

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS  
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS**

**CBA98QON:** **Dr LEIGH:** Moving on to another emerging technology, buy-now pay-later, do you see the prospect of a big buy-now pay-later scandal in Australia with one of the increasing numbers of the providers falling into strife for one reason or another?

**Mr Comyn:** Dr Leigh, I think it would be difficult for me to speculate, but certainly there are a number of players. I think my views in this area are known. One of the reasons we entered this space is that we thought that perhaps the most expedient way for regulation to be introduced in that sector would be for us to offer it. That hasn't to date been forthcoming. Whilst we would contend that there is certainly scope for more appropriate and well-designed regulation—not necessarily a one-size-fits-all—there are some very good operators in that market that have been, as I am sure you are well aware, very successful. From our perspective we see new entrants going into a market where there is a customer need. They're responding to that, which is either not covered by the regulation today or won't be for the future. I think it's not so much about arguing that all of those players should be regulated. Ultimately, we should be defined by our ability to deliver high-quality customer experiences, but we do definitely see adverse effects from customers who are overextending themselves in an entirely unregulated product in buy-now pay-later. I'm sure you have access to the consumer groups. I am sure they have shared the same evidence with you as discussions we've had. We also see it directly in a proportion of our customers that are in arrears, that are overdrawing their accounts and that are in financial difficulty and hardship.

**Dr LEIGH:** It would be useful if you're able to share any data with the committee about that knock-on effect. I know it's something that gets talked about a lot, but I don't feel as though we have very much data. So if there's anything internal that you've done, that would be really useful.

**Mr Comyn:** We would be very happy to. We have got the raw data. We've also then adjusted it for the demographics. I think you'd find it interesting.

**Answer:** Commonwealth Bank has undertaken analysis of Buy Now, Pay Later (BNPL) use by customers during the Financial Year 2020/21. The analysis shows that compared to customers with similar age distribution, customers that use BNPL products are one-and-a-half to two times more likely to:

- overdraw their transaction account (7.2 per cent vs 3.9 per cent); or
- fall behind on repayments (4.8 per cent vs 2.8 per cent).

Further, customers that used BNPL products were also more likely to be in financial hardship (6.4 per cent vs 4.9 per cent).

In August 2021, Commonwealth Bank launched its BNPL product, StepPay, which is available to eligible customers, on the basis they:

- show evidence of a regular income/deposits into a Commonwealth Bank account;
- can cover repayment instalments; and
- are subject to internal and external credit checks.