the Financial Markets Authority, which highlight that “culturally relevant, relationship-based support may help close the trust gap”.¹⁸²

While these developments mark significant progress, there is an opportunity to better align financial education initiatives with the realities of digital finance and BNPL. Policymakers and educators should consider integrating BNPL-specific content into financial literacy programs, including practical guidance on credit terms, costs, and risks.¹⁸³ Importantly, these programs should aim to enhance consumer awareness of the psychological and marketing mechanisms that influence financial behaviour in digital environments. As West argues, “the objectives of financial literacy programs should be not only to educate consumers about financial markets and products

¹⁷⁶ Claire Matthews, Jeffrey Stangl and Pushpa Wood “Young New Zealanders’ Ongoing Personal Finance Journey A Longitudinal Study – Stage 3” (2023) SSRN <papers.ssrn.com>

¹⁷⁷ Paul Gerrans, Dirk G Baur and Shane Lavagna-Slater “Fintech and responsibility: Buy-now-pay-later arrangements” (2022) 47(3) Australian Journal of Management 474 at 475 and 484.

¹⁷⁸ Hon Erica Stanford and Hon Scott Simpson “Transforming financial education in schools” Beehive (30 April 2025).

¹⁷⁹ Te Ara Ahunga Ora “Empowering futures National Strategy for Financial Capability 2025 – 2027” <assets.retirement.govt.nz>

¹⁸⁰ At 12.

¹⁸¹ At 12.

¹⁸² Massey University “New research highlights gaps in financial education for diverse learners” (12 May 2025) <www.massey.ac.nz>

¹⁸³ OECD *Supporting informed and safe use of short-term online credit and Buy Now Pay Later through digital financial literacy* (8 September 2025) at 6.

but highlight to individuals the psychological biases and limitations that they as humans cannot easily avoid”.¹⁸⁴

Moreover, collaboration between educators and BNPL providers could further extend financial education beyond the classroom. For example, integrating “just-in-time” prompts within BNPL platforms – such as brief visual or interactive reminders before checkout, can deliver key information about repayment obligations and total costs at the moment of decision-making.¹⁸⁵ A more robust approach could involve mandatory educational disclosures at sign-up and at regular intervals thereafter. While such measures may face industry resistance (given that the product’s appeal lies in its seamless, fast access to credit), they offer a potentially balanced path forward that promotes both consumer protection and market participation, and therefore merit serious policy consideration.

B. Promoting Awareness of Support Services

While financial literacy is crucial, this dissertation recognises that it alone is insufficient to address the broader pressures that drive individuals into debt. As discussed in Part III, BNPL credit can become a short-term coping mechanism to meet basic survival needs. Accordingly, policy reforms should also focus on increasing visibility and accessibility of social support services, ensuring that individuals are seeking available assistance before turning to BNPL as a financial fallback.

1. Free Budgeting and Financial Advice Services

Organisations such as the Citizens Advice Bureau and local budgeting services, including Tamaki Budgeting, provide confidential, impartial guidance for a wide range of financial issues, from debt management to rent and mortgage concerns, as well as strategies for saving.¹⁸⁶ These services are available to anyone, regardless of income level. For those actively experiencing financial hardship, there are also dedicated financial mentors who work with the Ministry of Social Development

¹⁸⁴ Jason West “Financial literacy education and behaviour unhinged: combating bias and poor product design” (2012) 36 *International Journal of Consumer Studies* 523 at 529.

¹⁸⁵ This approach is comparable to the pictorial health warnings on cigarette packaging. See Janet Hoek and others “Lessons from New Zealand’s introduction of pictorial health warnings on tobacco packaging” (2010) 88 *Bulletin of the World Health Organization*.

¹⁸⁶ Citizens Advice Bureau “Where can I go for free budgeting advice?” <www.cab.org.nz> and Healthpoint “Tamaki Budgeting” <www.healthpoint.co.nz>

(MSD).¹⁸⁷ By connecting individuals with actionable steps toward better financial wellbeing, these services have the potential reduce reliance on BNPL for essential needs.

2. *Support for Essential Household Expenses*

In addition to budgeting advice, increasing awareness of government support programs is critical to helping individuals meet basic needs without resorting to short-term credit.

A 2022 New Zealand Income Support Survey highlighted significant gaps in public awareness and uptake of available support. It was observed that many respondents were unaware of supplementary assistance offered by MSD, and uptake of the Accommodation Supplement was particularly low among eligible individuals not receiving a main benefit.¹⁸⁸

One example of such assistance is Work and Income New Zealand (**WINZ**) offering grants and loans for urgent welfare needs, including emergency housing, utilities, and food.¹⁸⁹ Budgeting services often work closely with WINZ to connect clients with appropriate assistance and advocate on their behalf. This type of assistance offers a safety net that can help prevent individuals from resorting to BNPL to cover essential expenses.

Several interest-free loan schemes also exist to support those facing financial hardship. National programmes such as Good Loans, run by Good Shepherd NZ in partnership with BNZ and MSD, offer up to \$7,000 for essential goods and up to \$15,000 for debt solutions,¹⁹⁰ while Ngā Tāngata Microfinance provides interest-free loans of up to \$5,000 to pay off existing high-interest loans, alongside financial mentoring.¹⁹¹ These schemes focus on essentials such as appliances, car repairs, medical costs, and debt relief, and typically require applicants to meet income criteria or engage with financial mentors.

Overall, increasing public awareness of available services and support programs is a crucial policy lever. By ensuring that individuals understand where and how to access assistance, such reforms can help reduce reliance on BNPL for everyday necessities and foster long-term financial resilience.

¹⁸⁷ Ministry of Social Development “Building Financial Capability” <www.msd.govt.nz>

¹⁸⁸ Ministry of Social Development “New Zealand Income Support Survey main findings” <www.msd.govt.nz>

¹⁸⁹ Work and Income “Help with living expenses” <www.workandincome.govt.nz>

¹⁹⁰ Good Shepherd New Zealand “No-interest loans” <goodshepherd.org.nz>

¹⁹¹ Ngā Tāngata Microfinance “Little Loans” <www.ngatangatamicrofinance.org.nz>

C. Promoting Responsible Fintech Solutions to Mitigate Impulsive Spending

Financial technology (**Fintech**), defined as “innovative ideas that improve financial service processes by proposing technology solutions...”,¹⁹² is often celebrated as a driver of financial inclusion, expanding access to financial services and empowering those previously excluded from the formal financial system.¹⁹³ BNPL represents one such innovation. However, increased accessibility to credit also exposes consumers to new and often underestimated risks of over-indebtedness, particularly when combined with impulsive borrowing and limited financial literacy – factors that disproportionately affect individuals experiencing financial or mental distress.¹⁹⁴ The concept of “Fintech for good” offers a more constructive vision: one where technology is harnessed to promote sustainable borrowing and long-term financial wellbeing.¹⁹⁵ Accordingly, this section examines how policy interventions can promote the development of responsible Fintech solutions to curb impulsive borrowing and foster sustainable financial behaviour.

1. Fintech as a Tool for Preventing Over-Indebtedness

PayWatch, a data-sharing system developed by Centrix in collaboration with major BNPL providers such as Afterpay and Zip, represents a notable example of Fintech being used to prevent over-indebtedness.¹⁹⁶ By sharing near real-time information on overdue repayments, it helps providers identify consumers who may already be in financial distress before approving new accounts. However, PayWatch focuses solely on BNPL transactions, excluding other credit commitments, and therefore offers only a partial picture of consumer indebtedness.¹⁹⁷ While it assists BNPL providers in managing lending risk, it does little to empower consumers to understand or manage their own financial situations.

¹⁹² Kelvin Leong and Anna Sung “FinTech (Financial Technology): What is It and How to Use Technologies to Create Business Value in Fintech Way?” (2018) 9(2) *International Journal of Innovation, Management and Technology* 74 at 75.

¹⁹³ Heike Bähre, Giovanni Buono and Valerie Isabel Elss “Fintech as a Mean for Digital and Financial Inclusion” (2020) 14 *IBMAGE* 205 and 207.

¹⁹⁴ Johnna Blair and others “Financial technologies (FinTech) for mental health: The potential of objective financial data to better understand the relationships between financial behavior and mental health” (2022) 13 *Frontiers in Psychiatry* at 1.

¹⁹⁵ Ishaan Srivastava “Sustainability Through FinTech: The Case for the Incorporation of Sustainability Perspectives in FinTech Education” (2025) *Cureus J Bus Econ* 2 at 2.

¹⁹⁶ Centrix “Centrix and ‘Buy Now Pay Later’ providers launch world-first PayWatch initiative to deepen customer protections” <www.centrix.co.nz>

¹⁹⁷ Stace and Overfield, above n 148, at 38.

With the forthcoming Customer and Product Data Act 2025,¹⁹⁸ rather than focusing solely on how open banking can promote access to credit and provider compliance, there is an opportunity to reorient Fintech innovation toward consumer empowerment. A useful comparison comes from the UK-based Toucan app, which leveraged open banking data to help people with long-term mental health conditions monitor spending and share alerts with trusted contacts.¹⁹⁹ Although Toucan ultimately ceased operations due to commercial and structural barriers,²⁰⁰ its model illustrates how Fintech can support financial wellbeing when designed with consumer needs in mind. This approach aligns with New Zealand’s objectives, as the Safer Credit and Financial Inclusion Strategy identifies the provision of a range of innovative financial and non-financial products, services, and other support that “prevent or alleviate the use of problem debt” as a core goal.²⁰¹

2. Encouraging Fintech Innovation through Reform

“Fintech can only thrive when regulation allows it to”.²⁰² However, purpose-driven innovation (initiatives that prioritise social or environmental missions alongside commercial sustainability) remains a marginal feature of the open banking and Fintech landscape,²⁰³ and often face significant disadvantages compared to mainstream credit providers. Indeed, in the United Kingdom, high-cost credit companies hold roughly ten times the market share of ethical, affordable lenders.²⁰⁴ It is therefore important that policy decisions actively recognise this imbalance and works to rebalance the playing field – supporting models that prioritise positive social and environmental outcomes over purely commercial interests.²⁰⁵

Although New Zealand has begun addressing this gap through a pilot regulatory sandbox, which allows selected Fintechs to experiment with new products and services in a controlled environment before a full commercial launch,²⁰⁶ the current participants focus largely on investment, digital

¹⁹⁸ MBIE “Consumer data right” <www.mbie.govt.nz>

¹⁹⁹ See Marloes Nicholls and David Clarke *Open Finance and Vulnerability: A Policy Discussion Paper* (The Finance Innovation Lab, July 2021) at 17 and FinTech New Zealand *FinTech Open Finance Report 2022: Aotearoa Open Finance and Digital Equity* (2022) at 73.

²⁰⁰ Bailey Kursar “Goodbye Toucan, My Old Friend” <www.linkedin.com>

²⁰¹ New Zealand Government *The Safer Credit and Financial Inclusion Strategy* (September 2019) at 9.

²⁰² FinTech New Zealand *FinTech Open Finance Report 2022: Aotearoa Open Finance and Digital Equity* (2022) at 8.

²⁰³ Nicholls and Clarke, above n 199, at 18.

²⁰⁴ Nicholls and Clarke, above n 199, at 19.

²⁰⁵ Nicholls and Clarke, above n 199, at 19.

²⁰⁶ Hon Scott Simpson “Supporting fintechs to boost competition” Beehive <www.beehive.govt.nz>

banking, and access to capital, with few explicitly targeting vulnerable consumers or aiming to prevent over indebtedness. The closest example, IndigiShare, supports Māori entrepreneurs but centres on enabling business and entrepreneurship rather than financial risk mitigation.²⁰⁷ To strengthen the social impact of fintech innovation, sandboxes and targeted grant programmes should be expanded to also support purpose-driven firms that prioritise inclusion, wellbeing, and debt prevention.

VI. Conclusion and Further Areas for Research

This dissertation began by outlining the BNPL model, its operational features, and its marketing strategies, demonstrating how the product's design and positioning shape consumer decision-making and contribute to its widespread appeal. The discussion then examined the concerns associated with this popularity, such as its disproportionate impact on young people, consumers with unstable or limited incomes, and individuals experiencing vulnerabilities such as poor mental health or compulsive spending. It also considered how social media and the broader credit environment amplify these risks, producing patterns of over-indebtedness that existing governance frameworks struggle to address. The analysis highlighted the behavioural, social, and structural drivers underlying BNPL use and harm, setting the stage for an evaluation of regulatory responses.

The dissertation then provided a qualitative assessment of BNPL's regulatory treatment in New Zealand, finding that policy concerns and responses remain largely supply-side and focused on provider conduct. While these measures address certain market failures associated with information asymmetry and lender behaviour, they fail to account for the behavioural, social, and structural factors identified as key demand-driven contributors to harm. Building on these findings, the dissertation proposed complementary areas of intervention to support consumers and mitigate harm, including enhancing digital financial literacy, increasing awareness of budgeting and social support services, and encouraging purpose-driven Fintech innovation that promotes responsible spending.

By situating regulatory efforts within a wider understanding of consumer behaviour in the context of BNPL use, this dissertation contributes to the academic conversation on the relationship between financial regulation and over-indebtedness. The findings highlight the importance of a

²⁰⁷ Ibid.

more comprehensive approach to consumer protection in digital finance, in which supply-side regulation is complemented by measures that address demand-side drivers of harm. They also highlight the role of further research in gaining a deeper understanding of BNPL, ensuring that future policy and interventions are guided with robust evidence. Further investigation is therefore needed to explore how these insights can be translated into practical, effective interventions.

Future research could build on this work in the following key areas. First, research has raised questions about whether current financial literacy education is adequate to address the challenges arising from BNPL.²⁰⁸ Future studies should explore how education initiatives can be redesigned to incorporate BNPL-related content and foster practical financial skills and digital literacy. This includes examining the feasibility of embedding interactive, just-in-time interventions directly within BNPL platforms, akin to pictorial health warnings on cigarette packaging. Second, with little research in the New Zealand context on the relationship between BNPL use and mental health outcomes,²⁰⁹ future studies could investigate this connection. Third, the role of community budgeting and financial advice services in mitigating debt-related stress should also be explored, particularly in light of recent funding pressures.²¹⁰ Fourth, emerging reports from practitioners suggest that women leaving situations of family violence are increasingly accruing unsustainable BNPL debts to cover essential living costs.²¹¹ Research is needed to identify legal and social policy measures that can better support this group, ensuring BNPL does not exacerbate existing vulnerabilities. Finally, the development of open banking under the Customer and Product Data Act 2025 could make it feasible for BNPL providers who are currently excluded from conducting affordability assessments (due to the nature of the product and high implementation costs),²¹² to carry out robust assessments. Unlike the supply-side interventions discussed,²¹³ these assessments have the potential to directly curb demand. Future research could examine how open banking-enabled affordability assessments are implemented in practice, evaluate their effectiveness in

²⁰⁸ Aaron Gilbert, Kelly Nicholson and Ayesha Scott “Can Financial Education Improve Debt Use for Young Adults?” (2022) AUT Business School at 1.

²⁰⁹ See Part III, Subpart A(3).

²¹⁰ Amy Williams “Budgeting cutbacks: ‘There will be nowhere for people to go for support’” RNZ (25 June 2024) <www.rnz.co.nz>. See also Ella Somers “Financial mentor charity FinCap sees ‘stress and strain’ from people seeking financial support against a falling number of financial mentors and reduced funding” (17 May 2024) Interest <www.interest.co.nz> where FinCap reported a jump in people supported by financial mentors from ~49,568 in 2022 to ~69,807 in 2023 (approximately a 40 percent increase).

²¹¹ Good Shepherd Australia New Zealand, above n 84, at 2.

²¹² Clark, above n 36, at [76].

²¹³ See Part IV, Subpart B and C.

promoting responsible lending, and assess the extent to which they reduce unsustainable BNPL use.