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## New Code of Conduct for Buy Now, Pay Later Providers in Singapore to Take Effect on 1 Nov 2022

### Introduction

In recent years, the consumer credit landscape has seen a rise in "Buy Now Pay Later" ("BNPL") transactions, notably popular with retail customers for purchases at physical stores and online platforms. BNPL generally refers to a service/arrangement where a service provider partners with a merchant to allow customers to pay for purchases of goods/services on a deferred payment term, without compound interest, either by way of a single lump sum or fixed term instalments. Certain common features of BNPL services include capped late fees and the suspension of account when fees are overdue.

In response to concerns that BNPL may potentially cause excessive debt accumulation, an industry-led effort by the Singapore FinTech Association (SFA) and various industry players (under the guidance of the Monetary Authority of Singapore ("MAS")) developed the [BNPL Code of Conduct](#) ("CoC") which was published on 20 October 2022, and will take effect on **1 November 2022**. The primary aim of the CoC is to ensure that BNPL providers meet certain industry standards and best practices in order to protect consumers by limiting debt accumulation, as well as the interests of various stakeholders, and benefitting the wider financial ecosystem.

This Update highlights key aspects of the CoC.

### Creditworthiness Safeguards

These safeguards are primarily intended to minimise the risk of consumers overextending themselves and include the following:

- A BNPL provider is only permitted to offer BNPL services to customers over the age of 18 years.
- Until the BNPL provider has completed an additional credit assessment of the customer to ascertain creditworthiness, a BNPL provider will not allow a customer to accumulate more than S\$2,000 in outstanding payments at any given time. The additional credit assessment will consider among other things, a customer's overall credit situation such as income, and other credit information.
- Where a customer fails to meet any payment obligations, the BNPL provider will suspend the customer's access and use of its BNPL services.
- A BNPL provider must cap all fees, including late fees and other charges. It is also not permitted to compound fees and interest, if any.

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- A BNPL provider will allow consumers to voluntarily exclude themselves from BNPL services and promotional materials once this has been communicated in writing. A BNPL provider will retain a list of the customers who have voluntarily excluded themselves from its services.

## Fair Dealing, Transparent Fees and Clear Disclosures

Among other things, a BNPL provider is required to:

- Ensure that its terms and conditions are fair, clear and transparent, and up to date on all its platforms. At least two weeks of advance notice must be provided to customers in the event of any new fees or increase of existing fees or any other material changes to the terms and conditions.
- Take measures to ensure that customers can keep track of their payment obligations - for instance, it will provide customers access to statements of their accounts and send them reminders about payment obligations.
- Ensure that its advertisements of products and services comply with the relevant advertising laws and regulations, and all advertising and promotional materials are clear and not misleading or deceptive.
- Have in place a fair dispute resolution process, and to handle complaints in a fair, prompt and transparent manner. A BNPL provider must respond to complaints within specified timelines, and where complaints are not properly addressed, customers may lodge a complaint with the Consumer Association of Singapore (CASE).

## Financial Hardship Assistance

Where customers encounter financial hardships, BNPL providers are committed to consider extending hardship assistance to these consumers by working out mutually acceptable payment arrangements (where possible) with them. During this period, BNPL providers will not allow any further transactions by the customer.

## Other Areas

The CoC also provides guidelines covering:

- Late payment collection - for instance, debt collection practices must be done in accordance with relevant laws and adhere to the Credit Collection Association of Singapore's Code of Conduct & Practice.
- Sharing of information with external parties - for instance, the sharing of the relevant customer's payment and transaction information and personal identification information will only be made available to an independent service provider for credit risk assessment purposes only, and this

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information will subsequently be made available only to the particular service provider and other BNPL providers who are in compliance with the CoC, have signed commitments only to use this information for credit risk assessment purposes envisaged under section 7 of the CoC and are certified with the Info-Communications Media Development Authority Data Protection Trustmark.

- Document retention requirements - for instance, documentation relating to compliance with the CoC shall be retained in line with the prevailing relevant data protection laws and regulations, such as the Personal Data Protection Act 2012.

## Audit and Accreditation

BNPL providers will be required to undergo an industry-led audit scheme and accreditation process in order to be awarded with the trustmark that they may then display to customers to evidence compliance with the CoC. The accreditation process and awarding of trustmark to accredited BNPL providers is expected to be completed in late 2023 during the next phase of the rollout of the CoC, which will also include the setting up of the credit information sharing bureau.

## Our Comments

Consumer protection is the main guiding principle in the development of the CoC. The CoC is a significant step forward in ensuring that Singapore's BNPL sector is able to provide services in a structured, standardised and cohesive manner. This is a welcomed step given the increase in BNPL transactions. Relative to other means of consumer payment, BNPL transactions takes up a small percentage<sup>1</sup>. This is probably one of the factors which led to the development of an industry-led code of conduct which sets a standardised level of practice, but which does not have force of law. The proposed audit and accreditation process however ensures that BNPL providers are compliant with the CoC, and therefore provides confidence and comfort to consumers.

Looking generally at the consumer credit regulatory framework in Singapore, in response to a question on whether the MAS will consider centralising all financial institutions, moneylenders and credit-providing companies under a single regulatory framework, the Senior Minister and Minister in charge of MAS clarified that Singapore's current consumer credit regulations are largely aligned, with specific requirements tailored to address the varying consumer protection needs of borrowers served by different credit channels. This is in light of the fact that about 95% of consumer credit is provided by financial institutions that are regulated by MAS and the other 5% regulated by various other government agencies.<sup>2</sup> As BNPL providers could, in a way, be regarded as alternative consumer credit providers, and as the BNPL sector in Singapore further develops with the implementation of the CoC, it remains to be seen if there will be a need to align the CoC to ensure consistency and coherence with the broader consumer credit regulatory framework.

<sup>1</sup> [Reply to Parliamentary Question on Buy Now Pay Later Loans \(12 Sept 2022\)](#)

<sup>2</sup> [Reply to Parliamentary Question on centralised consumer credit regulatory framework \(5 Oct 2021\)](#)

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There are various legal, regulatory and compliance aspects of BNPL businesses which BNPL providers should closely consider so as to be able to comply with the CoC. In addition to ensuring that the terms of business of BNPL providers meet the standards laid out in the CoC, other areas which must be considered include making appropriate product disclosures, sharing of customer data and compliance with personal data protection laws, compliance with consumer protection laws, drafting and putting in place a well-developed and visible complaints handling process, to name a few.

Should you require any legal assistance, or if you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

For more information, please click on the following links (available on the Singapore FinTech Association website at [www.singaporefintech.org](http://www.singaporefintech.org)):

- [BNPL Code of Conduct](#)
- SFA media release on "[Buy Now, Pay Later \(BNPL\) Working Group launches BNPL Code of Conduct for Singapore](#)".

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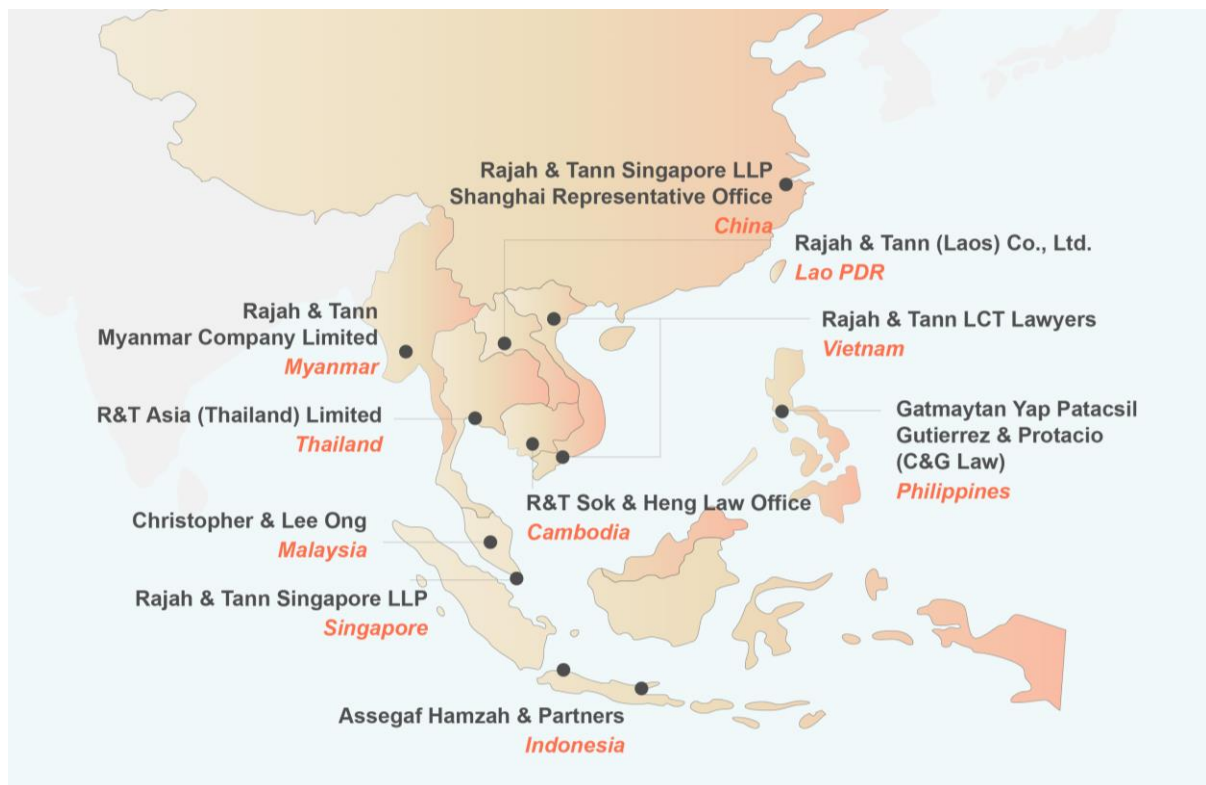
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