



Afterpay welcomes development of industry code of practice

19th of December 2019: Afterpay has welcomed the Australia Finance Industry Association's (AFIA's) announcement that the buy now pay later sector is working towards creation of a world-first code of practice for the growing buy now pay later sector.

“As the pioneer of this sector, Afterpay has been a long-standing and strong advocate of an industry code of practice that is focused on achieving the best outcomes for customers and embedding consumer protections.

“Through AFIA, we are taking a key role in the development of the Code and believe it will be important in continuing to lift industry standards in the interests of consumers”, said Afterpay co-founder and Chief Executive Officer Anthony Eisen.

Afterpay's product is purposefully designed with important consumer safeguards in place and turns the traditional model of credit on its head.

Our approval process is designed to ensure that our customers can afford their purchases. Unlike credit cards, we do not make one-off decisions to approve customers with a large credit limit. New customers are provided with low spending limits and we will only increase limits once customers have demonstrated positive repayment behaviour over time.

Unlike traditional credit, Afterpay does not charge interest - ever. This means we do not charge interest (or worse, default interest) if consumers are late. Instead, we apply late payment fees, but these fees are capped at a fair level and can never exceed 25% of the original value of the customer's order or \$68, whichever is less. We do not allow customers to pay monthly fees and 'kick the can down the road' by extending the payment time frame.

In addition, we freeze a customer's account as soon as a payment is missed, to prevent the customer from taking on more than they can afford. This is in stark contrast with credit cards, where very low minimum payment requirements mean that consumers can extend their credit card debt over many years (or decades) at interest rates of 20% or more.

Enshrining these safeguards, and more, in the Code is an important step. We look forward to further engaging with all stakeholders to achieve this.