



## The Traps of Buy Now, Pay Later Schemes.

Buy Now, Pay Later - the hidden danger potentially stopping you from owning your own home.

The Buy Now, Pay Later sector is winning-over the youth demographic with the promise of instant gratification, but leading mortgage brokers are warning that with every sugar-high comes the risk of a corresponding low.

'Buy Now, Pay Later' providers such as AfterPay and Zip Pay have experienced massive growth in popularity, with the number of users jumping from 400,000 to approximately 2 million between 2015 and 2018.

Driven by a simple proposition whereby the Buy Now, Pay Later provider pays the merchant on behalf of the customer, allowing the customer to obtain the goods or receive a service immediately while subsequently paying off the debt generally through instalments, Buy Now, Pay Later presents a tempting offering.

But as the sector's breakneck growth continues, mortgage professionals are warning users, particularly in the younger demographic, to be cautious of overdoing it as this could risk effecting their chances of securing a home loan further down the track.

"It's the layby of our day but in reverse. It's your forward credit for an item, which I don't agree with," said Tony Imbruglia from My Mortgage Professionals.

"In theory, it makes sense. You get the item or service and pay it off over instalments, so you're actually putting forward your liability.

"This might be ok for someone that manages their money well, if they pay off the item on time and use their mortgage offset account correctly. This way they're delaying expenses and offsetting more of their savings against their home loan.

"But there's probably one per cent of people doing that and the rest of them are spending beyond their means," Tony said.

As a result, according to him, there may also be a stigma associated with using Buy Now, Pay Later schemes rather than paying up-front and in-full.

"Utilising this payment method may potentially send the wrong message to a bank.

"If a lender sees a 'buy now, pay later' provider frequently on a client's bank statements, that can trigger more questions about their spending behaviours and ultimately may mean they choose to decline the application.

“I would much prefer to see my clients save for the item and demonstrate those good habits.”

If you are concerned about your level of expenditure or your ability to secure a home loan, a conversation with My Mortgage Professionals could set you on the right path.

“It’s important to appropriately manage your expenses well in advance of applying for a home loan, that way you can show the bank that you can save and afford to service a mortgage when the time comes,” Tony said.



Mortgage  
Professionals<sup>®</sup>

Phone: 0418 119 118

Email: [enquiries@mymps.com.au](mailto:enquiries@mymps.com.au)

URL: <https://www.mymmps.com.au>