



Buy now pay later

What is buy now pay later?

Buy now pay later is an increasingly popular method of making payments, especially for online purchases.

For example, when you'd like to buy an item that you can't afford to purchase outright, buy now pay later can be an option. You need to pay a small portion upfront, and the remaining payment is split into equal installments paid every two weeks.

MATCH UP ACTIVITY

Write the word above its definition.

Instalment

An extra charge for not meeting certain rules of the agreement.

A fee charged when a payment is not made by the due date.

Terms and conditions

Late fee

A part of the total amount that is paid in regular payments.

The rules of the agreement between the borrower and lender.

Borrower

Penalty

A contract between a borrower and a lender explaining the terms and conditions of the loan.

Someone who takes money for temporary use and plans to give it back.

Lender

Minimum payment

Someone who lets out money for temporary use with the understanding it will be paid back.

The smallest amount that must be paid to avoid late fees.

Loan agreement



DISCUSSION ACTIVITY



You would like to buy a \$100 jacket. Discuss these two options with a partner. Write down the positives and negatives for each option.



Option 1

I would use buy now pay later. This means I pay \$25 up-front and I can take the jacket home straight away. After that, I will make three fortnightly payments of \$25.



Positives



Negatives

Option 2

I would wait to save up the \$100 and then buy the jacket outright when I am ready.



Positives



Negatives

Is buy now pay later risky?

Buy now pay later seems like a quick and easy way to get what you want. However, it is still a type of debt which means you need to manage your payments carefully to avoid late fees.

To avoid any problems, it's important to understand the details, such as the total cost, any fees, and what happens if you miss a payment.

It can be hard to keep track of your payments if you make too many purchases using buy now pay later. This could lead to more debt than you can handle and repay.

ACTIVITY

Choose one of the following buy now pay later stories from Alex, Malo and Anahera. In groups, discuss the following questions.

Q1
What are the potential risks in this story?

Q2
How could the person in the story manage or avoid these risks?

Q1

Q2

Story 1: Alex loves online shopping and uses buy now pay later to buy clothes and gadgets. Now, Alex has three different buy now pay later payments due every month and finds it hard to keep track of them.

Story 2: Malo used buy now pay later to buy an expensive gaming console but missed a couple of payments due to lack of funds. Malo didn't realise there were late fees and now owes even more money.

Story 3: Anahera wants a new phone for her birthday. Thinking she can easily handle the payments, Anahera uses buy now pay later to purchase the phone. However, Anahera didn't consider her mum's birthday in two weeks, for which she will need to buy a present.