

Attachment to CP 382: Draft RG



ASIC
Australian Securities &
Investments Commission

REGULATORY GUIDE 000

Low cost credit contracts

February 2025

About this guide

This guide is for Australian credit licensees who provide a category of credit known as low cost credit contracts. Most buy now pay later contracts fall into this category.

It sets out ASIC's guidance on how the credit regime applies to low cost credit contracts, including the modified responsible lending obligations in Ch 3 of the *National Consumer Credit Protection Act 2009*.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This draft guide was issued in February 2025 and is based on legislation and regulations as at the date of issue.

At the time of publication, the *National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025*, which will amend the *National Consumer Credit Protection Regulations 2010*, had not yet been finalised by Government. All references to these regulations in this draft guide are based on the exposure draft released for consultation on 5 February 2025 and may be updated once the regulations are finalised.

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the National Credit Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

DRAFT

Contents

A	Overview	4
B	The regime for low cost credit contracts	5
	How does the regime apply?	5
	What is a 'low cost credit contract'?	5
	What contracts are covered by the regime?	7
C	Complying with the modified responsible lending obligations	8
	What are the modified responsible lending obligations?	8
	What mandatory inquiries must I make?	10
	What mandatory factors must I consider to determine what is 'reasonable'?	12
	What are the rebuttable presumptions for assessments?	14
	What about assessments for contracts larger than the initial limit?... ..	15
	What are the requirements for an unsuitability assessment policy? ..	18
D	Electing to comply with the modified responsible lending obligations	19
	What are the requirements for making or revoking an election?	19
E	Other modified obligations for low cost credit contracts	21
	Electronic disclosure	21
	Credit representatives	22
	Comparison rates	22
	Default notices	22
	Contractual requirements	23
	Key terms	24
	Related information	26

DRAFT

A Overview

Key points

If you are a provider of low cost credit contracts, you must comply with certain obligations under the consumer credit regime, some of which are modified for low cost credit contracts.

This guide explains:

- how the regime for low cost credit contracts applies (see Section B);
- what you must do to comply with the modified responsible lending obligations (see Section C); and
- how you can elect to comply with the modified responsible lending obligations under the regime (see Section D);
- what other modified obligations apply to low cost credit contracts (see Section D).

RG 000.1 From 10 June 2025, low cost credit contracts and buy now pay later contracts are regulated as a type of credit under the *National Consumer Credit Protection Act 2009* (National Credit Act).

Note: Under the *Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024*, the reforms commence six months after the Act receives Royal Assent (i.e. 10 June 2025), or a date within the six-month period that is fixed by proclamation.

RG 000.2 If you are, or will be, a provider of credit under a low cost credit contract or buy now pay later contract as defined in the National Credit Act, you must:

- (a) hold and maintain an Australian credit licence (credit licence) and comply with the relevant licensing obligations; and
- (b) comply with obligations under the National Credit Act and National Credit Code (at Sch 1 of the National Credit Act), some of which are modified for providers of low cost credit contracts.

RG 000.3 The regime for low cost credit contracts is designed to maintain the unique benefits of these contracts while reducing consumer harm.

Note: See the Explanatory Memorandum to the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024 ([Explanatory Memorandum](#)) at paragraphs 2.11–2.12 and 2.16–2.19.

DRAFT

B The regime for low cost credit contracts

Key points

A low cost credit contract is a category of credit under the National Credit Code. Most buy now pay later contracts fall into this category.

The regime applies on or after commencement to low cost credit contracts that were entered into before, on or after commencement.

How does the regime apply?

- RG 000.4 Most buy now pay later contracts are regulated as low cost credit contracts.
- RG 000.5 If a buy now pay later contract does not meet the definition of a low cost credit contract (e.g. because the fees and charges payable exceed prescribed limits), it is regulated as a credit contract under the National Credit Code (i.e. without the modifications under the low cost credit contract regime).
- RG 000.6 If a credit contract falls within the definition of a low cost credit contract, but could also be characterised as a continuing credit contract, small amount credit contract, or a medium amount credit contract for the purposes of the National Credit Code, it is regulated only as a low cost credit contract.

What is a ‘low cost credit contract’?

- RG 000.7 Under s13E of the National Credit Code, a low cost credit contract is a contract:
- (a) where credit is or may be provided;
 - (b) in the form of a buy now pay later contract (see RG 000.20), or a contract of a kind prescribed by regulations; and
 - (c) which meets any other requirements prescribed by the regulations, including fees and charges (see RG 000.16–RG 000.17).

Note 1: Credit for this purpose is credit as defined in s3 of the National Credit Code—where payment of a debt owed by one person to another is deferred; or one person incurs a deferred debt to another.

Note 2: In this guide, all section references are to the National Credit Act (unless otherwise specified) and regulation references are to the *National Consumer Credit Protection Regulations 2010* (National Credit Regulations).

- RG 000.8 The requirement in s5(1)(c) of the National Credit Code that a charge is or may be made for the provision of credit (e.g. interest charges) does not apply to low cost credit contracts: s13C(2) of the National Credit Code.

DRAFT

- RG 000.9 Providers of low cost credit contracts also cannot rely on the following provisions to be excluded from the National Credit Code:
- (a) s6(1), which excludes certain types of short-term credit;
 - (b) s6(5), which excludes the provision of credit for which only account charges are payable; and
 - (c) s6(13), 6(14) and 6(17), relating to the provision of credit excluded by regulations or legislative instrument: s13C(2) of the National Credit Code.
- RG 000.10 All other requirements for the provision of credit under the National Credit Code must be met: see Regulatory Guide 203 *Do I need a credit licence?* ([RG 203](#)).

Note: Regulation 28RB provides an exemption from certain provisions if there is a genuine small business purpose for the credit.

Buy now pay later contracts

- RG 000.11 To be a buy now pay later contract, the credit contract must be part of a buy now pay later arrangement. A buy now pay later arrangement is an arrangement or series of arrangements where:
- (a) a merchant supplies goods or services to a consumer;
 - (b) a third person (buy now pay later provider) pays the merchant, directly or indirectly, some or all the price for that supply of goods or services; and
 - (c) there is a contract between the consumer and the buy now pay later provider to provide credit to the consumer in connection with that supply of goods and services (the buy now pay later contract): s13D of the National Credit Code.
- RG 000.12 To be a buy now pay later arrangement, it does not matter:
- (a) if there are any fees or charges payable by the consumer or merchant in connection with the arrangement;
 - (b) if the contract is a continuing credit contract;
 - (c) if the merchant, consumer, and buy now pay later provider are not all parties to one contract; or
 - (d) when the payment occurs (this can be before, at, or after the supply of goods and services).
- RG 000.13 The requirement under s5(1)(c) of the National Credit Code that a charge is or may be made for the provision of credit does not apply to buy now pay later contracts. Certain exclusions under the National Credit Code also do not apply: see RG 000.9(a)–RG 000.9(b).
- RG 000.14 The buy now pay later provider may pay for the goods or services indirectly, such as through a payment service provider.

DRAFT

RG 000.15 The National Credit Regulations may exclude certain arrangements or certain series of arrangements.

Fees and charges

RG 000.16 The total amount of fees and charges that may be payable under a low cost credit contract and any other low cost credit contracts between you and a consumer in a 12-month period (fee caps) are set out in reg 69G of the National Credit Regulations.

Note: Regulation 69G sets out fee caps for fees or charges (other than default fees or charges) and default fees or charges.

RG 000.17 The reference to ‘fees and charges’ excludes:

- (a) fees and charges associated with a related deposit facility—that is, any fees or charges that are payable to or by a credit provider in connection with a credit contract where both credit and debit facilities are available, and if the fees or charges would be payable even if credit facilities were not available;
- (b) government charges or duties on receipts or withdrawals; and
- (c) enforcement expenses.

What contracts are covered by the regime?

RG 000.18 The regime applies to all credit activity in relation to all credit contracts defined as a low cost credit contract from commencement. This includes low cost credit contracts that were entered into before (pre-commencement contracts), on, or after commencement.

Note: This general principle also applies to buy now pay later contracts under s13B of the National Credit Code that do not meet the definition of low cost credit contracts: see paragraph 2.137 of the [Explanatory Memorandum](#).

RG 000.19 For a pre-commencement contract, this means that a consumer may make a hardship application or a complaint under internal dispute resolution processes.

RG 000.20 You do not have to comply with the responsible lending obligations for a pre-commencement contract. However, if you increase the credit limit of a pre-commencement contract on or after commencement, you must meet the relevant responsible lending obligations.

RG 000.21 Pre-commencement contracts must comply with the fee caps from commencement.

Note: If the fee caps are not met, then the buy now pay later contract is regulated as a credit contract: see RG 000.5.

DRAFT

C Complying with the modified responsible lending obligations

Key points

The modified responsible lending obligations vary some of the standard responsible lending obligations for low cost credit contracts.

Where elements have not been modified, you must comply with the standard responsible lending obligations.

What are the modified responsible lending obligations?

- RG 000.22 The standard responsible lending obligations require you to:
- (a) make reasonable inquiries about the consumer's requirements and objectives and financial situation and take reasonable steps to verify their financial situation (reasonable inquiries and verification), and
 - (b) assess whether the credit contract is unsuitable.
- RG 000.23 Under the modified responsible lending obligations, you are still required to undertake these steps. However, the modifications:
- (a) ease some requirements about the timing of inquiries and verification and assessments of unsuitability,
 - (b) provide specified factors to be taken into account in determining what constitutes reasonable inquiries and verification,
 - (c) mandate certain inquiries about a consumer's financial situation,
 - (d) create a rebuttable presumption that low cost credit contracts with a credit limit of \$2,000 or less meet the consumer's requirements and objectives for the purposes of unsuitability assessments; and
 - (e) allow you to conduct inquiries and an assessment for an amount of credit larger than that initially offered to the consumer. This assessment covers any subsequent credit limit increases up to that amount for a period of up to 2 years.
- RG 000.24 Table 1 summarises more specific information about the modifications. Where elements of the responsible lending obligations are not modified, the standard obligations apply: see Regulatory Guide 209 *Credit licensing: Responsible lending conduct* ([RG 209](#)) for guidance on these obligations (as noted in Table 1).

Note: The standard responsible lending obligations are modified for some products that are not low cost credit contracts. The summary does not cover those modifications.

DRAFT

Table 1: Differences between the standard and modified responsible lending obligations

Standard responsible lending obligations	Modified responsible lending obligations
<p>1. Make reasonable inquiries about the consumer</p> <p>You must make reasonable inquiries about a consumer's:</p> <ul style="list-style-type: none"> • requirements and objectives, and • financial situation. 	<p>You must still make reasonable inquiries about a consumer's requirements and objectives and financial situation: see RG 209 at RG 209.51–RG 209.78 for the types of inquiries you can make.</p> <p>In determining what constitutes 'reasonable' inquiries under s130, you must have regard to several factors: s133BXC. These factors may lower the scope and intensity of reasonable inquiries: see RG 000.34–RG 000.36 and Table 2.</p> <p>There are mandatory inquiries that you must undertake about a consumer's financial situation: see reg 28HAD. See RG 000.25–RG 000.33.</p>
<p>2. Take reasonable steps to verify the information obtained</p> <p>You must take reasonable steps to verify the consumer's financial situation: s130.</p>	<p>You must still take reasonable steps to verify the information obtained: see RG 209 at RG 209.120–RG 209.125 for the types of information you can rely on to verify a consumer's financial situation.</p> <p>In determining what constitutes reasonable verification under s130, you must have regard to several factors: s133BXC. These factors may lower the scope and intensity of reasonable verification: see RG 000.34–RG 000.36 and Table 2.</p>
<p>3. Assess whether the credit product or credit limit increase is 'not unsuitable' for the consumer</p> <p>Before engaging in regulated conduct under s128(a)–(ba), you must assess whether a credit contract or credit limit is unsuitable: s128–129.</p> <p>The contract must be assessed as being unsuitable if at the time of assessment it is likely that:</p> <ul style="list-style-type: none"> • the consumer will be unable to comply with their financial obligations under the contract, or could only comply with substantial hardship; • the contract will not meet the consumer's requirements or objectives; or • circumstances prescribed in the regulations apply: s131. 	<p>You must still assess whether a contract or credit limit increase is unsuitable, and you are prohibited from entering into a contract or increasing the credit limit if it is unsuitable: see Section C of RG 209.</p> <p>For contracts that are less than or equal to \$2,000, there is a presumption that the contract or credit limit increase will meet the consumer's requirements and objectives for the purposes of s131(2)(b): s133BXE. See RG 000.37–RG 000.42.</p> <p>There is no presumption for assessing whether the consumer would be able to comply with their financial obligations, or could only comply with substantial hardship. You must still assess the consumer's ability to comply with their financial obligations under the contract: see RG 209 at RG 209.184–RG 209.212.</p> <p>You may conduct assessments for amounts higher than the initial credit limit provided, which will cover credit limit increases up to that amount for 2 years: s133BXD. See RG 000.43–RG 000.58.</p> <p>Note: This only applies to contracts that were entered into on or after commencement, where the assessment, inquiries, and verification were made on or after commencement.</p>
<p>4. Do not engage in regulated conduct if the credit product or credit limit increase is unsuitable</p> <p>You are prohibited from entering into a credit contract or increasing the credit limit of a contract if the contract is unsuitable: s133.</p>	<p>For contracts that are less than or equal to \$2,000, there is a presumption that the contract will be 'not unsuitable' in terms of meeting the consumer's requirements and objectives for the purpose of the prohibition in s133(2)(b): s133BXF. See RG 000.37–RG 000.42.</p> <p>There is no presumption of a contract being 'not unsuitable' in relation to the other requirements in s133(2)(a) (whether the consumer would be able to comply with their financial obligations or could only comply with substantial hardship): see RG 209 at RG 209.184–RG 209.212.</p>

DRAFT

Standard responsible lending obligations	Modified responsible lending obligations
<p>5. Do not make unconditional representations.</p> <p>You must not make unconditional representations to a consumer about their eligibility to enter into the credit contract or about whether the credit limit will be able to be increased unless you have, within 90 days before the credit day, made an assessment of unsuitability and made reasonable inquiries and verification: s128(aa) and 128(ba).</p>	<p>This condition does not apply: s133BXB(a).</p> <p>Note: You are still subject to an obligation not to engage in conduct that is misleading or deceptive or likely to mislead or deceive.</p>
<p>6. If requested, give a copy of the assessment to the consumer.</p> <p>If you are asked by the consumer for a copy of the assessment that a credit product is 'not unsuitable', you must give a written copy of the assessment free of charge (within the prescribed time limits): s132.</p>	<p>This obligation is the same: see RG 209 at RG 209.253–RG 209.271.</p> <p>However, all materials required to be given in relation to low cost credit contracts can be given electronically: see Section D.</p>
<p>7. Comply with time limits when making inquiries, verification, and assessments.</p> <p>You must undertake reasonable inquiries, verification and the assessment within 90 days before entering into a contract or increasing the credit limit: s128(a) and 128(d).</p>	<p>The time period for reasonable inquiries, verification and assessment is eased—you have 120 days before entering the low cost credit contract: reg 28HAC.</p> <p>Note: If you enter into a contract or increase a credit limit after commencement and are relying on inquiries and verification or an assessment made before commencement, the inquiries and verification and assessment must have been made within 90 days of entering into the contract.</p>
<p>No equivalent provision</p>	<p>You must have a written policy that sets out how you will comply with assessments of unsuitability under s128 and 131: s133BXG. See RG 000.59–RG 000.59 and Table 3.</p>

What mandatory inquiries must I make?

RG 000.25 The modified responsible lending obligations set out mandatory inquiries you must make about a consumer's:

- (a) income, expenditure and other credit products (see RG 000.27–RG 000.29); and
- (b) credit history (see RG 000.30–RG 000.33).

RG 000.26 You must also make any reasonable inquiries necessary about the consumer's financial situation (and taken reasonable steps to verify the information obtained from these inquiries) for each low cost credit contract having regard to the factors at s133BXC: see RG 000.34–RG 000.36 and Table 2. In some circumstances, you may be satisfied that the mandatory inquiries fulfil your obligation to undertake reasonable inquiries about the consumer's financial situation. In other circumstances, additional inquiries may be required: see [RG 209](#) at RG 209.58–RG 209.78 for the types of inquiries you can make about a consumer's financial situation.

DRAFT

Mandatory inquiries about the consumer's income, expenditure and other credit products

- RG 000.27 You must seek to obtain information that you reasonably believe to be substantially correct about:
- (a) the consumer's income and expenditure (see [RG 209](#) at RG 209.58–RG 209.78 for guidance on information you can gather about a consumer's financial situation); and
 - (b) any low cost credit contracts, small amount credit contracts and/or consumer leases to which the consumer is currently a party (information about the size, length and repayments of these contracts will likely help you understand the consumer's financial situation): reg 28HAD(6).
- RG 000.28 You can determine how (and in what format) the information is obtained, provided you reasonably believe that the information is substantially correct. You may need to undertake further inquiries where, for example, information obtained from a consumer is unclear, inconsistent or unable to be verified. This may involve relying on information that can help to verify a consumer's financial situation.
- Note: See Table 1 under '2. Take reasonable steps to verify the information obtained' and [RG 209](#) at RG 209.120–RG 209.125 for information on the types of information you can rely on to verify a consumer's financial situation.
- RG 000.29 Benchmarks can be useful to test whether the information is plausible because it is within the range expected for a person in broadly similar circumstances to the consumer (alternatively, the comparison may indicate that the information provided may not be true). You need to regularly monitor and review benchmarks and how you use them to ensure they remain appropriate (e.g. by assessing data on defaults, complaints and dispute resolution).

Mandatory inquiries about the consumer's credit history

- RG 000.30 You must seek to obtain information about the consumer's credit history from a credit reporting body.
- RG 000.31 If the value of the low cost credit contract being entered into combined with the value of other low cost credit contracts the consumer has with you that are still in force is **less than \$2000** at the time the low cost credit contract is entered into or after the credit limit is increased, you must seek to obtain the following information (commonly known as a 'negative credit check') about the individual from a credit reporting body (reg 28HAD(2)–(3)):
- (a) identification information (e.g. name, address, employment history, driver's licence number);
 - (b) details of any information requests that have been made in relation to the individual (e.g. requests for credit reports for credit application purposes);
 - (c) default information (e.g. if an individual is at least 60 days overdue in making a payment of at least \$150);

- (d) payment information (e.g. a payment in relation to a default);
- (e) personal insolvency (e.g. bankruptcy);
- (f) information covered by s6N(k) of the *Privacy Act 1988* (Privacy Act) (e.g. publicly available information about the individual's activities that relate to their credit worthiness);
- (g) new arrangement information (within the meaning of the Privacy Act); and
- (h) court proceedings information (within the meaning of the Privacy Act), such as credit related court judgements.

Note: These types of information carry the same meaning as defined in the Privacy Act. A credit check can only be obtained where a consumer is a natural person (not a strata corporation).

RG 000.32 If the value of the contract combined with the value of other low cost credit contracts the consumer has with you that are still in force is ***greater than or equal to \$2000*** at the time the low cost credit contract is entered into or after the credit limit is increased, you must seek to obtain:

- (a) the negative credit check information in RG 000.31; and
- (b) information about the individual's consumer credit liability (reg 28HAD(4)), including details about consumer credit provided to that individual, such as when the credit started and ended, the terms and conditions and maximum amount of credit available (commonly known as a 'partial credit check').

RG 000.33 Some of a consumer's negative credit check and credit liability information may not be available for various reasons. Where you have made reasonable efforts to obtain the information from the credit reporting body, you can comply with the mandatory requirements despite not obtaining all of the information in reg 28HAD(3) and (4).

Note: See the Explanatory Statement to the Exposure Draft of the National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025 ([Explanatory Statement](#)), p. 9.

What mandatory factors must I consider to determine what is 'reasonable'?

RG 000.34 In determining what constitutes reasonable inquiries and verification, the modified responsible lending obligations require you to have regard to the factors set out in 133BXC(3): see Table 2.

RG 000.35 These factors are generally intended to lower the scope and intensity of the inquiries and verification required under s130. However, in some circumstances, a more robust analysis may be required (e.g. if products are poorly designed or attract especially vulnerable consumers). You should consider these factors holistically, and you may weigh them depending on the individual circumstances of a particular credit application.

Note See the [Explanatory Memorandum](#) at paragraph 2.33 and 2.69.

DRAFT

RG 000.36 In addition to the mandatory factors, there may be other relevant factors that you can have regard to when determining what constitutes reasonable inquiries and verification: see, for example, [RG 209](#) at RG 209.79–RG 209.114.

Table 2: Mandatory factors to consider as part of ‘reasonable’ inquiries and verification

Factor in 133BXC(3)	Description
<p>The nature of the low cost credit contract (including the terms of the contract and the type and amount of credit provided under the contract): s133BXC(3)(a)</p>	<p>The nature of the product includes:</p> <ul style="list-style-type: none"> • the amount of credit made available to the consumer; • the basis on which it is made available; • the repayment amounts; • the number of repayments; • how much time is allowed to make repayments and whether repayments may be adjusted, including any fees; • fees and charges payable under the contract (including interest and default charges) and the circumstances in which they are payable; and • other terms and conditions of the contract. <p>Note See the Explanatory Memorandum at paragraph 2.70.</p>
<p>If there is a target market determination (within the meaning of the Corporations Act)—the nature of the target market for the low cost credit contract, as described in that determination: s133BXC(3)(b)</p>	<p>The ‘target market’ for the product is the class of retail clients described in the target market determination for the product, as required under the design and distribution obligations in Pt 7.8A of the Corporations Act.</p> <p>Low cost credit contract contracts must have a target market determination that satisfies the requirements in s994B of Corporations Act. Under s994B of the Corporations Act, the target market determination must contain:</p> <ul style="list-style-type: none"> • an appropriate target market such that if the product were issued to a consumer in the target market, it would likely be consistent with their likely objectives, financial situation and needs; and • appropriate distribution conditions that would make it likely that the product is issued to a retail client in the target market. <p>Note: See Regulatory Guide 274 <i>Product design and distribution obligations</i> (RG 274). An issuer must also take reasonable steps to ensure they distribute the product in accordance with the target market determination.</p> <p>For example, exclusion of higher-risk consumer groups from a target market would be expected to reduce the extent of the steps that need to be taken.</p> <p>Note: See the Explanatory Memorandum at paragraph 2.72.</p>
<p>Whether the consumer is financially vulnerable: s133BXC(3)(c)</p>	<p>Unlike the other mandatory factors, this factor is specific to the consumer’s personal circumstances. We consider a person to be financially vulnerable if they are experiencing financial difficulty or are at risk of financial difficulty.</p> <p>You will need to implement measures to help you recognise if a consumer is experiencing financial vulnerability. This could include asking the consumer targeted questions. For existing customers, you could analyse information you hold about them (e.g. late payments). For new and existing customers, the information obtained from your inquiries into the consumer’s income, expense and other credit liabilities as well as any ‘negative’ or ‘partial’ credit checks (as required by reg 28HAD(5)) may assist you.</p> <p>Indicators of financial vulnerability should not have the effect that the consumer is automatically denied credit. However, you may need to make further inquiries and/or verification to determine the extent of these circumstances and whether they are likely to be exacerbated if the consumer enters into the low cost credit contract.</p>

DRAFT

Factor in 133BXC(3)	Description
<p>What procedures you have in place to:</p> <ul style="list-style-type: none"> • reduce the risk of the licensee providing credit to a consumer on terms that are not affordable for the consumer; and • mitigate the harm that may be caused to a consumer if you provide credit to the consumer on terms that are not affordable for them: s133BXC(3)(d)-(e) 	<p>You may have specific procedures for these provisions, or procedures that while designed for other purposes have the effect of reducing the risk of unaffordable lending or mitigating harms of actual unaffordable lending. These may reduce the level of inquiries and verification steps that need to be taken, the extent of which would depend on the nature and effectiveness of the procedure.</p> <p>‘Not affordable’ is not defined, but is intended to refer to the circumstances in s131(2)(a) and 133(2)(a), which state that a contract or increased credit limit is unsuitable if the consumer will be unable to comply with their financial obligations, or could only comply with substantial hardship.</p> <p>Note: See the Explanatory Memorandum at paragraph 2.74.</p> <p>Examples of procedures to reduce the risk of unaffordable lending include suspending access to credit if a consumer is in arrears or defaults, undertaking supplementary real-time monitoring of creditworthiness during the contract, or using specific protocols that govern when credit limits are to be increased or decreased. Harm mitigation strategies include your approach to debt collection, hardship applications, and procedures for engaging with vulnerable consumers.</p> <p>Note: See the Explanatory Memorandum at paragraph 2.75.</p>
<p>Other matters in the regulations: s133BXC(3)(f)</p>	<p>Not applicable.</p>

What are the rebuttable presumptions for assessments?

- RG 000.37 There are rebuttable presumptions that low cost credit contracts with a credit limit of the prescribed ‘threshold amount’ of \$2,000 or less (or a threshold prescribed by the regulations) will be:
- presumed to be ‘not unsuitable’ in terms of meeting the consumer’s requirements and objectives for the purpose of assessing whether the contract is unsuitable at s131(2)(b); and
 - presumed to be ‘not unsuitable’ in terms of meeting the consumer’s requirements and objectives for the purpose of the prohibition of entering into an unsuitable contract under s133(2)(b).
- Note: See s133BXE and 133BXF.
- RG 000.38 The same presumptions apply to any increase to the credit limit of a low cost credit contract, but only if the credit limit of the contract after the increase is less than or equal to \$2,000.
- RG 000.39 The presumptions only apply to a consumer’s requirements and objectives. You will still need to assess the consumer’s ability to comply with their financial obligations under the contract. You will also still need to make reasonable inquiries about the consumer’s requirements and objectives under s130.

DRAFT

RG 000.40 The presumptions are rebutted by evidence to the contrary—that is, where there is information that suggests the contract would not meet the requirements and objectives of the consumer.

Note: See the [Explanatory Memorandum](#) at paragraph 2.84.

RG 000.41 For example, the presumption may be rebutted where a consumer seeks a buy now pay later arrangement that is one-off in nature and does not require an ongoing line of credit, but you offer the consumer a continuing credit contract arrangement that anticipates multiple advances of credit.

Note: See the [Explanatory Memorandum](#) at paragraph 2.84.

RG 000.42 If the presumptions do not apply (i.e. where the credit limit is above \$2,000 or the presumptions have been rebutted for contracts that are \$2,000 or less), you must assess whether it is likely that the contract will meet the consumer's requirements and objectives: see [RG 209](#) at RG 209.213–RG 209.222 for guidance on assessing the consumer's requirements and objectives.

What about assessments for contracts larger than the initial limit?

RG 000.43 You can make an initial assessment for a contract with a credit limit that is larger than the low cost credit contract that is being entered into: s133BXD. This allows you to make a point-in-time assessment and provide subsequent credit limit increases to consumers over time, up to the larger amount, without making a new assessment.

RG 000.44 You can satisfy the obligation to make inquiries and verification (s128(d)) and the obligation to make an assessment (s128(c)) for subsequent credit limit increases (known as 'protected increases') if:

- (a) you make inquiries and verification in relation to an amount that is larger than the amount of credit that is initially entered into (the 'larger amount');
- (b) you make an assessment that a larger amount is not unsuitable;
- (c) you subsequently increase the consumer's credit limit up to an amount that is not greater than the larger amount;
- (d) the terms of the contract after the increase are substantially the same as they were immediately before the increase; and
- (e) the increase(s) occur within the period covered by the initial assessment or within 2 years of the assessment date, whichever is shorter.

DRAFT

Making an initial assessment

- RG 000.45 If you want to rely on the protected increase provisions, you need to make your inquiries, verification and assessment for the larger amount, known as the ‘maximum credit limit’.
- RG 000.46 You need to satisfy yourself that the larger amount would not be unsuitable for the consumer if they entered into a contract for this amount in the period covered by the initial assessment.
- RG 000.47 The period covered by the assessment (known as the ‘protected period’) can be up to 2 years from when the initial assessment is entered into, but you may specify a shorter protected period that is appropriate in the circumstances.
- RG 000.48 The information obtained through inquiries and verification will help to inform you about the consumer’s current financial position, requirements and objectives, identify foreseeable changes, and assess whether the credit product will meet what the consumer wants and what effect the new financial obligations will have on them.
- RG 000.49 Where you hold limited information about a consumer (e.g. they are a new customer with no repayment history for any other credit products) or you are aware of a likely change to their circumstances, you may consider adjusting the ‘protected period’ to be shorter than 2 years and/or reduce the initial limit provided to the consumer to reduce the risk of unaffordable lending.

Making a protected increase

- RG 000.50 After you have entered into an initial contract, you can make an increase to a consumer’s credit limit, known as a ‘protected increase’ if:
- (a) the increase would be no more than the larger amount considered in the initial assessment; and
 - (b) the terms of the contract are substantially the same after the increase as they are immediately before it.
- RG 000.51 A protected increase can only be made within the protected period. It must be at the request of the consumer, or with the consumer’s written consent.
- RG 000.52 However, under s133BXD(5), you cannot make a protected increase if you have information that suggests it would be reasonable to conclude that the increase would be unsuitable for the consumer. In these circumstances, you are required to make new inquiries, verification and a new assessment before offering a limit increase.
- RG 000.53 Although you are not required to actively seek additional information to determine if the protected increase will be unsuitable, you cannot disregard information available to you. Certain information that you hold may suggest

a protected increase would be unsuitable. Examples include if the consumer has recently defaulted, is in arrears or incurring late fees, or has recently requested a hardship arrangement.

Note: See the [Explanatory Memorandum](#) at paragraph 2.82.

RG 000.54 You can also choose to make new inquiries and verification and a new assessment in relation to a protected increase to help you determine whether the increase would be unsuitable for the consumer. If you make a new assessment, you cannot rely on the protected increase provisions: s133BXD(6)(b).

RG 000.55 If you choose to make a protected increase, the terms of the low cost credit contract after the increase must be substantially the same as the terms immediately before the increase. An example of a term that may change and mean that the contract is no longer substantially the same is an increase in particular fees.

Interaction with the rebuttable presumptions

RG 000.56 If the larger contract limit you are assessing is the same or less than the threshold amount (\$2,000 or an amount prescribed in the regulations), the rebuttable presumptions apply in relation to your requirement to assess the consumer's requirements and objectives at the time of the assessment, as well as for any protected increases.

RG 000.57 This means that there is a presumption that the larger contract and any protected increase up to the threshold amount will:

- (a) meet the consumer's requirements and objectives under s131(2)(b); and
- (b) be presumed to be 'not unsuitable' in terms of meeting the consumer's requirements and objectives for the purpose of s133(2)(b).

RG 000.58 If the larger contract is more than the threshold amount, but the initial contract entered into is equal to or less than the threshold amount:

- (a) the benefit of the presumption for the purpose of s131(2)(b) does not apply both at the time of the assessment when entering the initial contract and any limit increase up to the maximum credit limit; and
- (b) the benefit of the presumption for the purpose of s133(2)(b) applies when considering the initial contract and any protected increases under the threshold amount, but does not apply if the increase is over the threshold.

Note: See Example 1 and s133BXE(3) and 133BXF(2). For guidance on the rebuttable presumptions, see RG 000.37–RG 000.42.

DRAFT

Example 1: Presumptions—Assessment for a larger contract

You seek to assess a maximum credit limit of \$5,000 for a consumer, but only plan to provide an initial contract for \$1,000, with an intention to make increases over a 2-year period.

Even though the initial amount of credit provided is below the \$2,000 threshold amount, you cannot rely on the presumption that the contract will be assessed as not unsuitable at the time of the initial assessment of the consumer's requirements and objectives under s131(2)(b). You make the assessment, determine the credit would be not unsuitable and provide the \$1,000 initial contract.

After a few months, you want to increase the credit limit to \$1,500 by relying on the initial suitability assessment. With the consumer's consent to the increase, you can make a protected increase. You cannot rely on the presumption to conclude whether the contract will be not unsuitable for the consumer's requirements and objectives under s131(2)(b).

What are the requirements for an unsuitability assessment policy?

RG 000.59 You must prepare a written policy known as an 'unsuitability assessment policy': see Table 3 for a summary of the requirements.

Table 3: Requirements for an unsuitability assessment policy

Policy content requirements	<p>The policy must set out processes for ensuring compliance with:</p> <ul style="list-style-type: none"> • your obligation to assess whether a contract or credit limit increase is unsuitable (s128); and • the requirement to assess a contract as being unsuitable in certain circumstances (s131). <p>You must ensure that, if the policy is followed, it is likely that you would comply with s128 and 131: s133BXG.</p>
Policy review requirements	<p>You must conduct regular reviews of your unsuitability assessment policy.</p> <p>When determining the frequency of review, you should have regard to the purpose of the unsuitability assessment policy in facilitating compliance with s128 and 131: reg 28HAF(2). This means you should review and update the policy when events or circumstances suggest that the policy is no longer effective.</p> <p>As part of the review, you need to:</p> <ul style="list-style-type: none"> • assess whether your policy has been and will continue to be one that, if followed, makes it reasonably likely that you will comply with s128 and 131; and • identify any changes to the policy that would make it more likely to ensure compliance, if followed: reg 28HAF(3). <p>You must look at evidence that you reasonably believe to be accurate and that provides an appropriate basis for assessing the policy and identifying any changes to the policy that are necessary: reg 28HAF(4).</p> <p>When conducting a review, you should consider, at a minimum, the rates at which debts are being partially or fully written off, measures of the rates of arrears, relevant complaints data (both under internal and external dispute resolution processes), and hardship data.</p> <p>Note: See the Explanatory Statement, p. 10.</p>
Updating the policy	<p>If you identify changes that would better facilitate compliance, you must ensure the policy is revised to incorporate those changes as soon as practicable: reg 28HAF(5).</p>

DRAFT

D Electing to comply with the modified responsible lending obligations

Key points

If you want to comply with the modified responsible lending obligations for all or a class of low cost credit contracts, you must make an election.

All low cost credit contracts covered by an election must contain a statement in the contract that you have made the election.

If you do not make an election or you have made a revocation, you must comply with the standard responsible lending obligations.

What are the requirements for making or revoking an election?

RG 000.60 You can elect to comply with the modified responsible lending obligations for all low cost credit contracts or for a specified class of low cost credit contracts: s133BXA(1).

Note: You can elect to comply with the modified responsible lending obligations for a pre-commencement contract. This means you can comply with the modified responsible lending obligations if you increase the credit limit of a pre-commencement contract.

RG 000.61 If you offer multiple types of buy now pay later products that are each subject to a different credit contract, each of these products could constitute a class of low cost credit contracts. This means that you can make an election for all or only some of your buy now pay later products.

RG 000.62 An election ceases to be in force once it is revoked: s133BXA(5). If you revoke an election or you do not make an election in relation to all or a class of low cost credit contracts, you must comply with the standard responsible lending obligations for these contracts: see [RG 209](#).

RG 000.63 Table 4 sets out the requirements of any elections and revocations.

DRAFT

Table 4: Requirements for elections and revocations

Requirement	Description
Your election or revocation must be in writing: s133BXA(1) and 133BXA(5).	<p>Any election or revocation must be in writing. An election will apply to contracts entered into after the election is made.</p> <p>Note: If you make an election in relation to pre-commencement contracts, it will apply to any credit limit increases that occur after the election is made.</p> <p>It is important that written records of your elections and revocations are accurate, complete and stored securely so that you can efficiently produce clear records of an election and revocation relating to a specified class of low cost credit contracts.</p>
You must keep a copy of your election or revocation for 6 years: s133BXA(4) and 133BXA(5).	<p>You must keep a copy of the written election starting from the time the election is made and ending at least 6 years after the date the election ceases to be in force.</p> <p>You must keep a written copy of the written revocation for at least 6 years from the time the election is revoked.</p> <p>If you stop issuing a class of low cost credit contracts that was covered by an election, you should also keep a copy of the written election for 6 years after the date that you stopped issuing that class of low cost credit contracts.</p>
Your election and revocations should be clear about timing, intention and scope.	<p>There are no specific content requirements for an election or revocation document. However, to ensure clarity, each written record of an election or revocation should include:</p> <ul style="list-style-type: none"> • the date of the election or the revocation; • a clear statement that you intend to make an election or revoke an election; and • a clear description of the scope of the election or revocation (i.e. the class or classes of low cost credit contracts to which the election or revocation applies). <p>A revocation document should also have a clear indicator of which election the revocation relates to (e.g. an identification number or a clear mapping to the class or classes of low cost credit contracts that are in an election).</p>
A contract that is covered by an election must contain a statement that you have made an election: s17(15B) of the National Credit Code.	<p>The contract for all low cost credit contracts covered by your election must contain a statement that you have made an election. For example, the contract may state:</p> <p style="padding-left: 40px;">‘The licensee has complied with the modified responsible lending obligations under Pt 3-2BA of the National Credit Act.’</p> <p>The contract should contain a description of the class of low cost credit contracts it belongs to that can easily be mapped to an election document.</p>

DRAFT

E Other modified obligations for low cost credit contracts

Key points

There are other modified obligations for low cost credit contracts relating to:

- electronic disclosure;
- credit representatives;
- comparison rates;
- default notices; and
- contractual requirements.

Electronic disclosure

RG 000.64 Any material required to be given to a person in relation to a low cost credit contract (e.g. a credit contract) can be made available electronically on an information system (e.g. a webpage or an app).

RG 000.65 Table 5 sets out the requirements for electronic delivery of materials:

Table 5: Requirements for electronic delivery of materials

Notification	<p>You must notify the recipient that materials are available electronically, explaining the nature of the material provided and including any information they need to access the material: s331(2)(a) and 331(3).</p> <p>The notification should be easily visible to the consumer and act as an effective prompt for them to access the relevant materials (e.g. a text message with a link to the relevant webpage).</p>
Method	<p>You must make the materials available in such a way that it is reasonable to expect the recipient will be able to save the materials to an electronic file and print them: s331(2)(c).</p> <p>This means there should be an easy mechanism for the recipient to download material (e.g. as a PDF) so that it can be printed or emailed if needed.</p>
Duration	<p>You must make the materials available for a reasonable period after the notification is sent: s331(2)(b).</p> <p>In determining what is a reasonable period, you should consider relevant factors, such as the nature of the material (e.g. a consumer should be able to access the credit contract for the duration of the contract, or in the case of a default notice, at least until they have made the repayment that is due).</p>

DRAFT

Credit representatives

- RG 000.66 For credit activities involving low cost credit contracts:
- (a) representatives are only required to be members of AFCA if they collect repayments from the contracts (s64 and 65);
 - (b) a body-corporate sub-authorising a representative does not need to notify ASIC of that representative (s71); and
 - (c) representatives do not need to give their own credit guide to consumers, only the credit guide of their credit licensee when giving credit assistance, entering into a credit contract or assigning the rights of a credit provider under a credit contract (s158).

- RG 000.67 For more details on obligations related to credit representatives, see Information Sheet 126 *Credit representatives* ([INFO 126](#)).

Note: The amendments apply on or after commencement for authorisations given before, on, or after commencement.

Comparison rates

- RG 000.68 Advertisements for low cost credit contracts do not need to include comparison interest rates: Pt 10 of the National Credit Code.

- RG 000.69 For more guidance on promotion of credit products generally, see Regulatory Guide 234 *Advertising financial products and services (including credit): Good practice guidance* ([RG 234](#)).

Note: The amendments apply to credit advertisements published on or after commencement. A credit advertisement that was initially published before commencement, but continues to be published on or shortly after commencement, is taken to be published on or after commencement.

Default notices

- RG 000.70 The first time there is any default under a credit contract, you must give the consumer a default notice containing the required information: s87 of the National Credit Code.

- RG 000.71 For low cost credit contracts, ‘defaults’ are not limited to direct debit defaults as for other credit products, but can be any other kind of default (e.g. defaults on the New Payments Platform).

- RG 000.72 A default notice must include the information set out in reg 85(2). To satisfy this obligation, you may use the information in the forms prescribed under reg 85(1) (Credit Form 11 and Credit Form 11A).

Note 1: See the [Explanatory Statement](#), p. 12.

Note 2: The amendments apply to a default that occurs on or after commencement.

DRAFT

Contractual requirements

RG 000.73 Among other requirements under s17 of the National Credit Code, given the nature of low cost credit contracts, the contract must specify:

- (a) the frequency of repayments; and
- (b) the amount and the number of the repayments and the total amount of the repayments (if the amount of the repayments is not ascertainable, the contract must contain the method of calculating the amount of repayments): s17(7A) of the National Credit Code.

RG 000.74 The frequency of payments should include when repayments must be made, starting from the first repayment (if ascertainable) so that the consumer can plan accordingly.

Note: See the [Explanatory Memorandum](#) at paragraph 2.109.

RG 000.75 If no interest is payable under the contract, the contract must specify that no interest is payable.

Note: Contractual disclosure requirements under s17 apply on or after commencement to low cost credit contracts and buy now pay later contracts entered into on or after commencement.

DRAFT

Key terms

Term	Meaning in this document
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities and Investments Commission
buy now pay later	An arrangement that allows consumers to buy and receive goods and services immediately from a merchant, and repay a buy now pay later provider over time
buy now pay later arrangement	Has the meaning given in s13D of the National Credit Code
buy now pay later contract	Has the meaning given in s13D of the National Credit Code
buy now pay later provider	An entity that provides buy now pay later arrangements to consumers
commencement	The date that the low cost credit regime commences, 10 June 2025 or an earlier date fixed by proclamation
consumer	A natural person or strata corporation Note: See s5 of the National Credit Act
consumer lease	A consumer lease to which the National Credit Code applies Note: See s169–171 of the National Credit Code.
continuing credit contract	A credit contract under which multiple advances of credit are contemplated and the amount of available credit ordinarily increases as the amount of credit is reduced Note: See s204 of the National Credit Code.
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
credit	Credit to which the National Credit Code applies Note: See s3 and 5–6 of the National Credit Code.
credit activity (or activities)	Has the meaning given in s6 of the National Credit Act
credit assistance	Has the meaning given in s8 of the National Credit Act
credit assistance provider	A person who provides credit assistance to a consumer in relation to a credit contract or a consumer lease and who is not the credit provider (for a credit contract) or the lessor (for a consumer lease)
credit contract	Has the meaning given in s4 of the National Credit Code
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities

DRAFT

Term	Meaning in this document
credit licensee	A person who holds an Australian credit licence under s35 of the National Credit Act
credit provider	Has the meaning given in s5 of the National Credit Act
credit representative	A person authorised to engage in specified credit activities on behalf of a credit licensee or registered person under s64(2) or s65(2) of the National Credit Act
credit service	Has the meaning given in s7 of the National Credit Act
design and distribution obligations	The obligations in Pt 7.8A of the Corporations Act
Explanatory Memorandum	Explanatory Memorandum to the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Bill 2024, unless otherwise specified
Explanatory Statement	Explanatory Statement to the Exposure Draft of the National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025
INFO 285 (for example)	An ASIC information sheet (in this example numbered 285)
low cost credit contract	Has the meaning given by s13E of the National Credit Code
low cost credit contract provider	An entity that provides credit under low cost credit contracts
modified responsible lending obligations	The legal obligations for low cost credit contract providers set out in Pt 3-2BA of the National Credit Act
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
National Credit Code	National Credit Code at Sch 1 to the National Credit Act
National Credit Regulations	<i>National Consumer Credit Protection Regulations 2010</i>
Privacy Act	<i>Privacy Act 1988</i>
reg 28J (for example)	A regulation of the National Credit Regulations (in this example numbered 28J), unless otherwise specified
regime	The regime that applies to low cost credits and buy now pay later contracts as described in this guide
responsible lending obligations	The legal obligations set out in Ch 3 of the National Credit Act
RG 209 (for example)	An ASIC regulatory guide (in this example numbered 209)
s47 (for example)	A section of the National Credit Act (in this example numbered 47), unless otherwise specified
small amount credit contract	Has the meaning given in s5 of the National Credit Act

DRAFT

Related information

Headnotes

buy now pay later, credit assistance provider, credit contract, credit licence, credit licensee, credit provider, low cost credit contract, responsible lending

Regulatory guides

[RG 203](#) *Do I need a credit licence?*

[RG 209](#) *Credit licensing: Responsible lending conduct*

[RG 234](#) *Advertising financial products and services (including credit): Good practice guidance*

[RG 274](#) *Product design and distribution obligations*

Information sheets

[INFO 126](#) *Credit representatives*

[INFO 285](#) *Buy now pay later credit contracts: Credit licensing*

Legislation

Corporations Act 2001, Pt 7.8A, s994B

National Consumer Credit Protection Act 2009, Pt 3-2BA, 35, 64, 64(2), 65, 65(2), 71, 128, 128(a), 128(aa), 128(ba), 128(c), 128(d), 129, 130, 131, 131(4), 131(2)(a), 131(2)(b), 131(4), 132, 133, 133(2)(a), 133(2)(b), 133BXA(1), 133BXA(4), 133BXA(5), 133BXB(a), 133BXC, 133BXC(3), 133BXC(3)(a), 133BXC(3)(b), 133BXC(3)(c), 133BXC(3)(d)–(e), 133BXC(3)(f), 133BXD, 133BXD(5), 133BXD(6), 133BXE, 133BXE(3), 133BXF, 133BXF(2), 133BXG, 158, 331(2)(a), 331(2)(c), 331(3)

National Consumer Credit Protection Amendment (Low Cost Credit) Regulations 2025

National Consumer Credit Protection Regulations 2010, regs 23, 28B, 28HAC, 28HAD, 28HAD(2), 28HAD(3), 28HAD(4), 28HAD(5), 28HAD(6), 28HAF, 28HAF(5), 28J, 28JA, 85(1), 85(2)

National Credit Code, Pt 10, s4, 5(1)(a), 5(1)(c), 6(1), 6(5), 6(13), 6(14), 6(17), 13C(2), 13D, 13D(1), 13E, 17, 17(7A), 17(15B), 87

Privacy Act 1988, s6N(k)

Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024

DRAFT