

## **AFTERPAY TOUCH GROUP LIMITED (ASX: APT)**

### **ASX Announcement**

28 November 2018

### **ASIC Industry Review**

Afterpay Touch Group Limited (ASX: APT) (“**Afterpay**” or the “**Company**”) wishes to comment on the report released today by the Australian Securities & Investments Commission (“**ASIC**”) into the buy-now, pay-later industry.

- ASIC has today released its review in relation to the buy now pay later industry
- After a 10 month review, ASIC has recommended extending its product intervention powers as the most appropriate way to regulate the buy now pay later industry
- Afterpay looks forward to working with ASIC as they continue to monitor the industry

### **Consumer behaviour**

- Afterpay acknowledges that our product is not for everyone and consumer protection needs to be in place. We are committed to continuous improvement, and as innovators, we believe there is always an opportunity to do more for our customers
- We don’t want people to be paying late fees and we don’t want people to be committing to more than they can repay. Independent research has shown that 93% of Afterpay orders incur no late fees and over 75% of customers have never incurred a late fee. Afterpay does not charge any other customer fees whatsoever and it is a free service for customers who pay on time
- We have enhanced our processes, contract terms, capped late fees and introduced enhanced external ID verification checks. Further, Afterpay has worked with ASIC and consumer groups to enhance our financial hardship processes
- Afterpay already freezes a customer’s account if they are late on even a single instalment payment. ASIC has acknowledged that this is an important consumer protection measure.
- We continue to work on further improvements and developments in our product
- We note that we are the only product in ASIC’s review that does not charge “other” fees - we are a free service to those who pay on time (Table 4, Appendix 2, page 44)

### **Regulatory framework**

- ASIC has confirmed it recommends regulating Afterpay and other sector participants through the product intervention powers if the parliament extended those powers to capture buy now pay later products
- We have previously announced to the market that Afterpay supports such amendments, which are currently being debated in the parliament
- We believe that the intervention powers represent a proportionate regulatory response that recognises Afterpay’s unique business model and ensures we can continue to serve our millions of responsible customers and our 20,000+ retailers
- Intervention powers would give ASIC the ability to intervene in the market when and if it believed there was significant consumer detriment caused by the use of our product
- Afterpay appreciates that having clear oversight from ASIC will further increase public confidence in our product and ensure additional consumer protection is provided in the case that our product is used in an unintended manner

- *“In using the product intervention power, we would look for interventions that represent the most targeted and appropriate regulatory solutions to address identified consumer detriment.”*
- ASIC has confirmed it already has oversight over buy now pay later products, including through laws which prohibit providers from engaging in misleading, deceptive or unconscionable conduct
- ASIC has reconfirmed that Afterpay is different to traditional credit products as Afterpay does ‘not charge consumers for providing credit’ and is therefore not regarded as credit under the National Credit Code
- ASIC have stated the review is consistent with its mission to drive good consumer outcomes and to promote the strong and innovative development of the financial system
- As previously noted in our public statements, Afterpay has voluntarily been collaborating with ASIC since our IPO and responding to specific data requests in relation to the Review since January 2018

**Diverse sector**

- ASIC has also confirmed the wide range of products available in the buy now pay later sector. Unlike other products in the sector, Afterpay:
  - Has strict spending limits which cannot exceed \$2,000. Consumers commence on a much lower limit and can only get to \$2,000 after proving they can pay on time over time
  - Never charges interest
  - Does not allow debts to be extended (unless for reasons of hardship)
  - Has no account keeping or monthly charges
  - Limits late fees to \$68 or 25% of the purchase price with a minimum of \$10, whichever is lower
  - Does not allow a consumer to make another purchase if a single payment is late

**ENDS**

For further information, contact:

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**About Afterpay Touch Group**

Afterpay Touch Group (ATG) is a technology-driven payments company with a mission to make purchasing feel great for a global customer base. ATG comprises the Afterpay and Touch products and businesses. Afterpay is driving retail innovation by allowing leading retailers to offer a ‘buy now, receive now, pay later’ service that does not require end-customers to enter into a traditional loan or pay any upfront fees or interest to Afterpay. Afterpay currently has over 2.8 million customers and over 21,000 retail merchants on-boarded. Touch comprises innovative digital payment businesses servicing major consumer-facing organisations in the telecommunications, health and convenience retail sectors in Australia and overseas.