

Buy Now Pay Later

August 2021



What are the Canstar Buy Now Pay Later Star Ratings?

Canstar's Buy Now Pay Later Star Ratings use a sophisticated and unique ratings methodology, unique to Canstar, that compares both Price and Features across Buy Now Pay Later services. Canstar Star Ratings represent a shortlist of financial products, enabling consumers to narrow their search to products that have been reviewed and assessed.

Eligibility Requirements

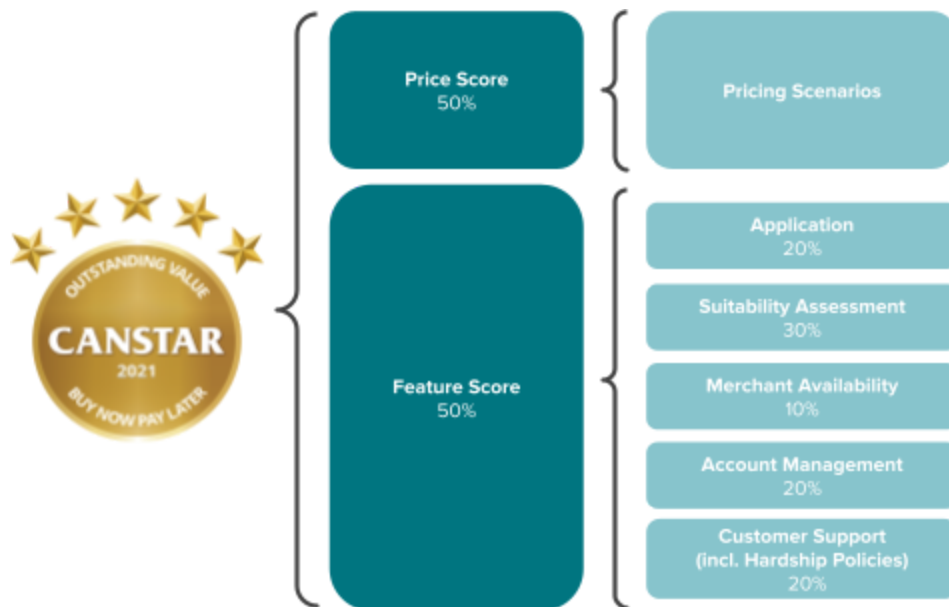
To be eligible for the Canstar Buy Now Pay Later Star Ratings, a product must,

1. Not charge interest on repayments
2. Allow structured repayments over a minimum of 4 weeks
3. Be able to be linked to a debit account
4. Be available at major retailers
5. Provide product T&C's on site, or provide them at the time of application.

Star Ratings Methodology

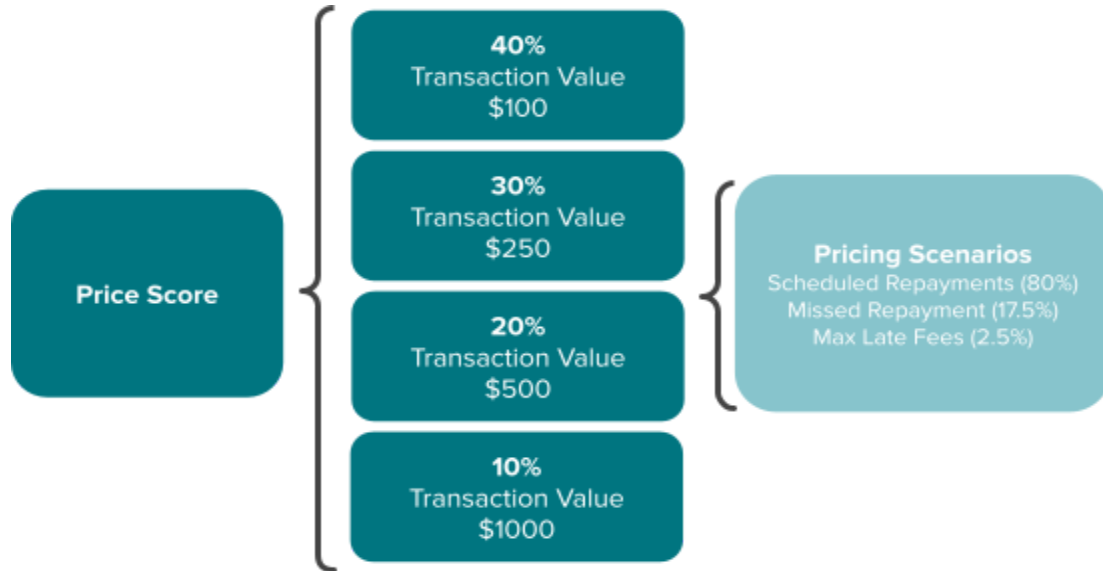
Each product reviewed for Canstar's Buy Now Pay Later Star Ratings is awarded points for its comparative pricing and for the array of features attached to the account. These features consider the application process (ease/methods of application), suitability assessments (credit/affordability checks), merchant availability, account management (access to digital wallets, repayment flexibility) and customer support (call centre availability, financial hardship support).

To arrive at the Total Score, Canstar applies a weight against the Price Score and the Feature Score. The weights reflect the relative importance of costs and features. This method is summarised in the diagram below:



Price Score

The price component considers the net cost associated with each Buy Now Pay Later service, including any missed payment fees, ongoing (monthly) fees and establishment fees. The Price Score is calculated using a series of scenarios based on consumer repayment behaviour. To recognise the variability in transaction values, the overall Price Score is calculated across four different spend levels.



To calculate the Net Cost, each product is compared on the following pricing scenarios for each spend level.

Pricing Scenario	Weight	Description
Scheduled Repayments	80%	Repaid using the prescribed repayment method with no avoidable fees incurred.*
Missed Repayment	17.5%	As per repayment schedule, but a required minimum repayment is missed, incurring a late fee if applicable.
Maximum Late Fees	2.5%	No repayments made for 3 months. Maximum late fees incurred.
*Where there is no structured repayment plan, it is assumed that consumers will repay the balance in equal installments over a 6 week period. To account for the day of purchase, 50% of purchases are assumed to occur in the first half of the month and 50% occur in the second half of the month.		

To measure the fees that could be incurred for each product, the weighted cost of using each product has been calculated based on the weights outlined above.

Both the price position of the product against its peers, and also the impact of incurring these fees has been considered. This is achieved by indexing all products within the market between the weighted net cost of the market leader and a downside benchmark that has been deemed to be a significantly inferior proposition against others within the market.

The maximum Price Score that can be achieved is 50 out of 50, while a product that costs 4 times more than the market average would receive a Price Score of zero. The Price Score for each product is then calculated based on the relative position of the product between these two benchmarks.

Feature Score

The Feature Score considers the customer's journey with a Buy Now Pay Later account, including application (online ID verification, application channels), suitability assessment (credit/affordability checks), account management (repayment flexibility, updating account information) and customer support. This score also considers the availability of these products and services at a variety of Australian retailers.

Category	Weight	Description
Application	20%	Ease of Access and Account Information
Ease of Access	60%	Online ID verification, ease of opening the account (e.g., via Apple app store / Google Play).
Account Information	40%	Availability of account information on site including quick links to fees, terms and conditions, and key policies.
Suitability Assessment	30%	Considers options for assessing applicant suitability (e.g., credit checks, financial stability)
Merchant Availability	10%	Availability at Australian retailers.
Account Management	20%	Repayments and Maintenance
Repayments	70%	Repayment flexibility, payment options, and associated fees (e.g., dishonoured payments).
Maintenance	30%	Updating personal information, alerts, in-app management.
Customer Support (incl. Hardship Policies)	20%	Availability of support via call centres, online live chat, and options to assist customers experiencing financial hardship.

Application

The Application category recognises the features of the Buy Now Pay Later that reduce the friction that exists in both opening a new account as well as the ease in making new purchases using the facility. In addition, the availability and accessibility of important information about the account forms a part of this assessment.

Suitability Assessment

Canstar acknowledges that not all products are suitable for all consumers. The Buy Now Pay Later Star Rating & Award methodology recognises providers positively for taking steps to ensure the suitability of their Buy Now Pay Later product when approving new customers. This category assesses both the breadth and depth of the suitability assessment that is undertaken when a consumer opens an account. Examples of the items considered within this category include:

- Are hard or soft credit checks conducted?
- Is consideration given to the applicant's employment status?
- Is consideration given to the applicant's income and expenses?
- Is the applicant's repayment history with credit products and other BNPL services part of the assessment?
- Is the ability to meet the required repayments of the purchase tested on application?

Merchant Availability

The Merchant Availability feature category considers the availability of each product/service across five major spend categories. These are,

1. Discretionary - Electronics and appliances, clothing, auto parts, furniture, health and beauty, etc.
2. Holidays - flights, tours, accommodation, cruises and rentals
3. Experiences - concert / theme park tickets, services, or education.
4. Groceries - purchasing regular staples for household consumption
5. Dining - making purchases when dining out

Category	Discretionary	Holidays	Experiences	Groceries	Dining
Weight	50%	20%	20%	5%	5%

Account Management

The Account Management feature category considers the methods used to make payments (virtual card, digital wallet), update and manage personal and account information, and view upcoming payments. This category also captures the inclusion of discounts at retail partners and rewards programs used to incentivise good repayment behaviour.

Customer Support (inc. Hardship Policies)

Customer Support (inc. Hardship Policies) considers the variety of support options available to consumers including the availability of call centres, online live chat through desktop and mobile, and secure forms available through the user portal. Additionally, this category captures specific features available to support customers experiencing financial hardship such as capping late fees, and providing links to independent financial counselling.

How is the Canstar Buy Now Pay Later Award Calculated?

Canstar recognises Buy Now Pay Later products that deliver outstanding value to Australian customers. Products that achieve 5-stars in the Star Rating are also awarded an Outstanding Value - Buy Now Pay Later Award.

How often are products reviewed for Star Ratings and award purposes?

Ratings and awards are recalculated annually based on the latest features offered by each provider. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

Does Canstar rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth and insurance products listed below. These Star Ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the Star Ratings as a guide to product excellence. The use of similar Star Ratings logos also builds consumer recognition of quality products across all categories.

Please access the Canstar website at www.canstar.com.au if you would like to view the latest Star Ratings reports of interest.

- Account based pensions
- Deposit accounts
- Health insurance
- Landlord insurance
- Margin lending
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits



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The ratings and awards results do not include all providers and may not compare all features relevant to you. The rating or award is only one factor to take into account when considering these products. Canstar acknowledges that past performance is not a reliable indicator of future performance.

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