

Not all BNPL providers perform credit checks before offering their services, but if you default on a BNPL payment, it could be flagged on your credit report and possibly have a negative impact on future loan applications.

There are examples of this occurring, with the purchase of a \$500 dress using Afterpay almost costing a young woman her dream home⁴.

Read more about what can affect your credit score in our article '6 Ways You Could Be Damaging Your Credit Score'.

If you use BNPL, other risks to be aware of include:

- Default payment penalties can be high with the possibility of paying up to 25% of the initial purchase price
- Late repayments can be recorded against your credit report
- It can become easy to spend beyond what is affordable
- You could find yourself in a vicious debt trap by taking out another loan to repay your BNPL 'loan'
- Having multiple BNPL accounts can become hard to manage and repay when you sign up for more than one service

Saving for your purchases or using lay-by can ultimately be a cheaper solution and will ensure that you are spending within your means.

BNPL arrangements are clearly a popular payment method. While many of us can manage this instant gratification payment scheme, some consumers can suffer the consequences. If we reflect on the basics of how these BNPL companies make their profit, it is clear that the service should be used with caution.

1 Online shopping trends in Australia - Australia Post (auspost.com.au)

2 Afterbay global users surpass 11 million (afr.com)

3 20-280MR ASIC releases latest data on buy now pay later industry | ASIC - Australian Securities and Investments Commission

4 Shopper claims that buying clothes off Zip Pay ruined her credit rating | Daily Mail Online

Contact us for a copy of '6 Ways You Could Be Affecting Your Credit Score'

