
COMMERCE ACT 1986: BUSINESS ACQUISITION

SECTION 66: NOTICE SEEKING CLEARANCE

Date: 14 April 2021

The Registrar
Competition Branch
Commerce Commission
PO Box 2351
Wellington

Pursuant to section 66(1) of the Commerce Act 1986 notice is hereby given seeking clearance of a proposed business acquisition.

Part A: Summary of Application

1. Executive Summary

- 1.1 This clearance application concerns Latitude Group Holdings Limited's (**Latitude's**) acquisition of Humm Group Limited's (**Humm**) consumer finance business, comprising Humm's credit card and instalment payments portfolio (the **Proposed Transaction**). Latitude will acquire the entities comprising Humm's complementary consumer finance business, and will not acquire any entities comprising Humm's commercial business (which focuses on the cash flow requirements of small to medium sized enterprises).
- 1.2 This notice concerns the supply of consumer finance products in New Zealand: comprising credit cards, personal loans and instalment payment products (such as by now pay later, **BNPL**). As explained in further detail in Part E, Latitude does not consider that it is necessary to define the relevant market(s), on the basis that the Proposed Transaction will not result in a substantial lessening of competition (an **SLC**) regardless of the market definition adopted.
- 1.3 Each of Latitude and Humm (the **Parties** and each a **Party**) supplies consumer finance products in New Zealand. Latitude supplies credit cards, instalment payment products (such as Gem Visa and Genoapay) and other consumer lending products (such as personal loans) to customers in Australia, New Zealand, Singapore and Canada. Humm provides credit cards (such as Q Mastercard, Farmers Mastercard and Flight Centre Mastercard), instalment payment products (such as humm (little things), humm (big things) and bundll), and commercial rental and lease financing products, to customers in Australia, New Zealand, Ireland, the United Kingdom and Canada.
- 1.4 The Proposed Transaction will not substantially lessen competition in any respect for the following reasons.
- (a) **The Proposed Transaction results in *de minimis* combined market shares.** The Parties compete against a broad range of consumer finance providers. Their combined share of the relevant market is less than [REDACTED]¹. Even in an unduly narrow "instalment finance (including BNPL)" segment, Latitude estimates that the merged entities' combined share is approximately [REDACTED]. However, this segment is unduly narrow and does not reflect the commercial reality of the market in which the Parties operate. In any event, these market shares are below levels which ordinarily raise competition concern.
- (b) **Strong (actual and potential) competition from a number of types of competitors.** The merged entity will continue to be constrained by a significant number of well-resourced and vigorous competitors, including, for example:
- (i) non-bank providers and fintechs, the most rapidly growing providers of consumer finance in New Zealand. A number of strong competitors will constraint the merged entity, including Afterpay, Laybuy, Klarna, Zip, Payright, Openpay, Splitit, Finance Now and Gilrose; and
- (ii) incumbent banks, being the dominant providers of consumer finance in New Zealand. Large banks capture the vast majority of credit card spend in New Zealand, while the Parties capture an estimated combined [REDACTED]² (i.e. Latitude's estimated share accounts for approximately [REDACTED],³ while Latitude estimates that Humm accounts for approximately [REDACTED]).

¹ Based on an estimated total market size of \$170 billion. Source: Reserve Bank of New Zealand "Registered banks and non-bank lending institutions: Sector lending (C5)", data available [here](#).

² Based on a total market size of \$46 billion and using the Parties' estimate share of volume (i.e. spend). Source: RBNZ 'Credit Card Spending' (C13) Row J 'Total Billings on NZ Cards' for 2021. Link: <https://www.rbnz.govt.nz/statistics/c13>.

³ In Latitude's view, share of "spend" provides a truer reflection of a provider's relative competitive standing than share of "balances" (which more accurately measures repayment behaviour). [REDACTED]

- (c) **Barriers to entry are not high and are falling, and new entry is occurring.** Barriers to supplying consumer finance products are falling, due to:
- (i) different regulation and licensing requirements for certain products, most notably the less stringent requirements that apply to BNPL products than those applicable to other credit products under the Credit Contracts and Consumer Finance Act 2003 (**CCCFA**);
 - (ii) increased prevalence of “banking as a service” models, under which non-licensed entities provide consumer finance or banking products via an agreement or partnership with a traditional bank;
 - (iii) the decreasing need for physical branches, as consumer finance providers move to wholly online service models and digital offerings; and
 - (iv) increasing movement towards open loop models, which allows the payment method to be used outside of established merchant relationships, anywhere Visa or Mastercard is accepted.

Latitude estimates there are at least 11 providers of instalment payment (including BNPL) products in New Zealand, including each of Latitude and Humm, with many having recently entered and others expected to enter in the near future. Recent examples of new entry, particularly in the BNPL space, include Klarna (2021), Payright (2019), Laybuy (2017) and Zip (2017).

In particular, non-traditional financial service providers, such as the digital platforms and technology companies Apple, Google, Samsung, Amazon and Meta have turned their attention to the payments sector, each having launched its own digital wallet. The Parties expect they will continue to expand their presence in the consumer finance sector in New Zealand, as is already the case overseas.

- (d) **Merchants exercise countervailing power, contract with numerous providers of consumer finance and could easily bypass the merged entity.** Merchants benefit from a selection of a number of different instalment payment options, and accordingly exercise substantial countervailing power in their relationships with finance providers, including the Parties. The dynamic of this relationship is evident through the decline of merchant fees charged by instalment payment providers over time. There are very few exclusive arrangements between merchants and finance providers with merchants generally wanting to offer their customers a range of finance solutions.
- (e) **The parties have largely complementary portfolios.** Many of the products offered by the Parties do not overlap. For example, Latitude does not offer a “big ticket” BNPL product (being a BNPL product used to purchase larger items with longer repayment terms), while Humm does. Conversely, Latitude offers personal and automobile loans in New Zealand while Humm does not.
- 1.4 For the foregoing reasons, Latitude submits that the Commission should be satisfied that the Proposed Transaction will not have, and will not be likely to have, the effect of substantially lessening competition in any New Zealand market.

Part B: The Parties

2. The Applicant: Latitude

2.1 Latitude is a digital payments, instalments and lending platform operating in New Zealand, Australia, Singapore and Canada.⁴ As at 31 December 2021, Latitude had approximately 2.6 million open customer accounts across Australia and New Zealand, and [REDACTED] for its instalment products.⁵ Latitude is headquartered in Melbourne, Australia and listed on the ASX in April 2021.

Products

2.2 Latitude provides instalment payment products (through its LPay business unit) and consumer lending products (through its LMoney business unit) to customers.

(a) **LPay** supplies a range of payments and instalments products used by customers to purchase goods or services. In New Zealand, Latitude's BNPL and other instalment products facilitate the transaction between the merchant and customer, and allow the customers to purchase goods and services from the merchant by making instalment payments, either with long-term (up to 60 months) interest free credit, standard credit card repayments, or on an interest-free basis, with repayments made in 10 weekly instalments. Some of these products are enabled with scheme functionality for everyday purchases (including Gem Visa in New Zealand).⁶ These products may be supplied directly to the end consumer, or via a merchant arrangement.

(b) **LMoney** provides consumer lending products (including personal loans and auto loans) to customers to service their financing needs. LMoney, operating under 'Latitude' and 'Symple' brands, services customers online, over the phone and via the broker channel.

2.3 Latitude also provides insurance through its Hallmark Insurance business, predominantly in connection with Latitude's payments, instalments and lending products, including repayment protection for Latitude loans, credit card insurance (discontinued) and travel insurance.

2.4 Further detail about Latitude's products is included in **Annexure A**.

Merchant partners

2.5 Latitude's business is both consumer and business facing, as it also contracts with merchants to provide consumer finance products in their stores. Latitude's largest merchant partners by transaction volume in FY21 were [REDACTED] Additional detail on these merchants is included in **Annexure B** and further information on the nature of merchant relationships more generally is set out in Section 16.

Competitors, customers, and trade and industry associations

2.6 The names and contact details for each of Latitude's key competitors, key customers (by volume), and the trade or industry associations in which Latitude participates, together with a link to its most recent annual report, are set out in Part G below.

Contact details

2.7 Contact details for the Applicant:

| | |
|----------------|--|
| <i>Address</i> | Latitude Financial Services 800 Collins St, Docklands, VIC 3008 |
|----------------|--|

⁴ [REDACTED].

⁵ Latitude Financial Services Group, [FY21 Annual Report](#)

⁶ For further information, see paragraph 13.1(c) below.

| | |
|-----------------------|--|
| <i>Contact person</i> | Adrian Wong |
| <i>Email Address</i> | [REDACTED] |
| <i>Telephone</i> | [REDACTED] |
| <i>Website</i> | latitudefinancial.com.au |

2.8 Please direct all correspondence and notices for the Applicant to:

| | |
|----------------------|---|
| <i>Address</i> | Bell Gully Barristers and Solicitors PO Box 4199 Auckland 1140 |
| <i>Attention</i> | Glenn Shewan / Emma Harris |
| <i>Email Address</i> | glenn.shewan@bellgully.com / emma.harris@bellgully.com |
| <i>Telephone</i> | +64 9 916 8674 / +64 9 916 8779 |

2.9 A structure chart of Latitude is attached as **Annexure C**.

3. The Target: Humm

3.1 Humm (formerly known as Flexi-Group) is an Australian ASX listed company⁷ which provides consumer and commercial lending products. It first launched its consumer business in New Zealand in late 2015 following its purchase of the Fisher and Paykel credit card business.⁸ In FY21, Humm had 2.7 million customers and 82,000 merchant partners.⁹ Humm is headquartered in Sydney, and operates in Australia, New Zealand, Ireland, the United Kingdom and Canada.

Products

3.2 Humm's offerings are available at more than 2,400 retailers across New Zealand, including Farmers, Pascoes, Whitcoulls, Briscoes and JB HiFi.¹⁰ Humm's key products include:

- (a) **Credit cards:** Humm's current direct to customer credit card product offering includes the Q Mastercard (in New Zealand) and the "humm90" Mastercard (in Australia). It also provides white label scheme credit cards, including to Flight Centre and Farmers. (Humm historically offered the Q Card and Farmers Card, but both are no longer accepting new customers.) Humm's credit card offerings account for approximately 54% of Humm's revenue globally.
- (b) **Instalment payments:** Humm's interest free instalment repayment options in New Zealand include humm (little things), humm (big things) and "bundll", which provide customers with options as to loan amount and repayment periods.¹¹ These BNPL-style instalment payment products account for approximately 27% of Humm's revenue globally.
- (c) **Commercial leasing and SME financial:** Humm's "flexicommercial" product provides asset finance solutions for small-medium enterprises. This business unit accounts for

⁷ Humm was listed on the ASX in 2006 (ASX: HUM).

⁸ Flexi-group was already operating its commercial business in New Zealand prior to this.

⁹ Humm Group, [Annual Report FY21](#) (accessed 24 January 2022).

¹⁰ Hummgroup "[flexigroup reboots buy now pay later for New Zealand](#)", accessed on 17 February 2022 via [CL flexigroup-reboots-BNPL-for-NZ_Launch.pdf \(shophumm.com\)](#).

¹¹ Humm additionally offers "hummpro", a product that provides loans to small to medium sized businesses [REDACTED].

approximately 19% of Humm's global revenue, and is not being acquired as part of the Proposed Transaction.

- 3.3 Further detail about Humm's credit card and instalment payments products is set out in **Annexure A**.

Merchant partners

- 3.4 Humm's business is consumer facing both directly and through contracts with merchants that provide consumer finance products in their stores. Humm's largest New Zealand merchant customers by transaction volume in FY21 are [REDACTED].¹² Additional detail on these merchants is included in **Annexure B** and further information on the nature of merchant relationships more generally is set out in Section 16.

Competitors, customers and trade or industry associations

- 3.5 The names and contact details for each of Humm's top five competitors, key customers (by value) and any trade or industry associations in which Humm participates, together with a link to its most recent annual report, are set out in Part G below.

¹² For completeness, also see footnote 89.

Contact details

3.6 Contact details for the Target:

| | |
|-----------------------|---|
| <i>Address</i> | Level 1, 121 Harrington Street, Sydney NSW 2000 AUSTRALIA |
| <i>Contact person</i> | [REDACTED] |
| <i>Telephone</i> | [REDACTED] |
| <i>Website</i> | https://www.shophumm.com/nz/ |

3.7 Please direct all correspondence and notices for the Target:

| | |
|----------------------|---|
| <i>Address</i> | MinterEllisonRuddWatts PwC Tower, Level 22/15 Customs Street West, Auckland CBD, Auckland 1010 |
| <i>Attention</i> | Dr Ross Patterson / Jennifer Hambleton |
| <i>Email Address</i> | ross.patterson@minterellison.co.nz / jennifer.hambleton@minterellison.co.nz |
| <i>Telephone</i> | +64 9 353 9864 / +64 9 353 9794 |

3.8 A structure chart of Humm following the Implementation of the Restructure Deed, as defined in clause 1.1 of the Share Sale Agreement (**SSA**), is attached as **Annexure D**.

Part C: The Proposed Transaction

4. Transaction structure

- 4.1 Latitude proposes to acquire Humm's consumer finance business, comprising its credit card and instalment payments business. The Proposed Transaction is intended to be carried out by Latitude (directly or via a wholly owned subsidiary):
- (a) acquiring the entire share capital of a new Australian proprietary limited company incorporated by Humm (**Consumer SPV**); and
 - (b) indirectly acquiring subsidiaries of the Consumer SPV which currently conduct Humm's consumer finance business, from Humm.
- 4.2 Following the Proposed Transaction, Latitude will consolidate its LatitudePay and Genoapay BNPL products under the Humm brand utilising, in combination with Salesforce, the Q2 Cloud Lending platform. Q2 Cloud Lending is a leading cloud-based platform currently used by parts of both Humm's consumer business and by Latitude (through the recent purchase of Symple Loans). Latitude will also move Humm's credit card business onto Latitude's VisionPlus platform. Consolidating across the portfolios from multiple receivables platforms to two will enable Latitude to deliver against its strategy for scale and speed to market.
- 4.3 The consideration value for the Proposed Transaction is approximately AUD\$335 million and comprises approximately AUD\$35 million cash and up to 150 million Latitude shares. For the avoidance of doubt, the Proposed Transaction does not include entities or assets relating to Humm's commercial lending activities.
- 4.4 The Proposed Transaction was announced on 6 January 2022,¹³ signed on 18 February 2022, and is targeted to complete by 30 June 2022, subject to regulatory approvals, with a 30 September 2022 sunset date.¹⁴

5. Rationale

- 5.1 The Proposed Transaction will enable Latitude to strengthen its consumer lending business in Australia, New Zealand, Singapore and Canada, and will assist Latitude with its international expansion. In addition, it will enable Latitude to better compete with other large suppliers of consumer finance products. Latitude intends to leverage Humm's proven capability in "big ticket" instalment payment products to accelerate Latitude's consumer finance strategy.
- 5.2 Latitude expects to achieve operational synergies which will lower its cost base and allow it to invest in innovation and further improve its product offering for consumers and merchants. In particular, Latitude expects annualised combined synergies and cash earnings from the Proposed Transaction to exceed approximately AUD\$100 million (before tax) in 2023, with approximately AUD\$65 million in synergies. This would include approximately AUD\$55 million from technology and cost synergies and approximately AUD\$10 million in monetisation opportunities, resulting in a more efficient operation of the business generally.
- 5.3 The increased scale and lower cost base of the combined entity will unlock benefits including, in particular:
- (a) **Products and innovation:** Humm's demonstrated capability will accelerate Latitude's strategy in New Zealand, particularly in the innovation and deployment of instalment products. This will allow Latitude to maintain competitiveness with major banks, digital platforms, fintechs and other products.

¹³ ASX Announcement "Latitude intends to acquire Humm's consumer business (BNPL, Instalments and Cards) for 150 million Latitude shares and \$35 million cash", 6 January 2022 available [here](#).

¹⁴ This includes approvals from the Commission, the ACCC, the Overseas Investment Office, the Foreign Investment Review Board, the Financial Conduct Authority and the Reserve Bank of New Zealand.

- (b) **Scaled customer base:** Latitude will offer its other products, including personal loans and credit cards, to eligible Humm customers. While Humm currently directly offers a single credit card in New Zealand, the Humm Q Mastercard,¹⁵ it does not have a traditional personal loan offering.
- (c) **Management expertise:** Latitude will have the benefit of a larger team with more diverse experience as a result of the Proposed Transaction, in particular in relation to Humm's scaled "big ticket" BNPL product, Humm (big things).
- (d) **Leverage international expansion:** The Proposed Transaction will assist Latitude with its international expansion into the United Kingdom, Ireland [REDACTED].

6. Transaction documents

- 6.1 A copy of the SSA has been shared with the Commission.
- 6.2 Copies of relevant Latitude internal documents (which include further relevant materials to the Proposed Transaction) are attached as **Confidential Annexure H**.

7. Clearance sought

- 7.1 Latitude seeks clearance for it or an interconnected body corporate to acquire 100% of the Consumer SPV.

8. Counterfactual

- 8.1 [REDACTED]
- 8.2 [REDACTED]

9. Global filings

- 9.1 The Parties approached the ACCC on an informal basis on 3 March 2022.

¹⁵ [Q Mastercard Interest Free Credit Card](#) | [Q Deals](#) | [Q Mastercard](#). Humm also provides the white label scheme credit cards offered by Farmers and Flight Centre, and will soon provide an Air New Zealand card.

Part D: Industry Background

10. Executive Summary

- 10.1 Latitude and Humm operate in the highly competitive and innovative consumer finance sector.
- 10.2 This sector is dynamic and constantly evolving, with rapid change being driven by new entry and expansion of competitors, technological and regulatory developments, and changes in consumer preferences. Consumers are continuing to shift away from paper-based forms of cash and credit, and away from branch-based provider relationships. This trend has been exacerbated by the COVID-19 pandemic, with customers increasingly opting for online options (Section 11). However, due to the regulated nature of the financial services sector, industry dynamics are heavily influenced by regulation and regulatory intervention (Section 12).
- 10.3 As previously recognised by the Commission and noted above, *“the consumer finance market is broad and participating companies are numerous”* – there are *“a plethora of consumer finance options, including: credit cards; personal loans; revolving credit; or revolving/top up mortgage(s)”*.¹⁶ There are now, and will continue to be, numerous large, well-resourced, innovative, and highly effective competitors in this sector – who will constrain the merged entity after completion of the Proposed Transaction. Competition in this sector is increasing and will continue to increase following the Proposed Transaction.
- 10.4 In particular, the consumer finance industry is characterised by:
- (a) a multitude of new and evolving products, including personal loans, credit cards, zero interest credit cards¹⁷ and instalment payment products (including BNPL and in-store credit) (Section 13) which are substitutes on both the demand-side and supply-side, noting that the high degree of substitutability between different consumer finance products has previously been recognised by the Commission;¹⁸
 - (b) evolving customer preferences, low customer loyalty and financial multi-homing, with customers increasingly employing the use of multiple consumer finance products from different providers to fund their acquisition of consumer products and services (Section 14). The underlying need is to purchase something and pay for it later – which can be achieved using a multitude of different methods;
 - (c) numerous large, well-resourced and innovative providers who already compete vigorously and are expanding and evolving their offerings to further compete in the space, including the banks and other financial services companies, card payment providers (Mastercard, Visa and American Express), multinational digital platforms (PayPal, Google and Apple) and specialist fintechs, including Block/Afterpay, Zip, Klarna, and Laybuy (Section 15); and
 - (d) merchants which exercise countervailing power, which are incentivised to and, in fact, contract with numerous providers of consumer finance. These merchants have the ability to easily bypass the merged entity (Section 16).

11. Industry trends

- 11.1 The consumer finance industry is dynamic and constantly evolving, with rapid change driven by product innovation, developments in technology and changing consumer preferences.
- 11.2 Different customer cohorts require tailored products and features to meet their specific needs. In particular, younger generations are showing a preference for forms of debit and interest-free

¹⁶ See for example, Decision 571.

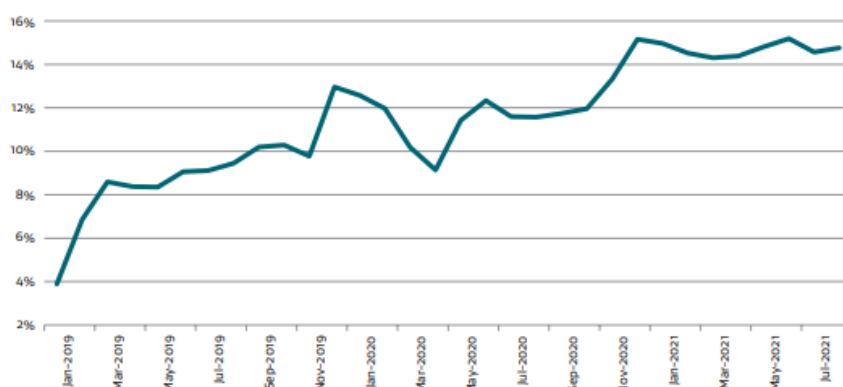
¹⁷ In Australia, a number of major banks have also recently introduced zero interest credit cards, which merge features of traditional credit cards with instalment payment and BNPL products.

¹⁸ For example, in *Decision 571* the Commission observed that while *“there are differences in the consumer finance products discussed (other than mortgages), these differences are outweighed by the high degree of substitutability. There are differences between the products, but industry participants informed the Commission that consumers use the products interchangeably. The Commission considers that the consumer finance products (excluding mortgages) are close enough substitutes that, in the face of a SSNIP, consumers would switch between products.”* Paragraph 63. See Section 18.

credit rather than traditional interest bearing credit alternatives, and seek greater control over their finances through instalment payments.¹⁹ Indeed, in New Zealand, 52% of ‘Generation Z’, and 44% of all Millennials used BNPL services in the past three years, compared to just 10% of Baby Boomers²⁰ – although in Latitude’s view, there is an increasing uptake of these products across all customer cohorts.

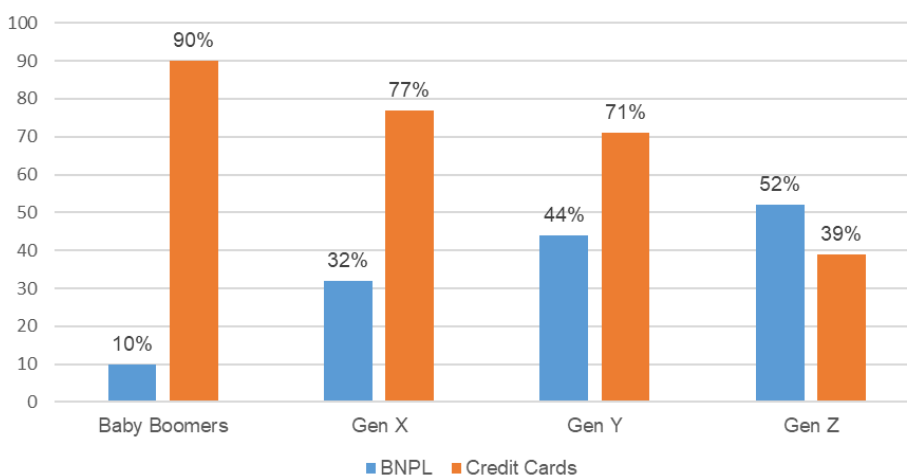
11.3 In addition, consumers are also increasingly engaging in “financial multi-homing” to address these diverse needs by acquiring a range of different products from different providers. Data covering an estimated 35-40% of the New Zealand BNPL market²¹ indicates that consumers are increasingly holding accounts with *multiple* BNPL providers. As illustrated in Figure 1 below, in March 2020 at the start of the COVID-19 pandemic, approximately 9% of consumers held multiple BNPL accounts. Within a year this increased to around 14-15% of consumers.

Figure 1: BNPL users with multiple accounts²²



11.4 These trends, together with technological developments, have fuelled the growth of the BNPL industry and enticed the ‘traditional’ players into offering instalment credit finance solutions. The rise of BNPL in New Zealand, as compared to the decline of credit cards, is illustrated in Figure 2 below:

Figure 2: BNPL and credit card use by generation²³



11.5 In Australia, the number of credit cards in use has similarly been shown to have an inverse relationship with BNPL revenue, as illustrated by Figure 3 below. While an equivalent data set for New Zealand is not available, in Latitude’s view, this general trend is equally applicable here.

¹⁹ See, e.g. <https://asic.gov.au/media/5852803/rep672-published-16-november-2020-2.pdf>

²⁰ Finder “Buy Now Pay Later: a report on the state of buy now pay later in New Zealand”, January 2021.

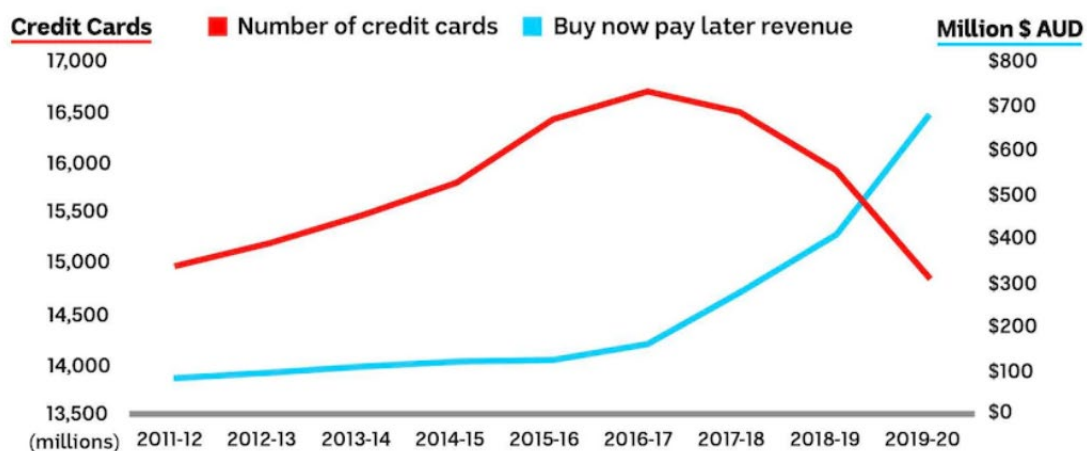
²¹ Data commissioned by MBIE from Centrix as part of its Comprehensive Credit Reporting platform, September 2021. Excerpt available page 19 of [MBIE’s Discussion Document](#).

²² [MBIE BNPL Discussion Document](#), November 2021.

²³ Finder “Buy Now Pay Later: a report on the state of buy now pay later in New Zealand”, January 2021.

Credit accounts and balances have been in structural decline for some time, while the number of BNPL accounts has risen dramatically over the past few years.

Figure 3: Number of credit cards vs BNPL revenue²⁴



11.6 The diversification of players and repayment options has benefited consumers, as well as the retailers which offer these products to their customers. Many retailers, who offered only traditional instalment finance products, are now partnering with multiple BNPL providers as discussed in Section 21 below. In particular, the move towards open loop BNPL systems has provided significant benefits to merchants, who no longer need to develop relationships with individual BNPL providers to attract BNPL customers, and has subsequently served to further increase competition at the point of sale. As set out above at paragraph 13.1(c), open loop BNPL products are able to be used via credit card networks such as Visa or Mastercard.

12. Regulation of consumer finance products

12.1 Due to the regulated nature of the financial services sector, industry dynamics are heavily influenced by regulation and regulatory intervention. The degree of regulation depends on the terms and features of the product.

12.2 All traditional consumer lending and BNPL products are currently prohibited from containing oppressive terms, and rules apply to enforcement and debt collection.²⁵ Further, any supplier who offers any “consumer credit contracts” under the Credit Contracts and Consumer Finance Act 2003 (CCCFA), as discussed below, is also subject to character and other regulatory requirements (such as the requirement to be a member of a dispute resolution scheme). Traditional consumer lending products including credit cards and personal loans (including the various non-BNPL products offered by Humm and Latitude) are further regulated by the CCCFA as “consumer credit contracts”. Suppliers of consumer credit contracts are required to lend responsibly by assessing whether the product meets the user’s needs and is affordable. Suppliers also have to provide disclosure of key terms and be prepared to amend the agreement if the user’s circumstances change, causing them hardship.

12.3 Some BNPL products are regulated in the same way as traditional lending products. If interest or credit fees can be charged for the product, then the product will be a “consumer credit contract”, and responsible lending, disclosure and hardship requirements apply.²⁶ For example, as Humm charges an establishment fee and monthly account fee for its Humm (big things) product, it is regulated in this way. However, most BNPL products (including Humm (little things) and those BNPL products offered by Latitude) do not charge interest or fees (noting for completeness that late fees can be charged, but are avoidable). They are therefore not subject to mandatory

²⁴ Deloitte, *The monumental rise of “Buy Now Pay Later” Solutions*, <https://platform.deloitte.com.au/articles/the-monumental-rise-of-buy-now-pay-later-solutions>, accessed on 2 March 2022. Diagram originally from IbisWorld, *Buy Now Pay Later in Australia - Market Research Report*, <https://www.ibisworld.com/au/industry/buy-now-pay-later/14769/>.

²⁵ CCCFA, sections 6, 7, 132A, Part 3.

²⁶ CCCFA, sections 5 (definition of “credit fee”) and 11, Part 1A, Part 2.

responsible lending, disclosure and hardship requirements (but currently are still subject to other parts of the CCCFA regulatory regime as noted above).

- 12.4 There are suggestions however, that the regulation of BNPL products in New Zealand may change. Instalment payment products provide many of the same functions, and may be seen as substitutable for, other consumer finance products that are fully regulated as “consumer credit contracts” under the CCCFA. This is one of the reasons why the Government is currently consulting on further regulation for the sector.²⁷ This would further reduce any differentiation between BNPL products and more traditional lending products.

13. An overview of consumer finance products

- 13.1 Consumer finance involves the supply of a range of mostly unsecured lending products that enable consumers to purchase goods and services for no (or nominal) upfront costs, either with or without interest, and usually accompanied by some form of fee in the event of late or missed payments. These products include:

(a) Personal loans

Unsecured or secured personal loans are a form of borrowing extended to consumers to pay for personal expenses, and are repaid over a period of time, usually with interest. These loans may be extended to consumers for a range of reasons, such as to finance the purchase of a car, travel, holiday, renovation or wedding, or to consolidate debt.

(b) Credit cards

Credit cards are physical or digital cards facilitating payments on credit, with varying repayment terms, credit limits and interest rates. More recently, a number of major banks in Australia have developed zero interest credit cards, which merge features of traditional credit cards with instalment payment and BNPL product functionality.

(c) Instalment payment products

Interest free or deferred payment options offered by retailers (which generally require a relationship with a finance company), where interest may apply after a certain period.

Instalment (including BNPL) payment products, which enable consumers to purchase goods and services by paying a series of interest free instalments, the first of which is generally due at the time of purchase.²⁸ The customer receives their purchase immediately.²⁹ BNPL services can be “closed loop”, where the merchant is integrated with the BNPL provider’s systems, or “open loop”, where the product is scheme enabled, which allows the payment method to be used outside of established merchant relationships, anywhere Visa or Mastercard is accepted. (In Latitude’s view, BNPL providers are increasingly moving towards open loop models.) In other words, BNPL can either be distributed through merchant relationships or direct to the consumer.

At the smaller loan amount (Latitude estimates the average BNPL transaction is \$150) instalment payment products are used by customers in a similar way to credit cards – these loans are generally interest-free and fee-free if the customer pays on time.

²⁷ See MBIE “Buy-Now, Pay-Later: Understanding the triggers of financial hardship and possible options to address them”, November 2021 via <https://www.mbie.govt.nz/dmsdocument/17817-discussion-document-buy-now-pay-later-understanding-the-triggers-of-financial-hardship-and-possible-options-to-address-them>.

Potential outcomes from MBIE’s consultation process include the introduction of a voluntary code (potentially modelled on the Australian Code of Conduct for the BNPL, which took effect in March 2021), which has responsible lending, hardship, disclosure and other requirements that suppliers must meet. Another potential outcome is that the Minister of Commerce uses a relatively new power to designate BNPL products as “consumer credit contracts” and applies the full CCCFA regime by regulation (CCCFA, section 137A(1)(b)). Either way, it seems unlikely there will be any meaningful difference in how such products are regulated going forward.

²⁸ For completeness, some instalment payments (non-BNPL) products, including those offered by Finance Now for example, do not require an up-front payment.

²⁹ Note that traditional store lay-by arrangements also allowed for consumers to pay for purchasers over time. The consumer would receive the purchase once the final instalment is paid.

At the larger end of loan amounts – which for some BNPL is as high as, for example, \$10,000³⁰ (Humm (big things)) or \$20,000³¹ – products are akin to non-interest bearing personal loans and meet the same customer need, with some providers charging establishment or monthly fees.³² In addition, most, if not all, BNPL providers personalise the credit limit based on the customer's specific circumstances.

- 13.2 As set out in Table 1 below, these products share significant functional and behavioural characteristics.

³⁰ Humm "How it works", accessed via <https://www.shophumm.com/nz/how-it-works/>.

³¹ Latitude understands that Finance Now offers a credit limit of up to \$20,000 in certain circumstances.

³² Reserve Bank of Australia, *Developments in the Buy Now, Pay Later Market*, March 2021 Bulletin (18 March 2021), page 5.

Table 1: Comparison of consumer finance products currently available in New Zealand

| Feature | Personal loans | Credit cards ³³ | Instalment payment/BNPL |
|----------------------------|---|---|--|
| Secured / unsecured | Unsecured or secured | Unsecured | Unsecured |
| Loan amount | Usually vary from \$5,000 to \$30,000 | Average credit card limit is approximately \$8,000 ³⁴ | Depending on the product, loan amounts can vary from a maximum of \$1,000-\$2,000 (most products) all the way up to, for example, \$20,000 (for larger purchases), although, as above, the credit limit is commonly personalised to reflect a customer's individual circumstances. |
| Repayment period | Usually between 1 to 7 years | Variable, depending on the loan amount. Usually minimum monthly payments. | Variable, depending on the loan amount – usually 3 to 5 fortnights for smaller purchases, and between 6 to 60 months for large purchases. |
| Interest | Fixed rate or variable | Fixed rate, with most providers offering an interest free period | Interest free for a specified period of time (e.g. 6 weeks for a purchase up to \$1,000). Fixed rate may kick in after this period depending on product offering (e.g. after 60 months for a larger purchase). |
| Fees | Establishment fee, Service fee, Payment handling fee, Late payment fee, Early termination fee | Annual or monthly fees and late payment fees | For smaller loan amounts all fees are avoidable. The only fee is typically the late payment fee. For larger loan amounts, establishment and monthly fees may apply, in addition to late payment fees. |
| Accessibility | Credit checks are required | Credit checks are required | While credit checks are not always required, Latitude and Humm will always conduct such checks. |

14. Substitutability of consumer finance products

Demand-side substitution

- 14.1 On the demand side, a consumer in New Zealand wishing to purchase a product without paying the full price upfront in cash or via a debit card can do so using a credit card, a BNPL product, in-

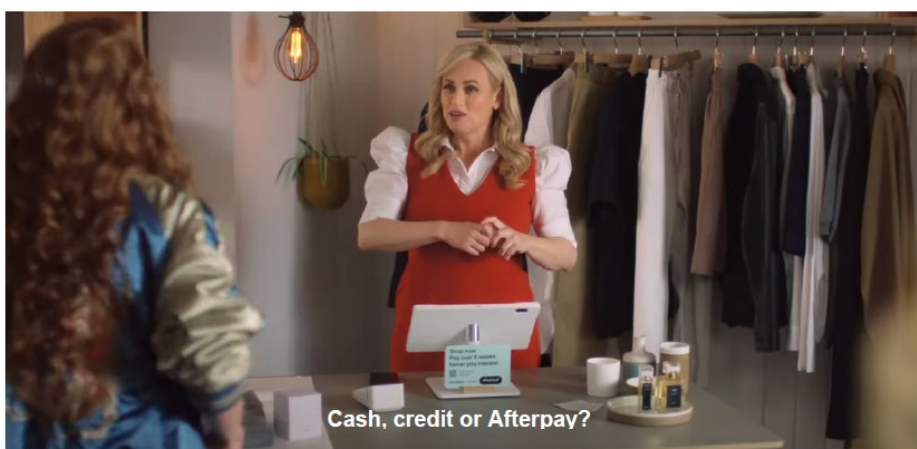
³³ This excludes zero interest credit cards, which merge features of traditional credit cards with instalment payment and BNPL products. These have recently been introduced by a number of major banks in Australia but are not yet in New Zealand.

³⁴ For the month of December 2021.

store lay-by or other instalment payment product, or the consumer could pay using funds within an account that has been boosted by a personal loan obtained earlier.

- 14.2 Almost all merchants accept credit cards, with many also accepting BNPL and other instalment payment products, which can in some instances be used anywhere that Visa or Mastercard are accepted (noting, as mentioned above, that BNPL providers are increasingly moving towards open loop models). The differentiation between the products – including for example the credit limit and tenure – is a factor for consumers to consider in selecting their preferred products, but do not affect their substitutability. The underlying customer need is to purchase something and pay for it later – which can be achieved using any of the above methods.
- 14.3 Furthermore, as evidenced by the Afterpay advertisement depicted in Figure 4 below, BNPL products are advertised as an alternative to cash and credit.

Figure 4: screenshot from Afterpay advertisement³⁵



- 14.4 Examples of the blurring of lines between traditional consumer finance products and newer consumer finance products, such as BNPL, is evident during the check-out and payment process for consumers, both in store and online. The following pages, taken from the websites of two retailers who are merchant partners of Latitude and/or Humm in New Zealand, illustrate some of the options available to consumers today in making purchases, and demonstrate the wide variety of choice and interchangeability present.³⁶

³⁵ <https://www.youtube.com/watch?v=rCu47xQN34>

³⁶ By way of additional context, as of December 2020, over 83,000 merchants in Australia used at least the two largest BNPL providers Block/Afterpay and Zip. NAB Consumer Insight Report: Buy Now Pay Later, June 2021.

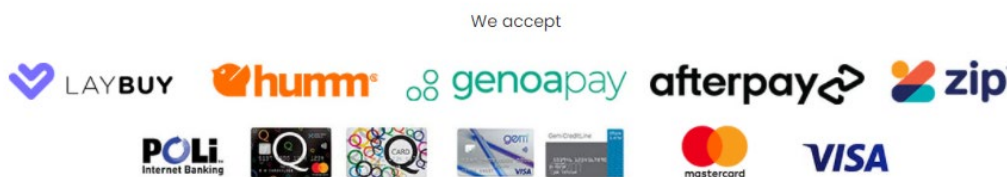
Figure 5: Screenshot of payment options on Evo Cycles website³⁷

Payment Method

| | | |
|--------------|--------|--------|
| VISA | PayPal | POLi |
| Name On Card | | |
| Card Number | | |
| Expiry Date | 03 | 22 |
| Cvc | | |
| genoapay | hummm | LAYBUY |
| afterpay | gem | gem |

Subscribe for Evo Cycles email specials
 I agree to the terms and conditions

PAY WITH CREDIT-CARD

Figure 6: Screenshot of payment options on Big Save Furniture website³⁸

14.5 The growing shift by BNPL providers away from closed loop models in favour of open loop models has increased the substitutability of BNPL products. For example Klarna's BNPL app can be used at any online store.³⁹ Bundll, (a product currently offered by Humm), serves as a further example, as it may be used at any retailer that accepts Visa or Mastercard.⁴⁰ This contrasts with the traditional closed loop model, where BNPL customers are only able to use a product with merchants that are in partnership with a given BNPL provider. The new model allows customers to effectively use BNPL anywhere, enabling them to by-pass any merchant specific finance offering.

14.6 As products become more digital, accessible and ubiquitous, the distinction between the products will all but disappear from the consumer's perspective, and substitution will continue to increase.

Supply-side substitution

14.7 On the supply side, in the last 3 to 6 years there has been a convergence of traditional incumbent providers of consumer finance (generally banks offering credit cards and personal loans) with newer entrant providers of consumer finance (typically fintechs and digital platforms offering instalment payments, BNPL and digital wallets). Traditional consumer finance is being disrupted by innovative BNPL offerings which are typically app-based, interest free with improved integration functionality for retailers.

14.8 Most notably, a number of specialist BNPL fintechs have entered and launched in Australia and New Zealand, including Block/Afterpay, Laybuy, Zip, OpenPay and Klarna. In addition, several

³⁷ Evo Cycles, [Evo Cycles | NZ's Bike Shop](#), accessed 1 March 2022.

³⁸ Big Save Furniture, <https://www.bigsave.co.nz/cart/>, accessed 1 March 2022.

³⁹ For further details on Klarna, see Annexure E.

⁴⁰ [REDACTED].

digital platforms that currently operate in New Zealand are expected to expand their existing offering and launch their own BNPL products in the near future, including PayPal, Apple and Shopify. As at February 2022, there are approximately 9 BNPL providers in New Zealand, including Latitude and Humm. In addition to offering instalment payment products, BNPL, digital wallets and apps, some providers are now beginning to expand into other consumer finance products.

- 14.9 For example, in Australia, Afterpay is offering some banking services in partnership with Westpac. It has obtained the relevant licence and has launched a deposit and spending tracker app 'Money by Afterpay', together with a debit card.⁴¹ Block's (formerly Square) recent acquisition of Afterpay for NZ\$41 billion⁴² – reportedly the largest ever merger deal in Australian history⁴³ – demonstrates the confidence of global platforms in the growth prospects for BNPL and consumer finance more broadly. Similarly, in 2020 the Commonwealth Bank of Australia (CBA), owner of ASB in New Zealand, invested AUD\$300 million to rollout Klarna in Australia and New Zealand. Since then CBA has launched a BNPL product 'StepPay' which can be used anywhere in the world Mastercard is accepted. Latitude's industry intelligence suggests that market leader Afterpay accounts for [REDACTED] of all volumes across Australia and New Zealand.
- 14.10 BNPL providers are also increasingly offering services that have historically been offered only by other consumer finance providers. An example of this is the growth of BNPL "big ticket" products, such as Humm (big things), Payright or Zip 'Pay Longer'.⁴⁴ These products offer larger loans (up to \$10,000 in some cases), over a longer term (up to 36 months), and tend to charge higher fees than "small ticket" products (despite remaining interest free). The functionality of these products is similar in many ways to personal loans (with the exception of the interest component) which serves as further evidence that BNPL products are increasingly substitutable for more traditional personal loans.
- 14.11 The increasing number of interest-free loan and instalment payment providers (particularly providers of BNPL) has driven innovation by incumbent consumer finance suppliers in the form of zero interest credit cards and personal loans, which mimic the functional and behavioural elements of instalment payment products like BNPL. Finance Now's "Purple Visa Card"⁴⁵ offers 12-months interest free on purchases from certain retailers, and AMEX Airpoints credit card offers 0% interest on new purchases for the first six months.⁴⁶ In Australia, CBA's 'Commbank Neo', Westpac's 'Flex' and NAB's 'StraightUp' are all examples of credit cards available in Australia that behave very similarly to BNPL products. In the Parties' submission, ASB, Westpac New Zealand and BNZ could also potentially offer similar products in New Zealand.

15. Providers of consumer finance products

15.1 There are a large number of providers of consumer finance in New Zealand, including for example:

- (a) **fintechs and non-bank providers:** these providers have largely entered New Zealand in the last 3 to 6 years. Some of the recent entrants include Afterpay,⁴⁷ Zip,⁴⁸ Laybuy, Klarna,

⁴¹ Money by Afterpay. <https://www.moneybyafterpay.com/>, accessed 2 March 2022.

⁴² Approximately 42 times Afterpay's revenue. See for example, CNN Business "Afterpay lets you buy now and pay later. Square just bought it for US\$29 billion", accessed via [Square to acquire Afterpay. Australian buy now, pay later platform for \\$29 billion - CNN](#) and NZHerald "Square to buy Australian 'buy now pay later' company Afterpay for \$41 billion", accessed via [Square to buy Australian 'buy now pay later' company Afterpay for \\$41 billion - NZ Herald](#).

⁴³ Business Insider "Block's acquisition of Afterpay has been given the all-clear by the Bank of Spain, closing the book on Australia's largest ever merger deal" 12 January 2021, accessed via [Block's acquisition of Afterpay has been given the all-clear by the Bank of Spain, closing the book on Australia's largest ever merger deal \(businessinsider.com.au\)](#).

⁴⁴ For further details on Humm (big things) and Payright, see Annexure E. For further details about Zip Pay Longer, see Zip, *Zip Pay Longer*, <https://zip.co/nz/pay-longer/>, accessed 28 February 2022.

⁴⁵ Purple "Welcome to Purple Visa Card" accessed on 18 February via [Credit Cards | Purple Visa Card | Earn rewards when you shop](#).

⁴⁶ American Express "The American Express Airpoints Card" accessed via [The Airpoints Card | No Annual Fee | American Express NZ. The 0% introductory interest rate does not apply to any balances transferred from an existing American Express account or other cash advances. At the end of the six-month introductory period, prevailing interest rates apply](#).

⁴⁷ Latitude's industry intelligence suggests that market leader Afterpay accounts for [REDACTED] of volumes across Australia and New Zealand. Estimate based on Afterpay FY21 results at Afterpay ASX Announcements, as compared to industry volume of \$4.3 billion in Q2 2021.

⁴⁸ Latitude's industry intelligence suggests that Zip accounts for [REDACTED] of all interest free consumer finance volumes across Australia and New Zealand. Estimate based on Zip FY21 results at Zip ASX Announcements, as compared to industry volume of

Payright, OpenPay and Splitit. In addition to these BNPL providers, there are also companies which offer instalment payment products, such as long-term interest free retail finance, at particular retailers. New Zealand examples include Finance Now (owned by SBS) and Gilrose. For completeness, these providers are in addition to the numerous non-bank, personal loan providers operating in New Zealand such as Instant Finance, Harmoney or Save My Bacon; and

- (b) **banks:** have traditionally provided personal loans and credit cards, but are now also expanding their offerings to include BNPL products in conjunction with their traditional consumer finance offerings. ASB's partnership with Klarna is one such example.
- 15.2 In addition, card payment providers such as Visa and American Express have started enabling instalment capability on their credit cards in Australia. Latitude expect such offerings to be extended to New Zealand in the near term.⁴⁹ Furthermore, technology giants Apple, Meta, PayPal, Shopify, Amazon and Samsung are expanding into the consumer finance space globally, and are expected to enter this space in New Zealand in the near future.
- 15.3 These competitors are described in further detail in **Annexure E**. The consumer finance product offering of these competitors in New Zealand is set out in Table 2 below.

Table 2: Product offering of consumer finance suppliers in New Zealand

| No. | Supplier | Personal loan | Credit card ⁵⁰ | Instalment Payments | |
|-----|-------------------|---------------|---------------------------|------------------------|-----------------|
| | | | | Non BNPL ⁵¹ | BNPL |
| 1. | Latitude | ✓ | ✓ | ✓ | ✓ |
| 2. | Humm | ✗ | ✓ | ✓ | ✓ |
| 3. | Afterpay | ✗ | ✗ | ✗ | ✓ |
| 4. | AMEX | ✗ | ✓ | ✗ | ✗ |
| 5. | ANZ | ✓ | ✓ | ✗ | ✗ |
| 6. | ASB | ✓ | ✓ | ✗ | ✗ ⁵² |
| 7. | BNZ | ✓ | ✓ | ✗ | ✗ |
| 8. | SBS & Finance Now | ✓ | ✓ | ✓ | ✗ |
| 9. | Kiwibank | ✓ | ✓ | ✗ | ✗ |
| 10. | Klarna | ✗ | ✗ | ✗ | ✓ |

\$4.3 billion. Latitude also estimates that Laybuy accounts for [REDACTED] (see FY21 results at Laybuy ASX Announcements), while Openpay accounts for [REDACTED] (see FY21 results at OpenPay H1 FY21 Results). Note that these shares are likely to be overstated as not all providers publicly disclose their volume.

⁴⁹ For Visa's new service, see Interest.co.nz, *Visa unveils 'buy now, pay later service' noting instalment payment volumes have been growing twice as fast as credit card volumes*, <https://www.interest.co.nz/personal-finance/100483/visa-unveils-buy-now-pay-later-service-noting-installment-payment-volumes>, accessed 3 March 2022.

For American Express' new service, see Mozo, *American Express launches new BNPL alternative, Plan It*, <https://mozo.com.au/credit-cards/articles/american-express-launches-new-bnpl-service-plan-it>, accessed 3 March 2022.

⁵⁰ In Australia, a number of major banks have also recently introduced zero interest credit cards, which merge features of traditional credit cards with instalment payment and BNPL products. In the Parties' submission, ASB, Westpac New Zealand and BNZ could also readily offer similar products in New Zealand.

⁵¹ Including instalment payment products offered at particular retailers.

⁵² Partnered with Klarna. See <https://www.asb.co.nz/bank-accounts/klarna.html>.

| | | | | | |
|-----|-----------------|---|---|---|---|
| 11. | Laybuy | x | x | x | ✓ |
| 12. | OpenPay | x | x | x | ✓ |
| 13. | Payright | x | x | x | ✓ |
| 14. | TSB | ✓ | ✓ | x | x |
| 15. | Westpac | ✓ | ✓ | x | x |
| 16. | Splitit | x | x | x | ✓ |
| 17. | Zip | x | x | x | ✓ |
| 18. | Gilrose | ✓ | x | ✓ | x |

16. Contracts with merchants

16.1 As set out above, instalment products may be supplied directly to the end consumer, or via a merchant arrangement. While the specific details of the contractual arrangements which underpin these merchant relationships may differ, depending on the specific products a merchant has signed-up to offer, the following general observations can be made about the nature of such arrangements in New Zealand.

- (a) Standard general terms apply to the majority of merchant contracts (in relation to instalment payments and BNPL specifically) which are broadly consistent across the various suppliers. For the Commission's reference, a copy of each of Latitude's and Humm's standard terms are included as **Confidential Annexures I and J**. Occasionally, providers may negotiate preferential terms for merchants with likely expected significant transaction volume including, for example, in relation to duration and in some cases, the merchant service fee (**MSF**).
- (b) The durations of merchant contracts differ amongst finance providers. From Humm's perspective merchant contracts are typically for a term of between [REDACTED] months (noting that, in Humm's view, a [REDACTED] month term is the most common) Indeed, as illustrated in further detail in **Annexure G**, it is common practice for retailers in New Zealand to partner with multiple finance providers to provide customers with a broad choice.
- (c) In New Zealand, there are some limited instances of providers entering into exclusive arrangements with instalment payment providers. For example, [REDACTED]⁵³[REDACTED]. [REDACTED]⁵⁴ [REDACTED]. However, such arrangements are reasonably uncommon for the reasons discussed above.

16.2 As previously mentioned, there is an increasing movement towards 'open loop' BNPL models, which allow the payment method to be used outside of established merchant relationships, anywhere Visa or Mastercard is accepted. This movement towards open loop BNPL systems, coupled with the growing number of BNPL providers, is of significant benefit to merchants, who no longer need to develop relationships with individual BNPL providers to attract BNPL customers. Under the open loop model, providers may not charge an MSF at all, and may instead rely on interchange revenue they receive from Mastercard or Visa on each transaction conducted over the scheme networks. [REDACTED]⁵⁵

⁵³ Noting, as set out above at paragraphs 22.2 to 22.3, that [REDACTED].

⁵⁴ As noted above, Humm has 82,000 merchant partners globally. [REDACTED].

⁵⁵ [REDACTED].

Part E: Relevant Markets

17. Overlap between the Parties' activities in New Zealand

- 17.1 The Parties overlap in the supply of consumer finance products in New Zealand. As explained above, there are a range of products that fall within this space including personal loans, credit cards and instalment payment products. For these products, there is a high-degree of demand and supply side substitutability. The underlying customer need is to purchase something and pay for it later – which can be achieved using a range of methods.
- 17.2 In New Zealand, both Parties supply credit cards, including credit cards that offer instalment capability. Specifically;
- (a) Latitude offers Gem Visa, a credit card that [REDACTED] Gem Visa offers 6 months interest free on purchases over \$250, as well as long term instalment plans at select merchants. Latitude additionally services a number of backbook credit cards on which it is no longer taking new accounts, including Creditline.
 - (b) Humm offers Q Mastercard, its largest product in New Zealand. Q Mastercard offers instalment capability, and a 55 day interest free period. Humm additionally supplies white label scheme credit cards to Farmers and Flight Centre, and offers Q Card, on which it is no longer taking new accounts.
- 17.3 The Parties also offer BNPL products. Latitude offers Genoapay, a small ticket BNPL product for purchases up to \$1,000. Humm offers two BNPL products, being humm (little things) for purchases up to \$1,000 and humm (big things) for purchases up to \$10,000. Humm additionally offers bundll, an open-loop BNPL product for purchases up to \$1,000 that can be used at any store where Mastercard is accepted. Up to \$3,000 of additional credit is available in an add-on product to bundll, known as superbundll.⁵⁶
- 17.4 For completeness, Latitude also offers a range of secured and unsecured personal loans. Humm however, does not have a personal loan offering in New Zealand.
- 17.5 Further detail on the Parties activities in New Zealand is available in **Annexure A**.

18. Market Definition

- 18.1 Latitude does not consider that it is necessary to define the relevant market(s), on the basis that the Proposed Transaction will not result in an SLC regardless of the market definition adopted.
- 18.2 However, should it assist the Commission in its consideration, Latitude considers that there is a national market for the supply of consumer finance (which incorporates credit cards, personal loans and instalment payment products (such as BNPL), both because of the functional similarities between those products, and because of the high level of supply-side and demand-side substitution that occurs between them.
- 18.3 For completeness, the Commission has considered the consumer finance sector in two previous decisions.⁵⁷
- 18.4 In both decisions, the Commission identified:
- (a) a national market for the supply of consumer finance products, including both personal loans and merchant finance, but excluding motor vehicle finance; and

⁵⁶ [REDACTED].

⁵⁷ Decision 461 *GE Capital Finance Australasia Pty Ltd / Australian Guarantee Corp (NZ) Ltd*, 24 April 2002 and Decision 571 *GE Finance and Insurance Limited and Pacific Retail Services Limited, Pacific Retail Finance Limited, Montreal Financial Services Limited and Simply Insurance Limited*, 18 January 2006. It is worth noting that the Commission cleared both transactions in these decisions on the basis of the high level of existing competition identified.

- (b) a separate market for the supply of merchant finance to retailers.
- 18.5 It is worth noting that the latter market definition was described in the 2002 decision as a “conservative alternative”.⁵⁸ The Commission acknowledged a “*plethora of consumer finance options*” and a “*high degree of substitutability*” between traditional consumer finance products (e.g. personal loans) and merchant finance (available at point of sale) from a consumer perspective, but that a lack of supply-side substitutability for merchant finance to *retailers* suggested the existence of a discrete market for retail customers.
- 18.6 Latitude submits that the market definition previously identified is of little or no relevance to today’s consumer finance sector. The industry has evolved significantly since the above decisions were issued and continues to do so at pace. Notably, BNPL is a relatively new form of credit in New Zealand and was not available to consumers in 2002 or 2006 respectively.⁵⁹ Indeed, the entire retail landscape has changed dramatically since then, with a material increase in online shopping (which has, in part, driven the increase in consumer finance options). For example, in 2002 an estimated 14% of New Zealanders over the age of 18 were classified as “online shoppers”, increasing to 37% in 2006.⁶⁰ This is dwarfed by the latest statistics: a reported 88% of the population has recently searched for a product or service to buy online.⁶¹
- 18.7 Block’s recent acquisition of Afterpay (worth NZ\$41 billion at the time the deal was announced, i.e. well over one hundred times the value attributable to the Proposed Transaction), as mentioned above, is a further validation of the significance of this category of consumer finance today. In the Parties’ view, the acquisition is as much a reflection of the future of consumer credit and payments globally, as it is of Afterpay’s success, particularly in New Zealand. A Radio New Zealand news article from August 2021 estimated that Afterpay has a sizeable 40% share of the New Zealand BNPL segment.⁶²
- 18.8 With the advancement of technology and ever-increasing digitalisation, consumers can now readily sign-up for financial products in store or online in a matter of minutes via their smart-phones or other devices – whether offered by the retail merchant or not. Some BNPL services are increasingly offered through credit card networks (noting the shift towards open-loop models), which allows the payment method to be used outside of established merchant retail relationships and effectively bypass many of the traditional logistical barriers. Customers ultimately have much more control over the products they use.
- 18.9 Accordingly, Latitude does not consider it necessary to draw a distinction between merchant retailers and consumers. Defining a retail merchant finance market is too narrow. The high level of substitutability between financing formats, on the demand side and supply side, supports the inclusion of consumers and retailers within the same market. The numerous offerings available today are such that the consumer is able to arrange finance at the point of sale – in either the physical or online store, through a large number of alternative platforms. Further discussion on the countervailing power of merchants is set out at Section 22 below.

⁵⁸ Decision 461, paragraph 78.

⁵⁹ BNPL services launched in New Zealand in 2016.

⁶⁰ Nielsen “*The Big Business of E-Commerce*”, July 2015 accessed via [The Big Business of E-Commerce – Nielsen](#).

⁶¹ Statista “*Share of people doing selected e-commerce activities in New Zealand as of January 2021*”, March 2021 accessed via [New Zealand: e-commerce activities by type 2021 | Statista](#).

Current online spending is reportedly up more than 52% on 2019, with a total online spend of NZ\$7.67 billion in 2021. See Parcel and Postal Technology “*New Zealand Shoppers spent NZ\$7.67bn online in 2021*”, accessed on 18 February 2022 via [New Zealand shoppers spent NZ\\$7.67bn online in 2021 - Parcel and Postal Technology International](#).

⁶²For completeness, Latitude’s estimate of Afterpay’s market share at paragraph 14.9 refers to Afterpay’s Australian and New Zealand combined market share. RNZ, “*Officials keep close eye on ‘buy now pay later’ usage during lockdown*”, August 2021 via <https://www.rnz.co.nz/news/business/450210/officials-keep-close-eye-on-buy-now-pay-later-usage-during-lockdown#:~:text=Afterpay%20makes%20up%20approximately%2040.now%20pay%20later%20market%20share,>

Part F: Competitive Assessment

19. The Proposed Transaction does not raise competition concern

- 19.1 The Proposed Transaction will not result in an SLC in any relevant market due to the dynamic and highly competitive nature of the consumer finance sector in which the parties operate. As expanded on in further detail below, consumers and merchants have the choice of, and use, a broad range of consumer finance products to address their consumption needs, and providers service those needs by offering a wide range of substitutable products.
- 19.2 In addition to the low combined market shares set out below, Latitude submits the Proposed Transaction is unlikely to result in an SLC in any market because:
- (a) the merged entity will be constrained by larger banks and non-bank providers, digital platforms and fintechs;
 - (b) merchants have countervailing power and contract with several providers of consumer finance;
 - (c) barriers to entry are not high and are falling, and new entry is occurring; and
 - (c) the Parties have largely complementary portfolios.
- 19.3 For completeness, there is no vertical or conglomerate relationship between the Parties that is relevant to the assessment of the Proposed Transaction and for that reason, potential vertical effects are not discussed further in this application.

20. Low combined market shares

- 20.1 In the Parties' submission, the proper way in which to assess the relevant market is to do so on the basis of a national market for the supply of consumer finance which incorporates the full spectrum of consumer finance products, being credit cards, personal loans and instalment payment products (including BNPL). This is both because of the functional similarities between those products, and because of the high level of supply-side and demand-side substitution that occurs between them. On this basis, Latitude estimates the Parties' combined market share amounts to approximately [REDACTED] (i.e. Latitude estimates its share at approximately [REDACTED] and Humm's at [REDACTED]).
- 20.2 Notwithstanding the Parties' submissions, the Commission has indicated that it is interested in understanding the Parties' position in the instalment products segment (including BNPL) specifically. This information is difficult to source because it is not the way in which the Parties' measure their respective market positions. This means that accurate estimates cannot be prepared to a level that the Parties consider is a reliable and accurate reflection of the state of the industry. However, in order to assist the Commission's inquiries, Latitude has calculated segment shares on this basis – noting the aforementioned limitations. On this basis, Latitude estimates the Parties' combined share in the instalment payments segment (including BNPL) to amount to [REDACTED]⁶³ (i.e. Latitude's estimated share accounts for approximately [REDACTED], while Latitude estimates that Humm's share accounts for approximately [REDACTED]). On a BNPL-basis only, this drops to less than [REDACTED] (i.e. Latitude's estimates that its share accounts for approximately [REDACTED], while Humm's accounts for approximately [REDACTED]).

⁶³ Latitude has estimated the Parties' respective market shares for BNPL specifically based on a total market size of \$1,100 million. Source: Research and Markets "New Zealand Buy Now Pay Later (BNPL) Market Report 2021 Featuring OpenPay, Afterpay, humm, Laybuy, Zippay, Payright, Genoapay, Art Money", data available [here](#). To estimate market shares on an instalment finance (including BNPL) basis, Latitude has taken the estimated market size for BNPL (as set out above) together with its own internal estimates (or actuals where available for its own information) of the Parties' and competitor's volumes of interest free instalment payment products. This gives a total market size of [REDACTED] noting that as this is only a subset of the market it likely overstates the Parties' shares in Latitude's view. Latitude considers that its individual competitor share estimates are not sufficiently robust to warrant inclusion in this application.

20.3 Accordingly, even on this narrow basis, the market shares are below the levels which would ordinarily raise competition concern.

21. Strong competitors, including large banks, non-bank providers and fintechs

21.1 Latitude and Humm are currently, and will continue to be, constrained by a significant number of larger competitors active in New Zealand. Though there are some key players, as mentioned above, notably major banks and scaled instalment payment providers such as Afterpay, PayPal, Laybuy, and FinanceNow, the industry as a whole is diverse and dynamic. There is a focus on innovation and product development, and consumers are seeing the convergence of products offered by traditional bank and non-traditional fintech providers.

(a) Incumbent banks

21.2 The banks are, and will continue to be, the dominant providers of most forms of consumer finance.⁶⁴ These major financial institutions are extremely well-resourced, with large and “sticky” customer bases, strong brand recognition, and broad geographic footprints that provide them with significant competitive advantages (e.g. cross-selling credit cards or other consumer finance products). These entities are a current significant constraint and will continue to constrain the merged entity post-acquisition.

21.3 For example, in relation to credit cards, Latitude estimates that there are approximately 2.7 million personal credit and charge card accounts in New Zealand. Total credit card spend⁶⁵ was \$4.5 billion during December 2021.⁶⁶ As above, Latitude estimates that the Parties’ combined share of credit card spend amounts to approximately [REDACTED] (i.e. Latitude’s estimated share accounts for approximately [REDACTED], while it estimates Humm accounts for approximately [REDACTED]).

21.4 The emergence and rapid growth of BNPL has contributed to an increasing level of competition in New Zealand’s credit market, with the credit card industry dipping its toes into interest-free products.⁶⁷ In addition to traditional credit cards and personal loans, the major banks supply credit products that mimic the structure and functions of instalment payment products, and have developed and launched instalment products of their own.⁶⁸ In 2020 CBA invested AUD\$300 million to rollout the Swedish BNPL provider Klarna into Australia and New Zealand. Since then, CBA has launched a BNPL product linked to its bank account offering. ASB has recently introduced a similar product in New Zealand, allowing customers to sign up with Klarna via the ASB app, per Figure 7 below.

⁶⁴ Latitude considers it competes with the major banks (being Westpac, ASB, ANZ and BNZ), with the smaller banks (Kiwibank, TSB, SBS) and with credit unions.

⁶⁵ See footnote 3. Latitude considers that share of “spend” provides a more accurate depiction of a provider’s respective competitive strength as compared to share of “balances” which instead refers to customers’ repayment behaviour.

⁶⁶ [Credit card spend \(C13\) – Reserve Bank of New Zealand \(rbnz.govt.nz\)](https://www.rbnz.govt.nz/credit-card-spend-c13) (accessed 3 March 2022).

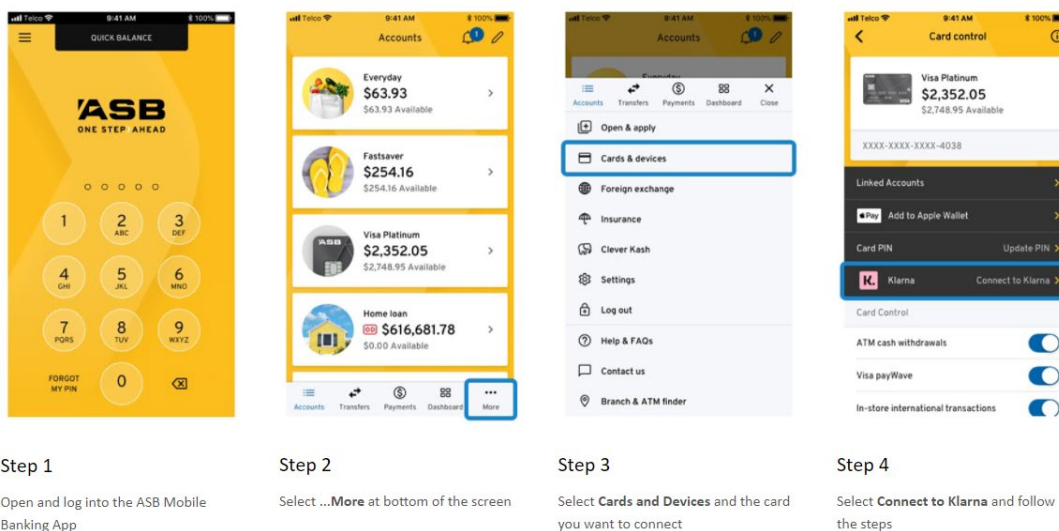
⁶⁷ [Buy-Now-Pay-Later-Report_NZ-2021.pdf \(dvh1deh6tagwk.cloudfront.net\)](https://www.dvh1deh6tagwk.cloudfront.net/Buy-Now-Pay-Later-Report-NZ-2021.pdf) (accessed 3 February 2022).

⁶⁸ For example, Westpac has also announced its new “Flex Card” in Australia, an interest free credit account with a \$1,000 limit, and a minimum monthly repayment requirement of \$40. In the Parties’ view, Westpac could readily extend this to New Zealand.

Figure 7: Creating a Klarna account via the ASB Mobile Banking App

Create a Klarna account in the ASB Mobile Banking App

You'll be directed through to verify your information with Klarna to start shopping. Klarna may do a credit check when you make a purchase.



(b) Non-bank providers and fintechs

- 21.5 The rising popularity of BNPL as a form of instalment payment product has rendered non-bank providers and fintechs significant players in the industry in a short period of time. Over the past five years, BNPL providers have experienced rapid growth at the expense of credit card balances.⁶⁹ In FY19/20, ASX-listed BNPL providers processed approximately \$10 billion of purchases in Australia and New Zealand, with the value of BNPL transactions in Australia and New Zealand tripling between FY17/18 and FY19/20.⁷⁰ As at December 2020, the two largest publicly listed Australian BNPL providers, Afterpay and Zip, had around six million active BNPL user accounts online in Australia and New Zealand.⁷¹
- 21.6 In 2021, it is reported that Afterpay had over 3.6 million active customers in Australia and New Zealand, and more than 16.2 million globally. Sales for Australia and New Zealand were up by 44% in FY21 to \$9.4 billion (in contrast, in the same period Latitude had approximately [REDACTED] open BNPL accounts, and Humm had approximately [REDACTED]). Laybuy reported 322,400 customers as at Q2 2022 and 48% growth in annualised income (to NZ\$43.1 million) compared to the previous financial year.⁷²
- 21.7 Transactional card data from Datamine suggests that in 2019, BNPL transactions increased 105% and continued the rapid growth trajectory in 2020, with BNPL spending increasing a further 57%. According to a Finder survey, nearly a third of Kiwis (31%) have used BNPL services within the past three years, with the average customer using BNPL around eight times in six months.⁷³ The surging demand through online channels has led the way for BNPL to thrive. According to NZ Post, BNPL transactions grew by 49% in the first quarter of 2021 compared to the same period in 2020. NZ Post also estimates that BNPL accounts for 11% of all online shopping revenue.⁷⁴

⁶⁹ ASIC, *Buy now pay later: An industry update*, November 2020, page 3.

⁷⁰ Reserve Bank of Australia, *Developments in the Buy Now, Pay Later Market*, March 2021 Bulletin (18 March 2021).

⁷¹ Reserve Bank of Australia, *Developments in the Buy Now, Pay Later Market*, March 2021 Bulletin (18 March 2021).

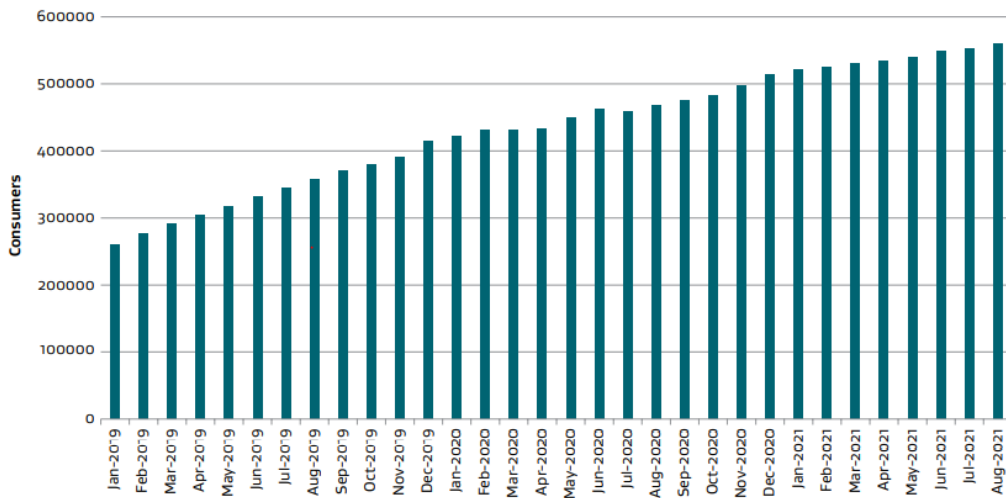
⁷² Laybuy, Q2 FY22 results presentation, <https://laybuyinvestors.com/investor-centre/?page=reports-presentations>, accessed 28 February 2022.

⁷³ Finder *“Buy Now Pay Later: a report on the state of buy now pay later in New Zealand”*, January 2021.

⁷⁴ Finder *“Buy Now Pay Later: a report on the state of buy now pay later in New Zealand”*, January 2021.

21.8 Throughout 2020, as the BNPL industry thrived, credit card balances fell by 21% between February and April, and even in February 2021 balances remained 15% lower year-on-year.⁷⁵

Figure 8: Number of consumers actively using BNPL in New Zealand⁷⁶



21.9 The number of BNPL products in New Zealand has proliferated in recent years. Including products offered by Latitude and Humm, there are a total of ten BNPL products available in New Zealand. These products are set out in Table 3 below, and are described in further detail in Annexure F.

Table 3 – BNPL Products in New Zealand

| BNPL product | Proposition |
|----------------------------------|---|
| | 10 instalments with weekly repayments |
| | 4 instalments with fortnightly repayments |
| | 4 instalments with fortnightly repayments |
| | 4 instalments with fortnightly repayments |
| | 6 weekly payments |
| | 1-24 months plan, weekly or fortnightly instalments |
| | Flexible term from 3 to 36 months with fortnightly or monthly repayments |
| | Instalments charged to customers' existing credit or debit card |
| (little things) and (big things) | 5 fortnightly or 10 weekly repayments Fortnightly repayments over terms ranging from 6-24 months |
| | 1 instalment payable with a 2 week term, extendable by 2 weeks |
| | Product subject to beta testing in NZ. ⁷⁷ Superbundll is a feature of the bundll product in NZ, that allows customers to make fortnightly repayments over 6 instalments |

⁷⁵ RBNZ, Credit card balances, March 2021.

⁷⁶ Covering around 35-40% of estimated BNPL in New Zealand. See, for example, <https://www.rnz.co.nz/news/business/450210/officials-keep-close-eye-on-buy-now-pay-later-usage-during-lockdown#:~:text=Afterpay%20makes%20up%20approximately%2040.now%20pay%20later%20market%20share>.

⁷⁷ Beta testing involves the product team trialling a finished product to a group of consumers to evaluate product performance.

21.10 Many of these BNPL providers have partnered with the largest retailers in New Zealand, and as such offer widely available products in New Zealand. Table 4 below sets out the number of partnerships each of these providers have with the largest 25 online merchants in New Zealand (by revenue).⁷⁸ Further details can be found in **Annexure G**.

Table 4 – Relationships with New Zealand’s top 25 online merchants

| Consumer finance provider | Number of ‘top 25’ online merchant partners |
|---------------------------|---|
| Afterpay | 11 |
| Humm ⁷⁹ | 8 |
| Zip | 7 |
| Latitude | 6 |
| Laybuy | 5 |
| Finance Now | 4 |

21.11 Having achieved significant scale in instalment payment products such as BNPL, non-bank and fintech providers are expanding into other forms of consumer finance, demonstrating the blurring of providers of traditional consumer finance with fintechs and new entrants. As set out at paragraph 13.1(c) above, Humm (big things) and Payright are further examples of BNPL products that function in a similar manner to personal loans, in that they offer instalment payments for large expenses (albeit interest free). In Australia, Zip offers interest-bearing or revolving credit products⁸⁰, and via its Money app, Afterpay provides customers with access to a savings account and debit card (in partnership with Westpac).⁸¹ Furthermore, Zip has recently completed a pilot of a new product, “Zip Pay Longer” in New Zealand, which, if introduced, would compete with other “big ticket” BNPL products, in that it offers a longer repayment term (of 24 weeks, made up of 12 fortnightly interest free repayments) and a larger transaction size limit (of \$3,500).⁸² This is a notable development in Zip’s strategy, as its existing product, Zip Pay, has a materially lower transaction size limit.⁸³

21.12 In addition to the BNPL providers listed above, businesses such as Finance Now (owned by SBS) and Gilrose offer more traditional interest-free long term instalment finance to vast numbers of retailers in New Zealand (Gilrose alone counts over 1500 retailers in its network)⁸⁴. In addition, there are numerous other personal loan providers active in New Zealand.

21.13 Finally, non-financial companies are also involved in offering consumer finance products such as credit cards or instalment payment products like in-store credit, which are often supplied on a white label basis by major banks. Well known examples of this include the white-label credit cards offered by Farmers, Air New Zealand and Flight Centre, provided by Humm. Latitude [REDACTED].

22. Merchants have countervailing power and contract with several providers of consumer finance

22.1 Latitude and Humm’s consumer finance products are developed for the everyday consumer. Where those products are made available to consumers by merchants as part of their retail

⁷⁸ As set out in Annexure F, The list of New Zealand’s largest online retailers derives from publicly available information on ecommerceDB, [available here](#). This list has not been verified by the Parties, and may omit some retailers.

⁷⁹ As set out in Annexure E, this does not include Humm’s white label credit products.

⁸⁰ Zip Pay provides credit for purchases over \$1,000 that becomes interest bearing after three months (at the standard annual rate of 19.9%). For further information, see <https://zip.co/au/how-zip-works>.

⁸¹ For further information, see

https://www.moneybyafterpay.com/?utm_source=web&utm_medium=afterpaywebsite&utm_campaign=launch.

⁸² Zip, *Zip Pay Longer*, <https://zip.co/nz/pay-longer/>, accessed 28 February 2022.

⁸³ For further information on Zip Pay and Zip Pay Longer, refer to Annexure E.

⁸⁴ <https://www.gilrose.co.nz/our-retailers/#:~:text=Today%20Gilrose%20provides%20finance%20to%20over%201500%20retailers%20nationwide>.

offering, those entities exercise countervailing power and could easily bypass the merged entity, including because of the ever-increasing choice of instalment payment products available to merchants and direct to end customers. This is particularly the case in New Zealand where, per capita, there are more consumer credit providers (and therefore relatively more payment options available to merchants) than in Australia.

22.2 [REDACTED].

22.3 Indeed, as regards Latitude's business in New Zealand, [REDACTED].

22.4 In New Zealand, relationships between merchants and consumer finance providers are not generally exclusive. Instead, as expanded on in further detail in **Annexure G**, merchants often partner with multiple providers so as to maximise the financing options available to customers.

22.5 The countervailing power of merchants is also evidenced in the decline of fees charged by instalment payment providers to merchants for using instalment payment or BNPL products. Latitude understands that in the past it was common for some BNPL providers in Australia to charge an MSF of [REDACTED] per transaction. However, as competition has rapidly increased in recent years, this figure has been pushed down, with Latitude understanding the average agreement now involving an MSF of about [REDACTED], to as low as none at all (for example, in Australia, CBA's StepPay and PayPal's PayIn4 BNPL products do not charge any additional MSF). This trend is consistent with Latitude's experience in the New Zealand market, [REDACTED].

23. **Barriers to entry are not high and are falling, and new entry is occurring**

23.1 Barriers to entry for the supply of consumer finance products are not high and are falling, due to:

- (a) **Different regulation and licensing requirements** for certain instalment products, which has encouraged new entry. Notably, most BNPL and other forms of instalment payments do not fall within the current definition of 'consumer credit contract' in the CCCFA. This means that these suppliers are not currently subject to the strict licensing and responsible lending obligations of the CCCFA and do not face the traditional barriers to entry related to the provision of regulated credit. While this may change – noting that the extent and timing of any such changes are uncertain – as explained above, some BNPL products are already regulated in the same way as traditional lending products and this has not deterred the high-level of entry and expansion experienced to date.
- (b) **Increased prevalence of "banking as a service" models**, under which non-licensed entities provide consumer finance or banking products via an agreement or partnership with a traditional bank (for example, Westpac and Afterpay, whereby Afterpay uses Westpac's digital platform to offer transaction and savings accounts and cash flow management products, or ASB's partnership with Klarna, whereby an ASB customer with the relevant ASB transaction and credit accounts may link their ASB cards to their Klarna account and app).
- (c) **Physical branches are no longer required**, as consumer finance providers move to wholly online service models and digital offerings.
- (d) **Increasing movement towards open loop models**, which allows the payment method to be used outside of established merchant relationships, anywhere Visa or Mastercard is accepted.

23.2 The rate and ease at which new consumer finance providers have entered the industry in New Zealand in the last 3 to 6 years as described in detail above, is consistent with falling barriers to entry. In particular, a growing number of digital platforms have entered the consumer finance industry, and many have launched their own digital wallets, BNPL and credit products.

23.3 US-based tech giant PayPal has long focused on digital payments. It announced its BNPL offering ('Pay In 4') in July 2021, which allows PayPal's customers to divide their purchases into four instalment payments, at no additional cost to either the merchant or customer. While PayPal has

not yet announced the introduction of this BNPL product to the New Zealand market, Latitude understands that it would be readily able to do so.

23.4 Non-traditional financial service providers, such as the digital platforms and technology companies Apple, Google, Samsung, Amazon and Meta have also turned their attention to the payments sector. Each has launched its own digital wallet: Apple Pay, Google Pay, Samsung Pay, Amazon Pay and Facebook Pay are available in New Zealand. These wallets are tied to each respective user account, and can be used to send or request money and make payments. It has also been reported that Apple is planning to enter the BNPL sector with two products, 'Apple Pay in 4' and 'Apple Pay Monthly Instalments'⁸⁵ after successfully launching the Apple Credit Card in 2019 in collaboration with Goldman Sachs and MasterCard. The entrance into this sector by large digital platforms is particularly notable due to the significant competitive advantages they possess. These companies already have very large user bases, access to retail payments both in-store and online, access to data and customer loyalty, as well as technological investment and expertise, which they can leverage in order to strengthen their position in consumer finance.

24. Parties have largely complementary portfolios

24.1 Humm's business is largely complementary to Latitude's in a number of respects.⁸⁶

24.2 For example, in New Zealand, Latitude does not offer a "big ticket" BNPL product whereas Humm does (i.e. humm "big things"). In general, big ticket BNPL is similar in many ways to instalment credit cards and personal loans as both are used by customers to purchase larger items and pay them back over time. Humm (big things) functions in a similar way to a personal loan (albeit being interest free) and is used by customers in a similar way to purchase significant consumer goods. Latitude's sole BNPL product currently on offer in New Zealand is Genoapay, which is not a 'big ticket' product, as it only provides small loans of up to \$1,000, over a short repayment period of up to 10 weeks.

24.3 As is set out below in Table 5, Humm (big things) provides larger loans of up to \$10,000, over a far longer repayment period of 6 to 24 months.⁸⁷ The two products also have a different fee structure, with Humm (big things) charging monthly fees, establishment fees and late fees, and Genoapay only charging late fees.⁸⁸ Humm (big things) therefore, represents a complementary "add-on" to Latitude's existing BNPL offering in New Zealand.

Table 5 – Overview of Genoapay and Humm (big things)

| Feature | Genoapay | Humm (big things) |
|------------------|---------------|---|
| Repayment period | 10 weeks | 6 to 24 months |
| Loan amount | Up to \$1,000 | Up to \$10,000 |
| Fees | \$10 late fee | \$2.50 monthly fee, \$20 establishment fee, \$10 late fee |

25. No coordinated effects

25.1 Latitude considers that the relevant market does not currently exhibit signs of coordination including because the threat of new entry makes any coordination vulnerable to external

⁸⁵ Australian Financial Review - ['Apple plans buy now, pay later service to rival Afterpay'](#) (14 July 2021).

⁸⁶ By way of further detail, in relation to instalment payments provided to merchants, the parties' top 10 partners by transaction volume include only [REDACTED] shared customers – the remainder are unique to each party.

⁸⁷ For completeness, Latitude recently launched a more similar "medium ticket" product, LatitudePay+ in Australia but there are key differences between the two products. For example, LatitudePay+ is only available up to AU\$5,000 with a repayment period of 6 to 24 months, whereas humm (big things) is up to AU\$30,000 (noting the higher lending limit associated with this product in Australia) with a repayment term of up to 60 months.

⁸⁸ For completeness, we note that Genoapay is of a more similar nature to Humm's "humm (little things)". Further information on the functionality of the various BNPL products available in New Zealand is set out in the table in Annexure D.

disruption, and because of the countervailing power exercised by merchant retailers. It is also a particularly innovative sector. The Proposed Transaction does not otherwise alter these factors. In any event, the Proposed Transaction does not remove a particularly aggressive or destabilising competitor.

- 25.2 Accordingly, the Proposed Transaction cannot be said to materially increase the likelihood of coordination occurring in relation to the supply of consumer finance products in New Zealand.

Part G: Further information

26. Names and contact details of competitors in New Zealand

26.1 The tables below set out the details of Latitude's main competitors in New Zealand in the consumer finance market generally, as well as the instalment payments space specifically.

| Latitude's main competitors in the consumer finance market | | |
|--|----------------|-----------------|
| No. | Name of entity | Contact details |
| 1 | [REDACTED] | [REDACTED] |
| 2 | [REDACTED] | [REDACTED] |
| 3 | [REDACTED] | [REDACTED] |
| 4 | [REDACTED] | [REDACTED] |
| 5 | [REDACTED] | [REDACTED] |

| Latitude's main competitors in the instalment payments space | | |
|--|----------------|-----------------|
| No. | Name of entity | Contact details |
| 1 | [REDACTED] | [REDACTED] |
| 2 | [REDACTED] | [REDACTED] |
| 3 | [REDACTED] | [REDACTED] |
| 4 | [REDACTED] | [REDACTED] |

| | | |
|---|------------|------------|
| 5 | [REDACTED] | [REDACTED] |
|---|------------|------------|

26.2 The tables below set out the details of Humm’s main competitors in New Zealand in the consumer finance market generally, as well as the instalment payments space specifically.

| Humm’s main competitors in the consumer finance market | | |
|--|----------------|-----------------|
| No. | Name of entity | Contact details |
| 1 | [REDACTED] | [REDACTED] |
| 2 | [REDACTED] | [REDACTED] |
| 3 | [REDACTED] | [REDACTED] |
| 4 | [REDACTED] | [REDACTED] |
| 5 | [REDACTED] | [REDACTED] |

| Humm’s main competitors in the instalment payments space | | |
|--|----------------|-----------------|
| No. | Name of entity | Contact details |
| 1 | [REDACTED] | [REDACTED] |
| 2 | [REDACTED] | [REDACTED] |
| 3 | [REDACTED] | [REDACTED] |
| 4 | [REDACTED] | [REDACTED] |
| 5 | [REDACTED] | [REDACTED] |

27. Key customers in New Zealand

27.1 The table below sets out the details of Latitude’s top five customers in New Zealand.

| # | Latitude’s five largest merchant partners | Contact details |
|----|---|-----------------|
| 1. | [REDACTED] | [REDACTED] |
| 2. | [REDACTED] | [REDACTED] |
| 3. | [REDACTED] | [REDACTED] |
| 4. | [REDACTED] | [REDACTED] |
| 5. | [REDACTED] | [REDACTED] |

27.2 The table below sets out the details of Humm’s top five customers in New Zealand.

| # | Humm’s five largest merchant partners | Contact details |
|----|---------------------------------------|-----------------|
| 1. | [REDACTED] | [REDACTED] |
| 2. | [REDACTED] ⁸⁹ | [REDACTED] |
| 3. | [REDACTED] | [REDACTED] |
| 4. | [REDACTED] | [REDACTED] |
| 5. | [REDACTED] | [REDACTED] |

⁸⁹ [REDACTED].

28. Trade or industry associations

28.1 Latitude is a member of the following trade associations.

| No. | Name | Contact details |
|-----|--|-----------------|
| 1 | Financial Services Federation (FSF) | [REDACTED] |
| 2 | Insurance and Financial Services Ombudsman Scheme (IFSO) | [REDACTED] |
| 3 | Financial Services Complaints Ltd (FSCL) | [REDACTED] |

28.2 Humm is a member of the following trade associations.

| No. | Name | Contact details |
|-----|-------------------------------------|-----------------|
| 1 | Financial Services Federation (FSF) | [REDACTED] |

29. Financial statements

29.1 Latitude’s annual report and financial statements are [available here](#).

29.2 Humm’s annual report and financial statements are [available here](#).

Part H: Confidentiality

30. Reasons for seeking confidentiality

- 30.1 Confidentiality is sought in respect of the information in this application that is highlighted blue (Latitude's confidential information), purple (Humm's confidential information), green (confidential to both parties) and grey (information that is confidential to the public) (the **Confidential Information**). Confidentiality is sought for the Confidential Information for the purposes of section 9(2)(a) and 9(2)(b) of the Official Information Act 1982 on the following grounds.
- (e) The Confidential Information is commercially sensitive and valuable information which is confidential to either, or both, Parties.
 - (f) Disclosure of the Confidential Information would be likely to unreasonably prejudice the commercial position of the Parties.
 - (g) To protect the privacy of natural persons.
- 30.2 The Parties request that they are notified if the Commission receives any request under the Official Information Act 1982 for the release of any part of the Confidential Information. They also request that the Commission seek and consider their views as to whether the Confidential Information remains confidential and commercially sensitive before it responds to such requests.

Part I: Declaration

I, _____, have prepared, or supervised the preparation, of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to me that is relevant to the consideration of this notice has been supplied; and
- all information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in the circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of the company and am duly authorised to submit this notice.

Name and title of person authorised to sign:

Sign: _____

Date: _____

Part J: Annexures

| | |
|--------------------------------|---|
| Annexure A | Details of Latitude's and Humm's products in New Zealand |
| Annexure B | Details of Latitude and Humm's top merchant partners in New Zealand |
| Annexure C | Latitude structure chart (provided as a separate document) |
| Annexure D | Humm structure chart post-implementation of the SSA (provided as a separate document) |
| Annexure E | Competing consumer finance suppliers |
| Annexure F | Overview of other BNPL offerings |
| Annexure G | Accepted payment methods at New Zealand's largest online retailers (by revenue) |
| Confidential Annexure H | Latitude internal documents (provided as a separate document) |
| Confidential Annexure I | Latitude standard terms and conditions with merchants (provided as a separate document) |
| Confidential Annexure J | Humm standard terms and conditions with merchants (provided as a separate document) |

Annexure A – Details of Latitude’s and Humm’s active products in New Zealand

1 Latitude

| Product | No. of accounts | FY21 volume (NZD) | Key features |
|--|-----------------|-------------------|--|
| Credit cards | | | |
| Backbook credit cards | [REDACTED] | [REDACTED] | No longer taking accounts. |
| Instalment payments – non-BNPL⁹⁰ | | | |
| Gem Visa | [REDACTED] | [REDACTED] | <p>Credit card with instalment capability. Interest free payment plan shopping card which can be used at thousands of retailers, including Harvey Norman, Mitre 10 and Napp.⁹¹</p> <ul style="list-style-type: none"> • \$52 annual fee. • Up to 55 days interest free on everyday purchases up to \$250. • 6 months interest free on purchases over \$250. • 25.99% prevailing interest rate after interest free term ends. • \$55 establishment fee. |
| Instalment payments – BNPL | | | |
| Genoapay | [REDACTED] | [REDACTED] | Used for purchases up to \$1,000. Pay in 10 weekly payments. \$10 fee for missing a payment. |
| Personal loans | | | |
| Personal loans (including automobile loans) | [REDACTED] | [REDACTED] | <p>Secured and unsecured loans from \$2,000, with terms between 6 months and 7 years.</p> <p>Fixed rate for the life of the loan, with weekly, fortnightly or monthly repayments.</p> <p>Latitude provides white-label personal loans for Kiwibank.</p> |

⁹⁰ Additionally, Latitude formerly offered Gem Creditline, a non-BNPL instalment product, offering 0% interest payment plans with over 2,000 retailers and flexible payments. Further information about Gem Creditline can be found at <https://www.gemfinance.co.nz/credit-cards/gem-creditline-card/>. Gem Creditline is still offered to existing customers. In FY21, Gem Creditline had [REDACTED] open accounts, and generated [REDACTED] in revenue.

⁹¹ See <https://www.gemfinance.co.nz/credit-cards/interest-free-offers/> for a full list of interest free retailers.

2 Humm

| Product | No. of accounts | FY21 volume (NZD) | Key features |
|--|-----------------|-------------------|--|
| Credit-cards (including credit cards with instalment functionality)^{92 93} | | | |
| Q Mastercard | [REDACTED] | [REDACTED] | <p>Guaranteed minimum of 3 months zero interest, zero payments on all purchases without a minimum spend.</p> <p>Long term interest free, balance transfers and QPLAN Instalment Plan available (see below).</p> <p>https://www.qmastercard.co.nz/</p> |
| Farmers Mastercard | [REDACTED] | [REDACTED] | <p>Earn Farmers Club Points on all purchases, in store and online, everywhere Mastercard is accepted with up to 55 days interest free on standard purchases.</p> <p>Long term interest free and balance transfers available.</p> <p>https://www.farmersmastercard.co.nz/</p> |
| Flight Centre Mastercard | [REDACTED] | [REDACTED] | <p>Flight Centre Rewards can be earned on all standard purchases and long term finance deals. Up to 44 days interest free on all standard purchases.</p> <p>Long term interest free and balance transfers available. No international transaction fees.</p> <p>https://www.flightcentremastercard.co.nz/</p> |
| Instalment payments – non-BNPL | | | |
| Q Mastercard's QPLAN feature | [REDACTED] | [REDACTED] | <p>Ability to convert everyday purchases of \$250 or more to a 9/12/15 month fixed instalment plan by paying an interest rate upfront. Standard interest rate of 25.99% applies to missed payments, and after instalment plan ends if there is a remaining balance.</p> |

⁹² Humm formerly offered "Q Card", a non-Scheme (i.e. not Visa, Mastercard or Amex) credit card. Humm currently has existing customers that use Q-Card, but is not accepting new customers, and as such, Q Card is a legacy product. Further details relating to Q-Card can be found at <https://www.qcard.co.nz/>.

⁹³ Additionally, Humm formerly offered Farmers Finance Card. This is now not available to new customers, but still services existing customers. Farmers Finance Card provided up to 55 days interest free at select stores across New Zealand. Further information can be found at <https://www.farmersfinancecard.co.nz/>. In FY21, there were [REDACTED] Farmers Finance Card accounts open, generating a total of [REDACTED] in revenue.

| Instalment payments – BNPL | | | |
|-----------------------------------|------------|------------|---|
| Humm (little things) | [REDACTED] | [REDACTED] | <p>Payments up to \$1,000. 5 fortnightly or 10 weekly repayments.</p> <p>No interest, no establishment fee.</p> <p>https://www.shophumm.com/nz/how-it-works/</p> |
| Humm (big things) | [REDACTED] | [REDACTED] | <p>Payments up to \$10,000. Fortnightly repayments over terms ranging from 6-24 months</p> <p>No interest, \$20 establishment fee.</p> <p>https://www.shophumm.com/nz/how-it-works/</p> |
| bundll NZ (including superbundll) | [REDACTED] | [REDACTED] | <p>Bundling payment for goods/services up to \$1,000 limit to be paid within 14 days.</p> <p>Works anywhere Mastercard is accepted and is delivered via the Mastercard network.</p> <p>https://www.bundll.com/nz/how-bundll-works/</p> <p>Up to an additional \$3,000 of credit may be available in a superbundll, designed to spread bundll repayments over 6 fortnightly instalments, with a small fee payable with each bundll added to the superbundll.</p> |

Annexure B – Details of Latitude and Humm’s top merchant partners in New Zealand based on FY21 volumes

| # | Latitude merchant partner | Latitude FY21 volumes | Description |
|-----|---------------------------|-----------------------|----------------------------|
| 1. | [REDACTED] | [REDACTED] | [REDACTED]. |
| 2. | [REDACTED] | [REDACTED] | [REDACTED] ⁹⁴ . |
| 3. | [REDACTED] | [REDACTED] | [REDACTED]. |
| 4. | [REDACTED] | [REDACTED] | [REDACTED] |
| 5. | [REDACTED] | [REDACTED] | [REDACTED]. |
| 6. | [REDACTED] | [REDACTED] | [REDACTED]. |
| 7. | [REDACTED] | [REDACTED] | [REDACTED] |
| 8. | [REDACTED] | [REDACTED] | [REDACTED] |
| 9. | [REDACTED] | [REDACTED] | [REDACTED] |
| 10. | [REDACTED] | [REDACTED] | [REDACTED] |

| # | Humm merchant partner | Humm FY21 volumes | Description |
|----|-----------------------|-------------------|-------------------------------------|
| 1. | [REDACTED] | [REDACTED] | [REDACTED] ⁹⁵ [REDACTED] |
| 2. | [REDACTED] | [REDACTED] | [REDACTED] |
| 3. | [REDACTED] | [REDACTED] | [REDACTED] |
| 4. | [REDACTED] | [REDACTED] | [REDACTED] |
| 5. | [REDACTED] | [REDACTED] | [REDACTED] |
| 6. | [REDACTED] | [REDACTED] | [REDACTED] |
| 7. | [REDACTED] | [REDACTED] | [REDACTED] |

⁹⁴ [REDACTED].

⁹⁵ “Long term interest free” refers to the ability of Humm’s customers to apply for a Humm credit card (Humm’s available credit cards are set out in the table in Annexure B), and purchase a product with a 24 months interest free term through that card. For all other purposes, the card can be used as a regular transacting card during and after this interest free period. As such, “Long Term Interest Free” is not a separate product, and accordingly is not included as a separate entry in Annexure B.

PUBLIC VERSION

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| 8. | [REDACTED] | [REDACTED] | [REDACTED] |
| 9. | [REDACTED] | [REDACTED] | [REDACTED] |
| 10. | [REDACTED] | [REDACTED] | [REDACTED] |

Annexure C – Latitude structure chart (provided as a separate document)

Annexure D – Humm structure chart post-implementation of the SSA (provided as a separate document)

Annexure E – Competing consumer finance suppliers

| Company | Description |
|--|---|
| Instalment providers (including BNPL) | |
| Afterpay ⁹⁶ | <p>Afterpay is an Australian payments technology company, and has the market leading BNPL product in New Zealand (with a reported market share of approximately 40%). Afterpay is operating in New Zealand, Australia, the United Kingdom (UK), Canada, and the United States (US). In FY21, Afterpay recorded global underlying sales of AU\$22.4 billion, 16.2 million active customers (up 63% from FY20) and 98,200 active merchants (up 77% from FY20).</p> <p>The Afterpay BNPL product enables customers to pay for products online and in-store in four instalments over six weeks without incurring interest. Afterpay generates most of its income from the fees it charges to merchants for sales made via Afterpay. In August 2021, Square, Inc. (now called Block, Inc) announced its acquisition of Afterpay in a NZ\$41 billion deal. Block is a US-based financial services and digital payments company. The deal has recently completed after having been approved by the shareholders of Block and Afterpay, and the Spanish central bank.</p> |
| SBS and Finance Now ⁹⁷ | <p>SBS Bank is a New Zealand-owned bank and financial services provider with its head office located in Invercargill. In 2021, the SBS Group reported a half-year operating profit of \$32.5 million. Additionally, for FY 2021-22, its lending advances were up to \$93 million over the six months to \$4.13 billion. SBS offers a range of products including home loans, everyday and savings accounts, term investments, insurance products, and credit cards. SBS's credit card offering includes SBS Visa Credit Card which offers rewards and no annual fees, and SBS Pink Ribbon Visa which provides rewards and a donation to Breast Cancer Foundation NZ. SBS's subsidiary, Finance Now also focuses on finance for retail products, personal loans and business. Finance Now provides a range of personal loans including holiday loans, debt consolidation, home improvement and more, and offers a finance instalment card.</p> |
| Gilrose Finance ⁹⁸ | <p>Gilrose Finance has provided consumer finance to New Zealand customers for 30 years and is available at over 1,500 retailers nationwide. Gilrose was initially established in response to a need for specialised consumer finance for the customers of retail stores throughout New Zealand. Gilrose now serves a broad range of customers, and provides finance to over 1500 retailers nationwide. It is most notably the preferred finance supplier to The New Zealand Retailers Association and The Jewellers and Watchmakers Association of New Zealand Inc. It also offers a range of personal loans, holiday loans, home improvement loans and loans for wedding or other events. Gilrose is a privately owned and operated company that enjoys a close working relationship with customers and retailers.</p> |

⁹⁶ Afterpay Limited, "Afterpay Limited FY21 Annual Report", accessed 08 February 2022 via [APT-FY21-Annual-Report.pdf](https://www.afterpay.com/en-NZ/annual-report) (yourcreative.com.au).RNZ, "Officials keep close eye on 'buy now pay later' usage during lockdown", 27 August 2021 accessed 08 February 2022 via <https://www.nz.co.nz/news/business/450210/officials-keep-close-eye-on-buy-now-pay-later-usage-during-lockdown#:~:text=Afterpay%20makes%20up%20approximately%2040,now%20pay%20later%20market%20share>. Stuff, "What Square's purchase of Afterpay means for the future of credit and payments", 3 August 2021 accessed 08 February 2022 via <https://www.stuff.co.nz/business/opinion-analysis/125944464/what-squares-purchase-of-afterpay-means-for-the-future-of-credit-and-payments>.

Afterpay, "How it works", accessed 16 February 2022 via <https://www.afterpay.com/en-NZ/how-it-works>.

⁹⁷ SBS, "SBS Bank's full-year FY20-21 results show strength and stability" 3 June 2021 Media Release, accessed 10 February 2022 via <https://www.sbsbank.co.nz/Portals/0/2021/SBS%20Bank%20-%20FY20-21%20Annual%20Results%20Media%20Release.PDF?ver=2021-07-06-185940-523>.

⁹⁸ Gilrose Finance, "About Gilrose Finance" <https://www.gilrose.co.nz/about-gilrose/about-gilrose-finance/>.

| | |
|--------------------------------|--|
| Klarna ⁹⁹ | <p>Klarna Bank AB (Klarna) is a global fintech company based in Sweden with 90 million global active customers and 250,000 merchants across 17 countries. It is the world's largest BNPL provider valued at NZ\$43 billion, and launched in New Zealand in May 2021. Klarna offers direct payments, pay after delivery options and instalment plans. In FY20, Klarna recorded US\$1.1 billion in total net operating income.</p> <p>Like other companies in this space, Klarna offers a BNPL product which allows customers to pay online and in-store using the Klarna app in four interest-free instalments over six weeks. The minimum spend is \$35 with no set maximum limit. Purchases are evaluated by Klarna's system whereby a customer's spending limit can grow the more they use and successfully repay their orders via Klarna. Klarna has over 250,000 merchants worldwide. In New Zealand, Klarna's retail partners include the Cotton On Group, Hanes Group, H&M and more.</p> |
| Laybuy ¹⁰⁰ | <p>Launched in 2017, Laybuy is a New Zealand-founded BNPL platform with more than 930,000 active customers and 12,000 merchants. Laybuy allows customers to receive their purchases immediately while paying for their items through interest-free instalments over a 6 week period. Laybuy has also expanded to Australia and the UK, ranking among one of the top three BNPL providers in the UK market in 2021. In FY21, Laybuy reported revenue of \$32.6m with revenue growth expectations of between 90%-100% by FY22. In New Zealand, Laybuy's retail partners include Briscoes, Rebel Sport, Glassons, PB Tech, Cotton On Group, Bed Bath & Beyond, and more.</p> |
| Openpay ¹⁰¹ | <p>Founded in 2013, Openpay Group Ltd (Openpay) is an Australian-based BNPL provider operating in New Zealand, Australia, the UK, and the US. On 24 January 2021, Openpay had a market capitalisation of AU\$85.65m, with 541,000 active customers (up 69%), 3,800 active merchants (up 77%) and recorded revenue of AU\$26 million (up 44%) in FY21.</p> <p>The user purchasing journey of Openpay's BNPL is similar to other leading BNPL providers: customers create an Openpay account through the Openpay app and link their account to Visa or Mastercard. When shopping, online or in-store, users choose Openpay at the point of purchase and select from a range of different repayment options. These options range from 1 to 24 months, with repayments able to be spread over weekly or fortnightly instalments. The repayments are interest free, but Openpay does charge variable establishment, monthly and merchant fees. The maximum credit limit is \$10,000.</p> |
| Payright ¹⁰² | <p>Payright Ltd (Payright) is an Australian-owned payment plan provider founded in 2016 and has operated in New Zealand since 2019.¹⁰³ In FY21, Payright had a gross merchandise value of AU\$100 million, 40,000 customers, and 3,416 active</p> |

⁹⁹ Klarna Bank AB, "Interim Report January-June 2021", accessed 08 February 2022 via <https://www.klarna.com/assets/sites/15/2021/08/24184609/Klarna-Bank-AB-Interim-Report-2021-EN.pdf> (klarna.com).

Klarna Bank AB, "Klarna 2020 Annual Report Published", 30 March 2021 accessed 15 February 2022 via <https://www.klarna.com/international/regulatory-news/klarna-2020-annual-report-published/>.

Klarna, "Kia ora New Zealand! Klarna brings "smooth" shopping to Kiwis", 4 May 2021 accessed 09 February 2022 via [Kia ora New Zealand! Klarna brings "smooth" shopping to Kiwis](#).

Klarna, "So, how does Klarna work?", accessed via <https://www.klarna.com/nz/what-is-klarna/>.

¹⁰⁰ Laybuy, "Laybuy (ASX:LBV) Q3 FY22 Results Presentation", 27 January 2022 accessed 15 February 2022 via <https://laybuyinvestors.com/DownloadFile.axd?file=/Report/ComNews/20220127/02479386.pdf> (laybuyinvestors.com).

¹⁰¹ Openpay Group Limited, "A Year of Transformative Change: Annual Report FY21" accessed 08 February 2022 via <https://investors.openpay.com.au/site/PDF/55bcc4f4-4c3e-4d08-94cf-06ddd9ae4e9f/FY21AnnualReport> (investors.openpay.com.au).

¹⁰² Payright Ltd, "Annual Report FY21" accessed 09 February 2022 via <https://wcsecure.weblink.com.au/pdf/PYR/02413419.pdf>.

¹⁰³ iTWire, "Payright launches 'buy now pay later' services in New Zealand market", 14 November 2019, accessed 15 February 2022 via <https://itwire.com/strategy/payright-launches-%E2%80%98buy-now-pay-later%E2%80%99-services-in-new-zealand-market.html>.

| | |
|-------------------------------|--|
| | <p>merchants (up 41% from FY20), and AU\$12.2 million in total income (up 24% from FY20).</p> <p>Payright's BNPL product was specifically designed for merchants to allow them to offer a BNPL option to their customers, intended for bigger ticket purchases. Customers must apply for pre-approval to use the Payright app to BNPL with partnering merchants. The maximum credit limit is \$10,000 and repayments are interest free for up to three years.</p> |
| Splitit ¹⁰⁴ | <p>Splitit Payments Ltd (Splitit) was founded in 2012 and is headquartered in New York, US. In FY20, Splitit had 1,800 active merchants across 30 countries (144% increase from FY19), over 432,000 total shoppers (106% increase from FY19), and recorded a merchant sales volume of \$USD246 million (179% from FY19 and non-GAAP revenue of \$USD8.4 million (up 300% from FY19).</p> <p>Splitit's BNPL offering allows customers to pay in instalments using their existing credit or debit card by placing a holding on their credit card while the total amount is outstanding. Splitit does not charge interest or fees, including late fees. Unlike most other BNPL providers, Splitit allows the merchant to set the credit limit.</p> |
| Zip ¹⁰⁵ | <p>ZipCo Ltd (Zip), previously known as ZipMoney Limited, is an Australian fintech company founded in 2013. It launched in New Zealand in June 2017 and is offered by 350+ retailers, most of which are online. In FY21, Zip had ~7.3 million customers globally, ~51,300 retail partners, and recorded revenue of AU\$397.5 million. Zip has over 2 million customers in New Zealand and Australia and has recorded over AU\$6 billion in secure transactions since 2013.</p> <p>Similar to other BNPL providers, Zip enables customers to pay their purchases in four interest free instalments over six weeks. Zip has a credit limit of \$1,000 (although it stated that customers with a proven history and high credit scores may be able to see this increased).</p> <p>Unlike Afterpay, Zip conducts credit and identity assessment checks, including a credit check and real-time bank verifications. As set out in further detail in Annexure E, the Parties understand Zip is in the process of launching a new product with a higher credit limit, being "Zip Pay Longer".</p> |
| Credit card providers | |
| AMEX ¹⁰⁶ | <p>The American Express Company (American Express) is a US-based multinational which specialises in payment card services. In January 2022, American Express recorded US\$12.1 billion in net income globally, and in the 2019 calendar year recorded US\$1.2 trillion in global transaction volumes.</p> <p>American Express has operated in New Zealand and Australia since 1954, and has offices in Auckland, Melbourne, Sydney, Brisbane, and Perth. It has 26 different card products in New Zealand and Australia, including no annual fee, rewards and frequent flyer cards. Most American Express cards provide a grace period where no interest or fees are charged, but generally interest and fees are added to the bill.</p> |
| ANZ ¹⁰⁷ | <p>ANZ Bank New Zealand Ltd is a subsidiary of the Australian and New Zealand (ANZ) Banking Group Limited of Australia. ANZ New Zealand is one of New</p> |

¹⁰⁴ Splitit Payments Ltd, "Annual Report FY20", accessed 09 February via <https://spt.live.irmau.com/site/PDF/3bd03375-dc4b-4335-84f1-d7e9fce01ade/FY20AnnualReport>.

¹⁰⁵ Zip Co Ltd, "Annual Report FY21", accessed 09 February 2022 via <https://zipco.colliercreative.com.au/wp-content/uploads/2021/09/Zip-AR21.pdf> (<https://zip.co/investors/reports>).

¹⁰⁶ The American Express Company, "Annual Report FY20", accessed 10 February 2022 via <https://ir.americanexpress.com/financials/annual-reports-and-proxy-statements/default.aspx>.

Personal cards include for example, the American Express Rewards Credit Card, American Express Airpoints Credit Card, American Express Platinum Edge Card, No Annual Fee Credit Card, and the Low Rate Credit Card. Most American Express cards provide a grace period where no interest or fees are charged, but generally interest and fees are added to the bill.

¹⁰⁷ ANZ New Zealand, "About us" via <https://www.anz.co.nz/about-us/our-company/anz-new-zealand/>.

| | |
|--------------------------------|--|
| | Zealand's largest banks with a market share of about 39%. In 2021, it reported a cash profit of NZ\$1.91 billion. ANZ has 179 branches in New Zealand offering a wide range of financial services and products in banking, insurance, investment and investment schemes, superannuation, consumer lending, business lending, investment lending, and more. ANZ offers low interest rate, low annual fee, rewards, and Airpoints Visa credit cards. |
| ASB ¹⁰⁸ | ASB Bank Limited is a banking and financial services provider owned by Commonwealth Bank of Australia. ASB has around 86 branches in New Zealand offering a wide range of financial services including retail, business and rural banking, funds management, and insurance through their Sovereign subsidiary. It reported a cash net profit of \$742 million (up 22% from the previous year) for the latter half of 2021. Among their retail banking products and services, ASB offers mortgages, KiwiSaver, foreign exchange, personal loans, insurance, credit and debit cards, and every day and savings accounts. ASB offers low interest rate, business, and rewards credit cards. ASB's parent, Commonwealth Bank of Australia has an investment stake in the BNPL company, Klarna. ASB partnered with Klarna in New Zealand enabling customers to sign up to Klarna via the ASB mobile app. |
| BNZ ¹⁰⁹ | Bank of New Zealand (BNZ) is one of New Zealand's four largest banks with 180 branches nationwide, offering a range of financial services in retail, business and institutional banking. In FY21, BNZ announced its net profit for the financial year increased by \$560 million or 74% to \$1.32 billion. BNZ's consumer services include personal loans, home loans, accounts, credit and debit cards, savings and investments, insurance, and international and migrant banking. BNZ provides low interest rate, Flybuys and Cash Rewards credit cards. |
| Kiwibank ¹¹⁰ | Kiwibank Limited (Kiwibank) is the largest New Zealand-owned bank and financial services provider with over one million customers. It is solely owned by Kiwi Group Holdings Limited (KGH) which is in turn owned by three New Zealand organisations: New Zealand Post Limited, Accident Compensation Corporation, and New Zealand Superannuation Fund. Kiwibank reported a \$126 million net profit in the year ending June 2021. Its personal banking products and services include home loans, personal loans, credit and debit cards, everyday accounts, savings accounts, investment services and insurance products. Kiwibank offers low interest rate, Airpoints Visa, and reward credit cards. |
| TSB ¹¹¹ | TSB Bank Ltd (TSB) is a New Zealand-owned bank with headquarters in New Plymouth. It has 25 branches nation-wide, but is mostly focused in the Taranaki region, where it has 12 branches. In the year ending March 2021, TSB reported a net profit of \$59.6 million. TSB provides retail banking and financial services including personal loans, home loans, every-day and savings accounts, investment services, insurance services, and cards. TSB offers one credit card, the Visa |

ANZ New Zealand, "Home loan demand, resilient economy drive: ANZ full-year result" 28 October 2021, accessed 10 February 2022 News Release via [2021-FY-new-zealand-full-year-results \(anz.com\)](https://www.anz.co.nz/news/2021-fy-new-zealand-full-year-results).

¹⁰⁸ RNZ News, "ASB half-year cash profit increases 22 percent, reaching \$742m" 9 February 2022, accessed 08 February 2022 via <https://www.rnz.co.nz/news/business/461179/asb-half-year-cash-profit-increases-22-percent-reaching-742m#:~:text=ASB%20has%20had%20a%20strong,margins%2C%20and%20lower%20bad%20debts.&text=The%20country%27s%20second%20biggest%20bank,percent%20on%20the%20previous%20year> (rnz.co.nz/)

¹⁰⁹ BNZ, "FY21 Result: Strong and stable BNZ backing business" 9 November 2021 Media Update, accessed 10 February 2022 via <https://blog.bnz.co.nz/2021/11/fy21-result-strong-and-stable-bnz-backing-business> (<https://blog.bnz.co.nz/>).

¹¹⁰ Kiwibank, "Kiwibank full year results for the year ended 30 June 2021" 26 August 2021 Media Release, accessed 11 February 2022 via <https://www.kiwibank.co.nz/about-us/news-and-updates/media-releases/kiwibank-full-year-results-year-ended-30-june-2021/>.

¹¹¹ TSB, "TSB puts profit to purpose with solid annual result in recovering economy" 27 June 2021 Media Release, accessed 10 February 2022 via <https://www.tsb.co.nz/about/news/annual-report-2021>.

TSB, "Visa Classic Credit Card", accessed via <https://www.tsb.co.nz/accounts-and-cards/cards/visa-classic-credit-card>.

| | |
|-------------------------------|---|
| | Classic Credit Card which offers a 55-day interest free period and an interest rate of 18.50% p.a. |
| Westpac ¹¹² | Westpac is an Australian-owned bank and financial services provider with around 197 branches in New Zealand, approximately 1.3 million customers and 3,000 shareholders. In FY21, Westpac New Zealand reported a profit of \$1.01 billion. As a whole, the Westpac Group (which includes Westpac New Zealand) services almost 13 million customers and in FY21 recorded net profit of AU\$5.46 billion. Westpac's financial and banking products include every-day and savings accounts, home loans, credit cards, KiwiSaver investments, insurance, personal loans, foreign exchange services, and exclusive banking and wealth management services. Westpac offers low rate, low fee, Airpoints and rewards credit cards. Westpac New Zealand currently does not have a BNPL offering, but it has commercial arrangements with several providers such as Humm Group. |
| Digital Platforms | |
| PayPal ¹¹³ | <p>PayPal Holdings Inc. (PayPal) is a NASDAQ-listed global fintech company with over 377 million active accounts across 202 countries in FY20. PayPal works by requiring users to link their bank account, or credit or debit card details, and to link cards or accounts with which to pay for purchases. PayPal offers consumers and merchants the ability to send and receive money electronically, including a 'one click' secure checkout option for online payments.</p> <p>PayPal's BNPL offering, 'PayIn4' launched in Australia in July 2021 and allows PayPal's over nine million active Australian customers to divide purchases into 4 interest-free instalments. PayIn4 is offered at no additional cost to merchants, and is entirely free for customers. Along with Splitit, it is the only other BNPL service provider in Australia that does not charge late fees.¹¹⁴ Some retailers that operate in New Zealand (for example, Country Road), offer PayPal PayIn4 to New Zealand customers.</p> |
| Apple ¹¹⁵ | <p>In July 2021 the Australian Financial Review reported that Apple is planning to enter the BNPL sector with two products: 'Apple Pay in 4' and 'Apple Pay Monthly Instalments'. Apple is allegedly partnering with Goldman Sachs as the lender for the loans needed for the instalment offerings. The BNPL products are set to be available for any Apple Pay transactions for approved customers. This expansion into the BNPL sector would follow Apple's acquisition of Mobeewave in 2020, a start-up which created a technology allowing customers to tap a credit card or smart phone on another phone to process a payment.</p> <p>Apple has also recently announced its "Tap to Pay" iPhone feature, which will enable contactless payments on the iPhone with no additional hardware required.⁵¹ It is not yet known when the feature will launch in New Zealand.</p> |
| Google ¹¹⁶ | Google is a global technology company specialising in internet-related services and products. |

¹¹² Westpac New Zealand, "About Westpac New Zealand", accessed via <https://www.westpac.co.nz/about-us/>. Stuff, "Westpac announces \$1 billion profit" 1 November 2021, accessed 15 February 2022 via <https://www.stuff.co.nz/business/126844100/westpac-announces-1-billion-profit#:~:text=Westpac%20says%20it%20made%20%241.01,to%20the%20end%20of%20September>.

¹¹³ PayPal Holdings Inc., "2021 Notice of Annual Meeting of Stockholders and Proxy Statement: 2020 Annual Report", accessed 15 January 2022 via <https://investor.pypl.com/financials/annual-reports/default.aspx>.

¹¹⁴ <https://www.paypal.com/au/webapps/mpp/paypal-payin4>.

¹¹⁵ Australian Financial Review, "Apple plans buy now, pay later service to rival Afterpay" (14 July 2021).

⁵¹ Financial Times, "iPhones to become payment terminals for small businesses", accessed on 23 February 2022 via <https://www.afr.com/companies/retail/apple-to-let-iphones-accept-credit-cards-without-extra-hardware-20220127-p59rre>; Apple, "Apple empowers businesses to accept contactless payments through Tap to Pay on iPhone", accessed via <https://www.apple.com/newsroom/2022/02/apple-unveils-contactless-payments-via-tap-to-pay-on-iphone/> on 23 February 2022.

¹¹⁶ Scoop Business, "Android Pay launches in New Zealand", Thursday, 1 December 2016, accessed 23 February 2022 via <https://www.scoop.co.nz/stories/BU1612/S00019/android-pay-launches-in-new-zealand.htm>.












| | |
|------------------------------|---|
| | <p>In late 2016, Google launched Google Pay, a payments system that supports contactless payment. Google Pay supports payments via all of New Zealand’s major banks, and a number of different credit providers.</p> <p>In July 2020, Google Pay entered into an agreement with Afterpay to allow Afterpay customers to use Afterpay’s BNPL services via Google Pay contactless payment at physical stores in the United States.¹¹⁷</p> |
| Shopify¹¹⁸ | <p>Shopify is a global e-commerce platform that allows businesses to sell through multiple channels, including online and physical spaces, on a single platform. It employs over 5,000 people worldwide.</p> <p>In September 2020, Shopify unveiled “Shop Pay Instalments”, a BNPL service that operates in partnership with Affirm. The service is currently available in selected states in the US.</p> <p>Shop Pay Instalments has been a resounding success, with one out of four merchants observing a 50% higher average order volume after adopting the service.¹¹⁹</p> |

¹¹⁷ Electronic Payments International, “Afterpay partners Google Pay to expand ‘Buy Now, Pay Later’ service”, 15 July 2020, accessed 23 February 2022 via <https://www.electronicpaymentsinternational.com/news/afterpay-google-pay-buy-now-pay-later-service/>.

¹¹⁸ Shopify, “About us”, <https://www.shopify.com/nz/about>, accessed 4 March 2022.

¹¹⁹ Shopify, “Why Shop Pay Instalments Is The Best ‘Buy Now, Pay Later’ Option For Your Business”, <https://www.shopify.com/blog/shop-pay-installments>, accessed 4 March 2022.

Annexure F – Overview of other BNPL offerings

| |  |  ¹²⁰ |  |  |  ¹²¹ |  |  |  ¹²² |  |  |  | | |
|---|---|--|---|---|---|---|---|--|---|---|---|---|--|
| | | | | | | | | | little things | big things | | | |
| BNPL Proposition | 10 instalments with weekly repayments | 4 instalments with fortnightly repayments | 4 instalments with fortnightly repayments | 4 instalments with fortnightly repayments | 6 weekly payments | 1-24 months plan, weekly or fortnightly instalments | Flexible term from 3 to 36 months with fortnightly or monthly repayments | Instalments charged to customers' existing credit or debit card | | 5 fortnightly or 10 weekly repayments | Fortnightly repayments over terms ranging from 6-24 months | 1 instalment payable with a 2 week term, extendable by 2 weeks Product subject to beta testing in NZ. ¹²³ | 6 instalments with fortnightly repayments Product subject to beta testing in NZ |
| Max Credit Limit | \$1,000 | \$2,000 | \$1,500 | \$2,000 | \$2,000 | \$20,000 | \$10,000 | Existing credit card | \$1,000 | \$10,000 | \$1,000 | \$3,000 additional credit | |
| Acceptance | Genoapay partners | Afterpay partners | ZipPay partners | Any online store | Laybuy partners | Openpay partners | Payright partners | Splitit Partners | Humm partners | Humm partners | Anywhere Mastercard is accepted | Anywhere Mastercard is accepted | |
| Active customers # (NZ unless otherwise noted) | [REDACTED] | 3.5m (AUS and NZ) | 3m (AUS and NZ) | 90m (globally) | 324k (AUS and NZ) | 300k (AUS and NZ) | 65,700 (AUS and NZ) | 330k (globally) | [REDACTED] | [REDACTED] | N/A | N/A | |

¹²⁰ In addition, the Parties understand Zip is in the process of launching an additional new product, “Zip Pay Longer”, and has recently completed a pilot on this basis. This product offers a longer repayment term (of 24 weeks, made up of 12 fortnightly interest free) and a larger transaction size limit (of \$3,500) than Zip Pay. Zip Pay Longer is interest free, charges a \$15 establishment fee, a 1.6% payment processing fee per purchase, and late fees of \$8 per week. Further information is [available here](#).

¹²¹ For completeness, Openpay and Splitit have a small presence in New Zealand, and do not have New Zealand dedicated websites with publicly available information. Accordingly, we have largely included Australian information in the table. As both Openpay and Splitit include New Zealand in their terms and conditions and public announcements, we have included them in the table.

¹²² As above n 29.

¹²³ Beta testing involves the product team trialling a finished product to a group of consumers to evaluate product performance.

PUBLIC VERSION

| | | | | | | | | | | | | |
|---|-------------------|---|---|--|---|--|--|---|-------|--------|---------------------------------|---------------------------------|
| Active retailers # (NZ unless otherwise noted) | 5.5k (AUS and NZ) | 63k+ (AUS and NZ) | 40k+ (AUS and NZ) | 250k (globally) | 11,700 (AUS and NZ) | 4,200 (AUS and NZ) | 3,617 (AUS and NZ) | 1,250 (globally) | ~1000 | ~1000 | Anywhere Mastercard is accepted | Anywhere Mastercard is accepted |
| Interest | No | No | No | No | No | No | No | No | No | No | No | 25% |
| Establishment Fee | No | No | No | No | No | Yes (varies but undisclosed) | 2 months (\$0) 3 months (\$5.00) 6 Months (\$39.00) 12 Months (\$59.00) 18-36 Months (\$59.90) | No | No | \$20 | No | \$4.50 |
| Monthly fee | No | No | No | No | No | Yes (varies but undisclosed) | Max \$3.50 | No | No | \$2.50 | No | No |
| Late Fee | \$10 | \$10 (for orders below \$40) Lesser of 25% or \$68 (for order over \$40) | \$8 per payment missed, and a further \$8 for each week the payment is unpaid Capped at \$40 | None during 2-7 day 'slack period' None for purchases < \$50 \$3 for purchases ≥\$50 | None for 24 hours \$10 after 24 hours, and a further \$10 per week up to a maximum of \$40 | \$7.50 (one off) plus a further \$17.50 after 8 days | Up to \$12.95 | No, although interest and fees may apply to linked credit card. | \$10 | \$10 | \$10 | \$10 |

PUBLIC VERSION

| | | | | | | | | | | | | |
|---------------------|------------|-----------------|-------------|-------------|-------------|------|-------------|---------------------------------------|------------|------------|------------|------------|
| Merchant Fee | [REDACTED] | 4% (on average) | Undisclosed | Undisclosed | Undisclosed | 2-9% | Undisclosed | Std: 1.5% & \$1.5 Funded: 3% & \$1 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|---------------------|------------|-----------------|-------------|-------------|-------------|------|-------------|---------------------------------------|------------|------------|------------|------------|

Annexure G – Accepted payment methods at New Zealand’s largest online retailers (by revenue)¹²⁴

The table below sets out the relationships between payment providers (including instalment payment providers), and the 25 largest online retailers in New Zealand. The table does not include open loop providers such as Klarna. However, Latitude notes that these payment providers are able to be used with all of the retailers listed below. For further information on open loop providers, see paragraph 13.1(c) above.

| No. | Retailer | Accepted payment methods | |
|-----|-------------------------|--------------------------------|--|
| | | Instalment payment methods | Other methods |
| 1. | Countdown | No instalment payment options. | Accepted cards |
| 2. | Apple | | Accepted cards Apple Pay |
| 3. | Mitre 10 ¹²⁵ | | Accepted cards Diners Club INTERNATIONAL DISCOVER |
| 4. | The Warehouse | | Accepted cards |
| 5. | Farmers | | Accepted cards 支付宝 ALIPAY |
| 6. | Amazon | No instalment payment options. | Accepted cards |
| 7. | Mighty Ape | | Accepted cards |
| 8. | Kmart | | Accepted cards |
| 9. | Briscoes | | Accepted cards Diners Club INTERNATIONAL |
| 10. | Nike | No instalment payment options. | Accepted cards Diners Club INTERNATIONAL DISCOVER JCB |

¹²⁴ The list of New Zealand’s largest online retailers derives from publicly available information on ecommerceDB, [available here](#). This list has not been verified by the Parties, and may omit some retailers.

¹²⁵ The payment options available depend on the Mitre 10 store that fulfils the order. For a full breakdown of the options offered by each store is [available here](#).

| | | | |
|-----|-----------------------------|--|---|
| 11. | Noel Leeming |     | <p>Accepted cards</p>           |
| 12. | PB Tech |     | <p>Accepted cards</p>      |
| 13. | Harvey Norman |   | <p>Accepted cards</p>    |
| 14. | The Market (formerly 1-Day) |  | <p>Accepted cards</p>    |
| 15. | Rebel Sport |    | <p>Accepted cards</p>     |
| 16. | Bunnings |  | <p>Accepted cards</p>    |
| 17. | Shein |  | <p>Accepted cards</p>     |
| 18. | Bed Bath & Beyond |    | <p>Accepted cards</p>     |
| 19. | Ezi Buy |   | <p>Accepted cards</p>    |
| 20. | Dick Smith |    | <p>Accepted cards</p>    |
| 21. | Asos |  | <p>Accepted cards</p>     |
| 22. | Zara | No instalment payment options. | <p>Accepted cards</p>       |
| 23. | Torpedo 7 |   | <p>Accepted cards</p>      |
| 24. | JB Hifi | No instalment payment options. | <p>Accepted cards</p>    |
| 25. | Trade Tested |    | <p>Accepted cards</p>     |