

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Westpac

**WBC107QON:** **Dr LEIGH:** Can you tell me a little bit more about those troubles, because you have, almost uniquely, good visibility on some of the challenges that might be caused by buy-now pay-later providers. What those providers will say to me is, 'As soon as someone doesn't pay on time they just get kicked off the system, so we don't have a bad debt problem.' But, when I talk to consumer groups, they say, 'Yes. That's because people are going through inordinate efforts with the rest of their finances in order not to miss a buy-now pay-later payment.' Do you see much of that?

**Mr King:** We do see a little bit. I haven't got the specifics. We certainly can provide some details, but my point is that it's not the individual provider but the aggregate impact of commitment that gets people into trouble.

**Dr LEIGH:** You talked about people having multiple buy-now pay-later accounts. Tell me a little bit more about how that problem unfolds.

**Mr King:** The point is that they can apply for buy-now pay-later accounts, which I think are credit, and there's a different process that is used for those particular accounts. They're not subject to some of the tests that the banks do when they lend credit. So it's the aggregate impact of having multiple accounts.

**Dr LEIGH:** I'd be grateful if you're able to share any more details on this, Mr King. It sounds from what you're saying as though the bank has done some quite thorough work on this which you don't have at your fingertips. If you're able to share some more details of that with the committee, I'd be most grateful.

**Answer:** We recognise that many people value the convenience of BNPL and the option to divide purchases up into four regular payments. As a result we have seen ongoing growth in the number of Westpac customers using BNPL. Many of those customers appear to be using BNPL sensibly and are able to manage the payments without difficulty.

However, from our customers who are approaching us for hardship assistance, we can observe that customers who find themselves in financial difficulty are sometimes resorting to BNPL facilities, often from multiple providers, to help them get by with their day to day expenses. This includes using BNPL for the purchase of groceries and clothing, gift cards, vet or other medical services, purchase of white goods/furniture and household services. In such situations, a credit assessment may have raised concerns about their ability to service further debts.