

Is it the season for Openpay?



Christmas shopping is now easier than ever before.

From pre-Christmas sales (39% of retailers plan to discount before Christmas this year¹) to online shopping and buy now, pay later (BNPL) options, it has never been easier to nab a bargain... **AND** pay for it later, **INTEREST FREE!**

Those of you who have been following us for a while will know our views on buy now, pay later options.... **be cautious!**

We highly recommend thinking twice about using these services, especially if you intend to buy a home or investment property or are considering refinancing in the next three to six months.

With over two million users of the buy now, pay later system in Australia², instore and online retailers are jumping onto a BIG opportunity.

But wait there's more..

Even Amazon Australia has succumbed to the BNPL trend. Last month, they ventured into a partnership with Zip to allow customers to split the total cost of their order into instalments³.

And more..

While Afterpay and ZipPay are the two most known in Australia, there are similar options growing in popularity such as Openpay and PaytLater, with varying terms and conditions.

The rise of Openpay

While Openpay has just 1,700 merchants and 310,000 customer payment plans, numbers have increased 100% year on year for three years⁴. This is expected to only grow.

Openpay is looking to list on the Australian Stock Exchange and raise around \$50 million through the listing. More money to expand!

Afterpay Vs Openpay

Afterpay and its alternatives provide an appealing option for customers with benefits including:

- immediate use
- easy to use
- interest free terms (*It works like an interest FREE loan. You generally have longer to pay and you don't have to pay a cent more than the actual cost of the item.*)
- an alternative to using a credit card
- increasing availability instore and online

While Afterpay and Openpay both offer interest free terms, Openpay goes a step further by offering flexibility. You choose your own plan. You can reschedule to avoid late fees. Repayment terms can be up to 6, 12 or 18 months (compared to 8 weeks for Afterpay).

**BUT buyers beware
of the pitfalls!**

Afterpay and **Openpay** make money by charging retailers fees for offering the service. They also **make money** from fees charged to customers.

While with **Afterpay** there is no upfront fee to customers (but beware the late fees!), **Openpay** charges processing and establishment fees, in addition to late fees⁵.

Don't let your Christmas and impulse spending get out of control!

Pay by instalments options may seem manageable, but paying smaller amounts over time can lessen the impact of the TOTAL cost and potentially influence you to spend MORE.

A \$25 instalment here and a \$50 instalment there can all compound to substantial ongoing regular payments. Bundle half a dozen of those together and you could be racking up over \$250 of regular (generally fortnightly) payments.

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BNPL could affect your borrowing power

There are many factors that could impact your credit score (a number based on an analysis of your credit file that helps a lender determine your credit worthiness).

The type of credit providers you've applied for credit with and the amount of times you apply for credit, amongst many other factors, can greatly affect your borrowing power.

When it comes time to seek finance for a loan or property, each credit limit can make a difference to your application and your borrowing capacity.

Consider buy now, pay later as a payment option BUT make sure you make payments on time and keep a close eye on the credit limit – we don't want 'credit creep' taking over your budget.

If you **MUST** use this system, we highly recommend you have the payments taken from your **DEBIT CARD NOT CREDIT CARD** to avoid credit card interest accruing and adding even more financial difficulty to your situation.

PLEASE AVOID the credit limit creep and don't let instant gratification catch up with you. Spend within your budget.

Read our 4 tips to taming your impulse spending before you head to the shops this month.

1. Deloitte Retailers' Christmas Survey 2019
2. ASIC Report / Canstar, Is 'buy now, pay later' the new credit card? December 2018
3. Insider Retail Australia, Amazon Australia succumbs to buy now pay later surge, November 2019
4. Yahoo Finance, Is Openpay the new Afterpay? November 2019
5. Finder, afterpay vs openpay

If you or someone you know is confused about openpay or afterpay, **read our 4 tips to tame your impulse spending before heading to the shops**

