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Mental health: A matter of disclosure

Marcel Le Gouais
Editor

As is typical for this time of year, there has been a clamour among certain types of firms (usually technology providers), to predict the industry trends that will define 2017.

My inbox has been inundated with press releases emitting a pungent stench of clickbait, with variations on a similar theme: '10 ways to ensure the digital age doesn't leave your business behind in 2017'. I half expected to see others excreting the headline: 'You'll never guess which new piece of technology will blow financial services wide open this year.'

These lists became tiresome within the first few days of January, particularly when they offered up generic topics with no substance on what will precisely change.

Most of the forecasts made strident proclamations about things largely already known. The need to respond to consumers' expectations for 24/7 access, for example, was a common thread along with increased automation of data exchange for the customer's convenience.

What didn't feature as frequently was the likely continual focus on debt and mental health - and how to handle non-disclosure of a condition when it's discovered. This challenge continues to crop up in disparate bits of information from regulatory reports and research on consumer complaints.

A recent briefing put out by the Financial Ombudsman Service touched on customer engagement in this area. Having identified trends among the consumer complaints it handles, the ombudsman said it often has to tell businesses that they can't simply refuse to deal with anyone who's experienced mental health difficulties.

Within the same briefing, Chris Fitch, research fellow at the Personal Finance Research Centre, Bristol University, pointed out an often hidden problem which will doubtless be explored further in 2017.

He highlighted a study by the Money Advice Trust which suggested that for every person who discloses a mental health problem to a financial firm, there are two more potential people who will choose not to say anything.

Fitch will in March publish findings of a study he has led into the experience of agents who have worked with customers with mental health problems and serious illnesses.

For now, mainstream attention has been drawn to this subject by the Prime Minister's delaration of mental health as a priority for her government.

In one of several measures, she has pledged to review charges levied by GPs on patients to fill out forms on their debt and mental health problems. Campaigners including mental health charities Mind and Rethink, as well as StepChange Debt Charity, have long since lobbied against the charge. The review would appear to spell the end of its existence. After all, it's an utterly counter-intuitive fee placed on individuals before lenders can help them - with their debts.

The charges are typically £20 to £30, but in some cases can reach as high as £150, which must surely cause further stress in an already anxious situation.

"The Prime Minister has pledged to review charges levied by GPs on patients to fill out forms on debt and mental health"

The treatment of customers with mental health conditions - specifically the inconsistencies between firms - also emerged in the Financial Conduct Authority's review of early arrears management in unsecured lending (see p26).

The regulator found a mixed picture when it came to identifying and passing on information about vulnerable customers. Two lenders had even sold vulnerable accounts, breaching their own policies to exclude them from debt sales. It was one of several other cases where practice did not follow policy.

In fairness, the regulator did find improvements to early arrears management across many unsecured lenders, but it will have more to say on debt and mental health this year. Now there's a prediction with some substance. CS

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Business development director
GFKL Lowell Group (p14)

"There is a belief in some quarters that, in terms of changing the commission structure for DCAs, the ship has already sailed. I don't believe this is the case"

Garreth Cameron
Group manager, business and industry, ICO (p19)

"GDPR is an evolution of our existing laws, but that's not to downplay the need for businesses to ensure they're working now to meet the new requirements"

£1.6bn

The carrying value of purchased debt to be held by the combined Intrum Justitia/Lindorff business, converted to pounds from 18bn Swedish Krona

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CS COVER STORY

20 Tomorrow's world

Credit Strategy this month brought together winners of individual categories at the Credit Awards from the past eight years. These talented individuals, who won accolades such as Rising Star, may well shape best practice and processes of the future. They could indeed be the industry's next generation of conduct leaders. Amber-Ainsley Pritchard reports on their career journeys and aspirations.

"Without changing desks I've gone from working in a start-up with a handful of employees to working for a global organisation "

Helen Richardson
Head of excellence and improvement
AXA

FCA REPORT

26 A diagnosis for treatment

The Financial Conduct Authority has finally delivered the report on early arrears management in unsecured lending. It's a mixed bag of improvements and inconsistencies.

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SHARD FINANCIAL MEDIA

Experto Credite collapses owing creditors nearly £3m

Debt buyer and collector Experto Credite owed an estimated £2.9m to creditors including HMRC, suppliers and staff, at the time it entered liquidation.

The company entered voluntary liquidation on November 24. David Blenkarn and Gregory Palfrey, insolvency practitioners from accountancy firm Smith & Williamson, were appointed as joint liquidators for the winding up process.

In a statement of affairs filing on Companies House, dated December 8, details of the company's finances show that at the time the company collapsed, it owed employees around £505,000 in wages, redundancy and notice pay.

In the same report European debt purchaser Intrum Justitia is listed as a company creditor, to the value of £474,000.

The statement of affairs also shows Experto was in £190,000 debt to HMRC at the time it entered liquidation.

Further debts are owed to several of the big banks and utilities and telecoms providers including HSBC, Natwest, Virgin Media and Vodafone.

It's estimated that unsecured creditors face a shortfall of what they're owed of £2.4m. A range of businesses across the consumer and commercial credit sectors are listed as company creditors within the statement of affairs. They include Arvato, Equifax, Fathom, Noble Systems and UK Search. A creditor with one of the largest amounts owed by Experto was property management firm GBR Phoenix Beard, previously known as Optic, which is owed £617,000.

Experto Credite was launched in 2006 under the direction of Evreth Thompson who left the company in 2008 when Staale Aasestrand was appointed as a director.

Aasestrand took on the role of chairman and chief executive and will continue to be so until the company is wound up.

Aasestrand is also listed on the statement of affairs filing as a company creditor. He is listed twice, once as 'director – DLA' owed £243,430 and again just as an individual owed £247,888. The two listings amount to a total of £491,318.

Aasestrand has taken on a new position at financial solutions provider Fifo Capital England as director of credit and process.

Unnamed suitor eyes Dollar UK for acquisition

The owner of short-term lender the Money Shop, Dollar UK, has been put up for sale by its US owner DFC Global.

Dollar UK said it has received a bid approach from an unnamed suitor and will consider this offer "in the normal manner".

The firm added: "Dollar is aware of current media speculation regarding the sale of the business.

"In the meantime, such discussions are a commonplace of business and for the moment remain confidential between the parties involved."

Dollar UK owns the Money Shop as well as pawn broking firms and lenders Payday UK and Payday Express.

Vital Statistics

£1.9bn

The amount consumer credit lending increased, between October and November 2016, according to the Bank of England's latest money and credit statistical release.

THE VENT

Choice cuts from social media

Debt sales, room for improvement?

A LinkedIn debate kicked off this month following a blog posted by Stuart Sykes, group customer operations director, of lender MyJar. The blog focussed on a review of 2016 and how debt sale seems to no longer be a top priority, or working at the best of its ability.
To follow the debate read here:
http://bit.ly/2if8eEO

Pre-action protocol: Original agreements not needed

The new pre-action protocol (PAP) for debt claims is likely to launch in 2017 and creditors will not have to send the original credit agreement at the letter-before-action stage.

An update to the PAP was issued in a joint statement by the Credit Services Association (CSA) and the Civil Court Users Association (CCUA), which have both lobbied on behalf of members during the PAP's formation.

As a result of meeting in December it was agreed that the new Standard Financial Statement will be used as part of the protocol. There will also be no requirement for the original agreement to be sent at the letter-before-action stage.

Both the CCUA and the CSA requested an implementation period for systems and process changes to be made by creditors.

They said: "There will undoubtedly be some provisions with which creditors or the debt advice sector may not fully agree, however we think we have arrived at the best compromise possible in all the circumstances."

The PAP will now be redrafted and sent back to the sub-committee before the master of the rolls decides whether and when it will be implemented.

A WORD TO THE WISE

"Although you were fined you can sleep at night and stand your head up high"

Simon Smith
Cyber security specialist at eVestigator commends TalkTalk for its honesty over its infamous hack

"If people can move from the Money Advice Service to the dark side who knows what it (high-cost short-term credit) will become"

Caroline Walton
Dollar UK's chief customer insight officer on Mark Fiander's move from the advice body to Lending Stream

"The future is about enabling insight and action in advance of customers' expectations on-line, on-time and on customers' agenda"

Aleks Tomczyk
The chief executive of Arum decribes his outlook for collections and recoveries functions in 2017

"Regulators compete to innovate more. 2016 bubbled, 2017 steams"

Chris Skinner
The finance blogger makes one of his many predictions for the next 12 months

"There are flip-flop wearing coders all the way to grey suited regulators"

Mark Fiander
Vice president of marketing at Lending Stream on the variety of professionals within financial services at the F5 conference (see p8)

"What I find alarming is the poor management of buybacks and pushbacks"

Bob Welsh
Collections consultant
Walker Love

"Buybacks have always been an issue; they will continue to be so until the initial book sale is of such a standard (that) fewer buybacks are actually needed"

Stuart Sykes
Group customer operations director, MyJar

"Loyal skilled personnel should also be a consideration to recover the debt fully"

Sharon Connell
Project lead cash manager
Cushman & Wakefield

"(The) front line will always be your 'sound board' to issues the customer may have"

Stuart Sykes
Group customer operations director of MyJar

In a year of Brexit, what next for fintech?

A series of insights on the future for fintech firms and alternative lenders were uncovered at Credit Strategy's first ever F5 Conference. AMBER-AINSLEY PRITCHARD reports

London is expected to retain its title of fintech capital for Europe, but where is this rapidly expanding sector heading next?

A broad mix of speakers from lenders, academic institutions and credit information providers tried to answer this and many other questions at Credit Strategy's inaugural F5 Conference last month.

Around 150 professionals attended the event, for which Experian was headline sponsor, at the London Hilton Bankside on December 13. The event addressed how non-mainstream lenders are growing market share, how they're handing regulatory pressures and what real impact they're making on traditional high street banks.

Delegates attended from direct lenders, challenger banks and traditional lenders along with regulatory experts, investment houses and technology providers.

Sessions spread across three streams during the day: Compliance and regulation; operations and funding, with speakers from Funding Circle, Wonga, the Consumer Finance Association, Monzo Bank and the University of Cambridge, among others.

The conference kicked off with views on Brexit's potential impact on fintech firms, especially London's place as a hive of activity for this sector.

According to keynote speaker Stefan Franzke, whose business helps start-ups in Berlin, London will hold its fintech crown for Europe, despite what's coming in March.

Franzke, chief executive of Berlin Partner for business and technology, was complimentary about the importance of London as a business centre. He described the initial impact of the EU vote last June, recalling how he had received hundreds of messages from businesses contemplating leaving the UK. However, Franzke said he believes London will still be the financial centre it is today in 10 years.

"I believe your government decides things in the right way, although people from the US and Asia are confused as to where the financial hub in Europe is."

Following Franzke's thoughts on Brexit and fintech, delegates heard a presentation from Rolf Hickmann, research fellow at the University of Cambridge and founder of the pH Group, which is now part of Experian.

Hickmann described how banks are looking at acquiring or creating their own peer-to-peer platforms.

He told delegates: "Some are already thinking about it and some have started their own. It's not just the UK doing this, some banks in Germany have already started doing so."

The challengers

A third plenary session during the morning saw lenders debate the evolution of challenger banks.

Delegates were asked via online polling app sli.do if they thought these banks had advanced compared with their expectations in 2010.

Caroline Walton
Chief customer insight officer, Dollar UK

"You can't make any money in high-cost short-term credit with all the regulations like the price caps"

Nearly half thought the sector had fallen below expectations, 36 percent said expectations had been met and the rest believed they had exceeded them.

Jason Bates, co-founder of Monzo Bank, said he hasn't seen any challenger banks do anything new with mobile banking but believes we will see a new generation of banks change that, adding: "Digital banking will become real-time contextual services applied to people's problems."

Harald Schneider, chief analytics officer at Tandem Bank, also said the

L-R: Harald Schneider, Tandem Bank; Jason Bates, Monzo Bank; Chirag Shah, Nucleyus Commercial Finance

market will see an evolution over the next few years. He described how ground work has now been laid down for these banks, so the progression of new challenger banks should be more noticeable.

Asked if challenger banks could retain customers as well as big banks Bates said he couldn't see why not, because customers at big banks only stay because they are apathetic to change.

Chirag Shah, chief executive of Nucleus Commercial Finance, said that customer retention should not be the main focus of any bank or company. He added that businesses should focus on whether or not they are the best option for a customer at any and every point of the life cycle.

Bates said his forecast for the next 10 years is that an explosion of smaller players could take chunks out of the big players across the retail lending landscape.

Managing expectations

Another morning session at F5 involved a debate on how lenders can manage the regulator's expectations, as well as their own.

Nick Beal, director of legal and compliance at Amigo Loans, said he would like to find clarity on the FCA's minimum standards on affordability.

Much of this discussion focussed on the FCA's work since entering the market and its need to fully regulate high-cost credit.

Julian Graham-Rack, chief executive of Speedy Group Holdings, which owns several short-term lending brands such as Wageday Advance, said some points of the regulation "make you scratch your head".

Queried by the audience if the industry would settle down post regulation, Caroline Walton, chief customer insight officer at Dollar UK, said she didn't think it would.

She added: "You can't make any money in high-cost short-term credit with all the regulations like the price caps."

Walton also said that the way to make money in this industry is to simply deliver what a customer wants and needs.

She said: "A customer must trust the lender. We need to get away from thinking we need to be more innovative. Lenders just need to improve the product and have better customer service."

Steve Dukes, chief product development officer at Dollar UK, said that once a consumer has experienced great customer service they will expect it from there on out.

Regarding compliance, Michael Poole-Wilson, UK head of legal at Wonga, said that when firms experience compliance failure "it's because they probably haven't met the legal standards, in other words haven't got into the knitty gritty". CS

After two years in limbo, the debt management saga trudges on

With debt management firms waiting two years for authorisation, the Financial Conduct Authority's handling of the process leaves a great deal to be desired, says NICK PEARSON

Nick Pearson

Chief executive, Debt Counsellors Charitable Trust

It's now just over two years since most commercial debt management companies (CDMCs) submitted their applications for authorisation from the Financial Conduct Authority (FCA). Yes, that's right, over two years - bear in mind the FCA's own rules state that it should come to a decision within 12 months.

As far as I'm aware no other financial services firms requiring FCA authorisation have been waiting so long for a decision.

By way of background, many smaller CDMCs have either received a 'minded to refuse' authorisation letter from the FCA or have decided to withdraw their application.

To date, I am aware of four commercial debt management firms (PayPlan, Baines and Ernst, Money Village and Money Plus Group) that hold client money that have secured FCA authorisation.

The bulk of the estimated 170,000 debt management plans left in the commercial sector (excluding PayPlan) are held by a small number of larger firms still awaiting a decision from the FCA about their authorisation. It seems the uncertainty about their future has meant firms have not been inclined to take on new debt management plans (DMPs) or invest in their future. Who can blame them? After all, the FCA may decide they don't have one.

Basically, the commercial DMP sector has stagnated during the past two years while the IVA sector has thrived by comparison.

Added to all this, as industry insiders will tell you, there is now very limited profitability in DMPs, whether delivered by a fee-charging firm or by a 'fair share' provider.

"Some firms feel the FCA may be biased against the CDMC sector"

High risk, high priority

As far as I can tell from conversations I've had with senior figures in the CDMC sector, the FCA's approach during the past year has been to focus on analysing tranches of randomly selected client calls and the associated case notes/paperwork.

Until recently, it appears firms received little or no feedback on calls they submitted for analysis. It is worth mentioning that in many debt advice cases, the most suitable debt solution for a client is not always obvious. All clients are different and debt advice is not an exact science. Given the volume of calls sent to the FCA by firms, it begs the question: Has the FCA got the number of suitably qualified and experienced staff to adequately evaluate the calls?

Annual reviews

Aside from the call analysis, the FCA has also spent a great deal of time, at least in the initial stages of the process, ensuring client money was being handled satisfactorily. It seems concerns about money handling have now been dealt with to the FCA's satisfaction.

The most recent feedback from the FCA was published on December 8 2016 when the FCA sent a letter to the CEOs of all debt management firms outlining concerns with the way firms are carrying out annual reviews.

The FCA view on the correct way for firms to deal with clients who don't engage with an annual review perhaps highlights one of the major criticisms of the way the regulator handled CDMC authorisation. Firms feel that FCA staff have given no indication of how they believe they should behave/operate when interpreting what are often vague rules and guidance contained in The Consumer Credit Sourcebook (CONC 8).

It could be argued, as many lenders and debt collection agencies have, that there is a conflict between strict interpretation of the rule and treating customers fairly but that's another story. In short, firms think the FCA has not been as transparent about what it requires of firms as it could, or should, have been.

In the absence of any steer from the FCA to either the firms or trade bodies (Debt Resolution Forum and DEMSA) and in the absence of fact, the last two years have seen rumour and counter rumour circulating in the north west – the home of CDMCs – about what the FCA wants and expects of firms. This is a far from satisfactory situation.

From a consumer perspective, it could be argued that if the CDMCs still operating are so inept that the FCA can't decide whether they should get authorisation or not after 12 months (let alone two years), then perhaps the FCA should have issued a 'minded to refuse' authorisation letter well before now, to protect consumers.

I recall just before Christmas 2015 asking an FCA representative why it had taken 12

months to make a decision about authorisation (or not) of so many firms. He said that if they had to decide at that point, no CDMC would have been authorised. Perhaps the FCA has been more helpful to firms than it realises?

That said, at least two of the four commercial firms holding client money have only secured FCA authorisation by going through an appeal process.

What is far from clear is how, if at all, the FCA's approach to the CDMC sector has changed in the wake of at least two "defeats" at the Regulatory Decisions Committee.

At the time of writing, firms still awaiting a decision still have no idea when the FCA will decide on their applications, although March 2017 is a date doing the rounds at the moment. Given the experience of FCA delays to date, no sensible person would gamble their life savings on March.

While on the subject of rumours it would be remiss not to mention that some firms in the sector feel the FCA may be biased against the commercial CDMC sector and that some staff may be ideologically opposed to the very concept of charging for debt advice.

From my point of view, aside from the inordinate length of time the authorisation process has taken, my biggest concern about the way the FCA has handled this process is the lack of clarity and guidance provided to the sector on some of the more vexed issues arising from interpreting CONC.

The "Dear CEO" letter was too little, too late in my view and should have been issued at least six months ago.

I do not underestimate the challenges faced by the FCA in assessing individual debt management firms and their fitness to hold FCA authorisation, but I am obliged to say that the way the process has been handled leaves a great deal to be desired. CS

A voice for SMEs sponsored by

Certainty in uncertain times

Invoice finance firms offer a wealth of expertise to SMEs, not just a way to improve cashflow, explains NICK HAGGITT

Nick Haggitt
Director of invoice finance, IGF

Businesses will go through highs and lows during its corporate lifecycle, a fact which is only amplified during a time of political and economic uncertainty. For SMEs in particular, funding for growth and maintaining a healthy cashflow are crucial for the success of the business. The key to regain some certainty for businesses is to consider the wide variety of financial support available for this business growth activity, including invoice finance.

Small businesses look to alternative finance providers for a number of reasons, maintaining a steady cashflow being one of these. Whilst the perennial problem of late payments is slowly improving, it still remains a huge issue for SMEs across the UK. The latest figures from the Federation of Small Businesses have shown that 50,000 businesses in the UK close each year as a result of late payments - a fact which cannot be ignored any longer.

By releasing finance against a company's unpaid invoices and plugging the payment gap, businesses avoid incurring debt via more traditional bank loans, overdraft facilities and even credit cards. The increased flexibility offered by invoice finance allows SMEs to sustain rapid growth, fulfil large orders and explore new business opportunities.

Good cashflow not only allows a business to operate, but also to invest, grow and work towards its potential. Borrowing through invoice finance often comes with additional benefits for SMEs, particularly in the form of expert advice that enables providers to tailor solutions to each individual business' model and future needs. This is an invaluable resource which can truly help SME business owners on the path to success in these uncertain times.

"Whilst the perennial problem of late payments is slowly improving, it still remains a huge issue for SMEs across the UK. The latest figures from the Federation of Small Businesses have shown that 50,000 businesses in the UK close each year as a result of late payments - a fact which cannot be ignored any longer"

Alternative sources of finance have developed since the financial crisis of 2008, a trend which appears to be here to stay in the current economic climate. By looking towards invoice finance and other alternative solutions, SMEs will benefit not only from a healthy cashflow, but also from the wealth of expertise offered by these finance providers. CS

Financial crime: How to ensure a robust risk assessment

JACQUELINE PLANNER examines how financial crime risk assessments can protect your firm and safeguard its reputation

Jacqueline Planner

Director, financial crime risk, Huntswood

The role of financial crime risk was a key priority for regulators and legislators in 2016. There's no doubt that this will continue into 2017 and beyond.

In its 2016/17 Business Plan, the Financial Conduct Authority (FCA) highlighted the need to tackle financial crime as one of its priorities.

How can consumer credit firms ensure they manage financial crime risk effectively, to ensure the business and its customers are protected on an ongoing basis?

The answer is a robust, proportionate and documented financial crime risk assessment. But without guidance on what a good approach looks like, the sometimes subjective nature of financial crime regulation can lead to an approach that fails to mitigate the risks effectively. Three main elements underpin a robust approach:

1 Cultural alignment

From the top of a firm to the frontline, the risk that financial crime poses should be clearly articulated and understood.

Recent Huntswood research has shown that, on average, 86 percent of firms were confident that their boards understood the risks. However, it also highlighted that one of the main issues for compliance teams was obtaining sufficient time with business heads and first-line stakeholders. Some culture-related questions to consider include:

- Do money laundering reporting officers (MLROs)/risk experts have clear lines of communication with the board to raise any regulatory concerns?
- Do you operate a clear ownership structure around your risk assessment?
- Do you have a meaningful and clearly defined risk appetite statement?
- Are financial crime accountabilities clearly defined? Are they SMR compliant?

2 Creating a robust risk assessment framework

Firms must understand and categorise the risks they face and address them appropriately, including strategic, operational, regulatory, credit and legal risks. How your firm designs its risk assessment methodology will depend on the complexity of the organisation, your services and the markets in which you operate.

Our research has shown that some firms incorporated all areas of financial crime within one generic assessment. However, from a best practice point of view, a financial crime risk assessment should explicitly address the following:

- Anti-money laundering and counter-terrorist financing;
- Sanctions;
- Fraud;
- Anti-bribery and corruption;
- Information/data security.

Only seven percent of firms we engaged with had undertaken a risk assessment incorporating all five of these elements.

3 Building an effective operating model

Systems and controls not only need to be in place to counter the risk that your firm may be used as a vehicle for financial crime, but they should also be subject to challenge by senior management and internal audit to ensure they remain effective.

In assessing and further developing their control environment, firms should consider whether they have:

- Established management information and data which gives the board the clearest possible view;
- Ensured policies and procedures remain compliant;
- An accessible whistleblowing policy;
- Engaged staff to assess the organisation's environment;
- Considered the frequency and level of training to ensure staff continue to understand their responsibilities.

In addition to these considerations, a culture of record-keeping is absolutely imperative. Firms must document and evidence their justifications for how decisions have been reached.

In a world of ever-evolving criminal threat, where tackling financial crime is high on the agenda for both regulators and law enforcement agencies, effectively assessing risk is essential for consumer credit firms.

As every firm is unique, a one-size-fits-all risk assessment template does not exist. Instead, firms should pursue a tailored, risk-based approach, to which there are many benefits above and beyond limiting potential exposure to criminality and preventing penalties from the regulators.

- Huntswood has released a report on financial crime risk assessments. Based on research with a cross-section of firms, th e report offers guidance, outlines good practice and highlights practical steps that firms can take to embed a proportionate, pragmatic and dynamic approach. You can see it at *bit.ly/2hO4yeD* CS

The Watchman

Trumping the cacophony of post-truth politics

With the quality and depth of public debate on national issues at a new low, FRED CRAWLEY explores Credit Week's role in improving the conversation

Fred Crawley
Consulting editor, Credit Strategy

The political climate hasn't been a huge amount of fun over the last year, but perhaps the most disturbing trope to have emerged from it is the idea of the 'post-truth' world.

Looking particularly at the EU referendum and the Trump fiasco, post-truth politics were said to have defined 2016 – and indeed, post-truth was named by Oxford Dictionaries as its word of the year.

Like so many words that are held up as central to our lives, however (big data and behavioural science, anyone?), 'post-truth' is surprisingly difficult to define.

Lucky, then, that Oxford Dictionaries was close at hand, offering this: 'Relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief'.

In the sensationalist spirit of post-truth journalism, however, I'd call it "getting results by lying."

You could well argue that this has been a fundamental part of democracy since long before Boris Johnson scrawled £350m worth of guff on the side of a bus – but if that's the case, why are we suddenly so aware of it?

Perhaps it's because there are more sources of information today, and more channels by which to access it, than ever before. Social media has amplified individual voices to the extent where anyone can be a media presence if they play their cards right.

In this jungle of media proliferation, the voices – and thus the facts – which persevere are those which are simplest, and hollered at the highest volume. Truth barely comes into it – and why should it? So relentless is the churn of new information that barely anything exists for long enough to be fact-checked or debunked, before some new controversy rises to supplant it.

> ***"In this jungle of media proliferation, the voices - and thus the facts - which persevere are those which are simplest, and hollered at the highest volume. Truth barely comes into it"***

Donald Trump, the dark master of the art, plays this to great extent: Each day he ensures the US media awakes to a new and ludicrous pronouncement on Twitter. These bizarre outbursts never have a lasting impact, and never hold up to much scrutiny – but they do not need to. By throwing a fresh hand grenade each morning, he ensures he is always at the forefront of the nation's news agenda.

But of course, we in the world of financial services are all too familiar with this sort of campaigning style.

For example, when the media had its teeth sunk into short-term loans, discussion of the merits of APR as a measure of the cost of credit never got a chance to get going without being drowned out by aggrieved bellowing about four figure interest rates.

The UK may be sailing further into the uncharted territory of the post-truth world, but this publication at least will be doing its part to isolate and progress those debates where unfinished business remains.

As part of our Credit Week, kicking off with a parliamentary reception on March 28, we're going to look to bring discussions on APR, debtor rehabilitation, credit information out of the closed system of industry conferences, and into the public and political eye.

If we succeed, we may end up with consumers, MPs and – God forbid – even media voices with more understanding of how the industry works, and that can only be a good thing for creditors and customers alike.

These are all lofty ambitions, I know. But at least they're more realistic than building a thousand-mile wall, or finding an extra £350m a week to give to the NHS.

** If you'd like to know more about Credit Week, or want to suggest a topic you think we should be covering, don't hesitate to get in touch on 020 7940 4818. Visit creditweek.co.uk for more detail on all the events.* CS

Commission models for DCAs: A catalyst for change

Brought to you by:

Further work behind the scenes could help bring a cross-industry change to the traditional commission structure for DCAs, explains DICKY DAVIES

Dicky Davies

Business development director, GFKL Lowell Group

There is a belief in some quarters of our industry that, in terms of changing the commission structure for debt collection agencies (DCAs), the ship has already sailed.

However, I don't believe this is the case. While a Financial Conduct Authority-driven change is perhaps now less likely, there are still many reasons why the traditional payment method that sees companies receive a percentage of cash collections generated, should be reviewed.

The primary one is compliance. DCAs are now often viewed as an extension of a creditor's core business – rather than as an outsourced supplier. With the focus on being able to effectively evidence fair outcomes, creditors are so involved in the strategies and compliance adherence of their DCA partners that it can almost appear as if they are sat in the same office. For example, the level of management information reviewed to evidence that fair customer outcomes are being achieved. This is a welcome change, but one which naturally brings increased overheads to DCAs.

Another strong driver is commercials. The view within the industry is that it is increasingly difficult for DCAs to make a profit from early stage collections and there is an increased reliance on income derived from paying portfolios.

"The view within the industry is that it is increasingly difficult for DCAs to make a profit from early stage collections"

Compared with three or four years ago, the commission model has yet to adapt to reflect the increased cost of compliance, evidencing fair outcomes and the longer call times. The continued trend of selling in situ paying portfolios, with no indefinite requirement to keep the accounts with the incumbent DCA, are all impacting profitability.

One welcome move by some creditors is that they are offering the incumbent DCA the opportunity to either provide a price to buy the portfolio, or select a purchaser they wish to have a long term relationship with. This will help to ensure a smoother transition for the customers involved.

Fear of the unknown

Having been a hot topic in the industry for some time now, views remain divided on where and how the current model could be improved.

There is also no clear view about what the future should look like. Having said that, we are aware of a number of creditors who are actively considering alternative commercial models.

The general view is that the main stumbling block is a fear of the unknown. Inevitably it will be a big change, and it will take someone to pioneer that change. As it stands there are still a number of models for discussion – i.e. costs plus some extra as commission, payment based on outcome, payment based on contact, payment for placement, or a hybrid. Current signs indicate that a combined approach is most preferred.

Whilst some of the models being discussed make a cash flow difference in the short term, over the longer term there should be little difference based on the proper accounting for future collections/ commissions.

To summarise, the catalyst for change is already there – the work going on behind the scenes just needs further development and then it will become reality. CS

The brave new world of Trumponomics

If Donald Trump gets his way, America will embark shortly on a bold economic experiment: Trumponomics. MARK BERRISFORD-SMITH explains a counter-intuitive philosopy

Mark Berrisford-Smith

Head of economics, HSBC UK Commercial Banking

Trumponomics boils down to a combination of fiscal activism, trade protectionism and restrictions on immigration. Growth is likely to be stronger in the short term, but there are considerable risks, not just to the USA but the global economy.

President-elect Trump wants to try something that would have been anathema to any self-respecting Republican before he won his surprise victory. He wants to increase spending by the Federal Government, especially on the nation's creaking infrastructure and its defence, while at the same time delivering substantial tax cuts to individuals and businesses.

In the long-running debate about the merits, or otherwise, of austerity, some have argued for higher public spending, while others have championed tax cuts; but nobody has argued that both could be done simultaneously.

Many Republican congressmen and senators have spent six years thwarting the spending proposals put forward by President Obama and the Democrats. It therefore remains open to question how willing they will be to open the coffers for Trump. It's therefore likely to be well into 2017 before any significant tax and spending proposals are passed by Congress.

A more substantive acceleration of US economic growth is expected in 2018 compared to this year, by which time the impact of tax cuts will be feeding through to households' disposable incomes, and to investment and hiring by businesses. The proposed infrastructure boost will also by then be making a tangible difference to government investment spending and to employment.

"If Trumponomics works it will be a massive defeat for mainstream economic thinking"

The forecast for GDP growth for 2018 has therefore been raised from 2.3 percent to 2.8 percent, which if achieved would be the fastest rate of expansion since 2005.

Getting the sums to add up

The big question, of course, is how all this will be paid for. Trump and his advisers believe infrastructure and defence spending can be ramped up, and taxes cut, with only a minor impact on the budget deficit.

The plans of the new administration remain hazy, but they seem to be pinning their hopes on being able to make savings in government spending in non-investment areas, and are also counting on tax cuts delivering faster growth and hence stronger revenues.

Yet even if a new approach to modelling turns out to offer a better approximation of real world conditions than the traditional models, it remains questionable whether the United States can achieve the sort of growth rates that Trump and his advisers touted when they unveiled their economic plans in September.

They offered a vision of reduced corporate and personal taxation, deregulation, investment in infrastructure, and a renegotiation of trading arrangements to lift the economy's growth rate to more than 3.5 percent a year. The United States hasn't achieved that sort of growth since the 'Goldilocks' years of the tech boom in the late 1990s.

These days, achieving such growth is rendered harder by the dampening effects of an ageing population, the march of new technologies threatening to replace more jobs with machines, and greater competition from lower-cost producers.

With Trump's policies likely to deliver a boost to growth in the short term, it's also probable it will nudge the rate of consumer price inflation closer to the target.

Who will laugh last?

The most obvious risk to Trumponomics is that the sums won't add up, with a widening of the budget deficit triggering a rout in the bond market.

And even if President Trump succeeds in boosting America's rate of economic growth, the benefit to the global economy could be offset if he follows through with proposals to restrict cross-border trade.

One thing that can be safely said is that if Trumponomics works it will be a massive defeat for mainstream economic thinking.

If generating faster growth through improved productivity turns out to be so easy, voters the world over will rightly ask why no other politicians had the will or wit to do it sooner. CS

Stuck in a jam with all exits blocked

After coining the phrase 'just about managing' (JAMs) to describe struggling British households, the Prime Minister brought into focus a slightly nebulous group of the population. MIKE O'CONNOR explains how small shocks can tip these households into disarray

Mike O'Connor
Chief executive, StepChange Debt Charity

On entering Downing Street, Prime Minister Theresa May took a moment to address those she described as "just about managing", saying: "I know you're working around the clock, I know you're doing your best, and I know that sometimes life can be a struggle."

She said that her government will be driven "not by the interests of the privileged few, but by yours." The acronym – the 'just about managing' or JAMs – has entered our lexicon, for the time being at least.

No one seems to have quite nailed down who this group of people are. The Resolution Foundation, a think tank that publishes research on living standards, estimates that they are a group of around six million households spread across the UK. It estimates that JAMs are generally on low to middle incomes and live in homes where one person is in work and the majority of income comes from employment but is often topped-up by benefits.

Regardless of how you define this group, the phenomenon is all too familiar to us. More than 80 percent of our clients have incomes below £30,000 – an average of £16,650 – and, after accounting for all their essential household bills, only have £58 left towards repaying debts. This means most of our clients fall into the group of people whose interests the PM said would drive her government.

The inevitable consequence for people just about managing is that, given life's ups and downs, a significant number will stop being able to manage and fall into difficulty. Even a small income or cost shock can tip people just about managing into not being able to cope. Our advisers see this every day, where the loss of a job, illness, or a reduction in hours leaves people in a position where they can no longer just manage. All too often credit becomes a false safety net for them.

"Structural changes in employment patterns bring advantages in terms of a flexible labour market. But coupled with cuts to welfare, these changes leave people increasingly vulnerable"

The Bank of England highlighted these risks when it reported that the household debt-to-income ratio is high by historical standards. It issued a clear warning that these households are "particularly vulnerable to shocks such as falls in income."

New labour, new liability

Structural changes in employment patterns bring advantages in terms of a flexible labour market – such as the growth of zero hours contracts, under-employment and self-employment. But coupled with cuts to welfare, these changes leave people increasingly vulnerable to such shocks and falls in income. When people hit hard times, there is no responsive safety net to prevent a slide into problem debt.

Despite the extensive coverage given to the government's plans to support the just about managing group, the Autumn Statement didn't deliver any real respite. Even with the previously announced changes to the income tax threshold and National Living Wage, with inflation predicted to hit 2.7 percent by this time next year, our clients are likely to be £16 worse off each month.

For those on benefits, this rises to £23. Think of that in the context of having just £58 left at the end of the month. Far from helping those in need, this will make life for those just about managing even more difficult.

Next year may prove to be a bumpy ride for many households. Debt purchaser Arrow Global's research predicts that households in default could rise by 17 percent by 2020, from four million to 4.7 million, while a PwC report suggests that a two percent rise in interest rates could leave households needing to find an extra £1,000 per year to service their unsecured debts. The impact for those with mortgage debt will be far more severe.

However it's defined and whatever acronym is used, it's clear that the government has identified a group of people it wants to be seen to be supporting better. To do that, improving the financial resilience of households through supporting precautionary savings, ensuring that people have better access to affordable credit and delivering better support when people do fall into difficulty will all be essential. CS

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Arum

Constructing a world class culture

The collections industry is no longer being given the choice over building a culture that works for customers. CLIVE PICKETT provides some practical recommendations for building one

Clive Pickett

Collections transformation specialist, Arum

For much of the last 20 years cultural change in the banking and financial services industry was viewed by many as a 'nice to have'.

One reason for this in my view is a lack of understanding of culture change and the benefits it brings. This lack of understanding mainly emanated from the ephemeral nature of the word 'culture'.

If you look at the standard definitions they articulate a holistic definition, using words such as 'language', 'religion', and 'social habits'.

If you're a CEO or FD with an inexhaustible list of priorities you might think that it has little to do with delivering successful outcomes for your organisation and would not figure in your top five priorities, however, I would suggest this should not be the case – particularly now.

Here's a good definition of culture:

"It is about the beliefs and mindset of all individuals of an organisation and how they are played out in the behaviours of everyone."

Both academic evidence and real-world experience shows a world class culture can drive a world class organisation and in many ways, rather than looking to the boardroom for guidance, a deeper understanding of why a world class culture is business critical is found on the shop floor.

While technology and process are also important, people deliver the end result. Their beliefs, mindsets and behaviours underpin culture and those behaviours must be exhibited both internally and externally.

Why is it critical to get culture right now?

The Financial Conduct Authority (FCA) has identified culture as a primary driver of failures over the past 10 years in the industry and is determined to put it right.

Poor culture in our industry has generated customer detriment, financial loss and a heavily tarnished reputation.

As the FCA has made clear, a culture that delivers poor outcomes for customers will no longer be tolerated. Under the FCA's Senior Managers Regime (SMR) the sanctions, if found guilty, are now significant.

This regulatory pressure has rightly put the topic of culture and cultural change front and centre in many firms. If it is not a live topic at recent board meetings it should be! In many senses this is where it should always have been, it just makes great business sense.

I have worked in financial services my entire career including as director of Barclays UK Retail Bank Collections and head of collections at LTSB Asset Finance. I have sponsored cultural change programmes and can testify that, done well, the good outcomes can be clearly measured and can simultaneously deliver:

- In year (and future) P&L improvement;
- Reductions in customer complaints;
- Improved customer satisfaction scores;
- Substantial reductions in staff turnover;
- Improvements in industry benchmarking.

Each of these alone would be great but together they are a compelling reason why cultural change should be high on the agenda of any executive responsible for collections and recoveries. But where to start?

We make the following recommendations:

- Ensure there is a clear vision that all staff can articulate, with a pathway showing the journey. Baseline benchmarking is essential to evidence improvement and to be clear about what is being measured.
- Positive engagement and timely communication. These are mission critical as a 'wraparound'. Communication should be two way. Senior managers need to listen and act, not tell.
- A hierarchical bond of trust must be created; undermine this and the change will fail. Technology and process must be aligned to the cultural change that is being created. It's not just about customer-facing staff; everyone in the firm is part of the transformation. World class cultures are internal as well as external facing.
- Everyone must be empowered to say 'No' and take personal accountability/responsibility.

Let's be clear: Delivering a world class culture takes time, up to five years in many cases. Leaders in every firm are mission critical to drive this forward, if any cadre of leaders abdicate responsibility, there is a high probability it will fail.

Today we no longer have the choice; the industry is coming under increasing regulatory pressure to create a culture that works for customers, what's more it just makes good business sense.

If you would like to discuss our experience of cultural change in collections and recoveries, please do not hesitate to contact us. CS

The clock is ticking to prepare for GDPR

Getting ready for the new EU data protection regulation is a seismic task for the regulator, as much as it is for businesses, explains GARRETH CAMERON

Garreth Cameron

Group manager, business and industry, ICO

May 25 2018 is the date circled in the calendars of data protection professionals across the country, as it's the day the General Data Protection Regulation (GDPR) will take effect in the UK.

The clock has already started ticking and 2017 will be a crucial year in which firms will be making plans and looking to implement the changes needed.

The regulation aims to update data protection for the modern age by reflecting rapid technological developments and globalisation, and the increase in the scale of collection and sharing of personal data.

It enhances data protection principles and rights, and will create a stronger framework for organisational accountability and enforcement. It's an evolution of our existing laws and good practice, but that's not to downplay the need for businesses to ensure they are now working towards meeting the new requirements.

There will be challenges for businesses, just as there will be for the Information Commissioner's Office as the supervisory body overseeing the regulation in the UK. As well as ensuring we've got the right structures to deal with our new responsibilities, we understand how important it is that firms have the right information to help them comply.

Our activity

We started 2016 by running a series of roundtables to understand what the areas of concern are, and what businesses consider the ICO's priorities should be.

> *"We will shortly be producing guidance on individuals' rights, contracts and consent"*

We've continued to engage with trade associations and industry representatives, and we've listened to all the feedback and factored it into the guidance plan we've published. We have also spoken to other regulators to avoid any conflicting regulatory requirements being placed on firms.

One of our first pieces of guidance has been an overview of the regulation and the key themes. This should help those unfamiliar with the regulation to understand, in broad terms, what it requires.

Being transparent, providing accessible information, and giving individuals control over their information are important aspects of the regulation. We've published our privacy notices, transparency and control code of practice to explain in detail what's required, and the techniques that can help you present privacy information effectively – in the digital world in particular.

We've also published 12 steps to take now to help guide organisations on the key areas we think they should focus on first. A first step should be to ensure key decision makers are aware that change is coming and to appreciate the impact this is likely to have on the business.

Ensuring there is a consistent understanding of data protection requirements is crucially important to reducing barriers to trade. We've been working closely with our European counterparts to help ensure guidance from the new European Data Protection Board is pragmatic, easy to follow and reflects business concerns here in the UK.

What's coming next

We will shortly be producing guidance on individuals' rights, contracts and consent. These are three areas that businesses have consistently said are priorities. We've also started to develop our thinking on risk and significant legal effects, profiling, documentation and records, controllers and data processors.

We provide a wide range of advice and guidance on a number of areas from employment practices to data sharing. We will be working on refreshing and adapting our existing guidance to ensure it reflects GDPR. Following the success of our data protection self-assessment toolkit, we also want to develop more practical tools and resources for SMEs.

On a European front, we expect guidance to be published shortly on identifying an organisation's main establishment and lead supervisory authority, the right to data portability and the requirements for data protection officers. CS

TOMORR WORLD

Credit Strategy has brought together a group of Credit Awards winners from the past eight years. These dedicated individuals, who won accolades such as Rising Star, may well be the industry's next generation of conduct leaders. AMBER-AINSLEY PRITCHARD reports on their careers and aspirations

ROW'S

Close to reaching two decades old, the Credit Awards have been championing the brightest individuals in the industry for the past 17 years.

Each year we usually have more than 150 finalists, with a panel of judges from the UK's largest financial institutions and trade bodies, to discuss and hand pick the worthy winners. *Credit Strategy* sought the views of precocious individual winners from previous years, to discover their career journeys since winning and the changes they'd like to see in how things are done in collections. Their views are collated on the following pages.

HELEN RICHARDSON

Head of excellence and improvement, AXA

"Without changing desks I've gone from working in a start-up with a handful of employees to working for a global organisation."

The words of Helen Richardson, who has worked her way up in the organisation that started as Swiftcover and is now known as AXA, the multinational insurance firm.

In 2012 she won the Consumer Credit Manager of the Year Award when in the role of business and finance manager.

Since being recognised for her work, Richardson has progressed to the title of 'head of excellence and improvement' where she controls the customer accounts team and has responsibility for several departments that drive the delivery of excellent customer service.

Last year, her remit increased to include 'voice of the customer', and she has since began to work on ways to identify and resolve, as quickly as possible, the themes of dissatisfaction in customer feedback.

She added: "We want to deal with dis-satisfaction as early as possible and get root causes pushed through the improvement route quickly, so having the 'voice of the customer' function working alongside business improvement, quality and training provides that perfect opportunity for customer focus and continuous improvement."

Richardson believes the UK's "heavy" regulation can result in confusion for customers.

She emphasised that even though regulation is in place to protect the customer, and ensure transparent interactions, it often has the opposite effect.

"This can result in confusion for customers who have been given so much information and they're not quite sure what to do with it all," she said.

"If I could change anything, it would be for regulation to be more aligned with customer needs and be more supportive of the delivery of customer service that is both transparent and helpful."

Proud to be granted the Credit Award, she believes the recognition is not only a reflection of herself but also her team.

She said: "It's been really nice to be involved in the *Credit Strategy* forum and see what everyone else in the industry is doing."

Her aspirations for the future will see Richardson stay loyal to AXA as she looks for more opportunities within the business.

DANIEL BENNETT

Associate, Shoosmiths

Recognised as a 'Rising Star' within the industry when only a trainee solicitor, Daniel Bennett is now an associate at law firm Shoosmiths and manages his own team in Birmingham.

In 2013, six months before becoming a fully qualified solicitor, Bennett was handpicked for the award based on his attention to detail and solution-driven legal advice which judges said made him stand out.

The judging panel said at the time: "Few individuals can play a key role in changing how legal services are provided in a particular specialism but the fact that Bennett has, and does, deserves recognition."

With comments like this it shouldn't be hard to imagine Bennett as a future partner of the law firm which he hopes to one day become.

He told *Credit Strategy* he would also like to explore the improvements that can be made within the financial promotions regime to improve clarity for consumers and reduce complexity for finance providers.

An important determining factor in winning his award, explained by both Bennett and the judges, was down to his development of a financial promotion review service for several major lenders.

Bennett added: "The award raised my profile and resulted in a number of requests to provide financial promotions training and expertise to industry bodies and new clients."

When asked what changes if any he would like to make to compliance practice or the industry at large, Bennett said: "I would update the consumer credit legislation to allow better use of technology. This is a frustration for the whole industry.

"To be able to use technology more fully could make the process of taking and managing credit clearer and easier for consumers, lenders and the industry."

TRACEY BAILEY

Team leader, sensitive cases team, GFKL Lowell Group

The view expressed (below right) by Tracey Bailey, a team leader in the sensitive cases team at GFKL Lowell Group, provides food for thought about the debt collection industry's evolution in recent years.

Bailey has been working for the debt purchaser since 2004 and won the Consumer Collector of the Year Award in 2009 when working as a collections negotiator, or customer account associates as they're called today.

At the time of the awards judges said: "Tracey's enthusiasm shone through, as did her commitment to mentoring and coaching colleagues."

Michelle Dunn, operational training manager at the time, said: "She has the ability to identify very quickly what needs to change in a colleague's telephone manner and help them with the transformation. There is no one more deserving of the accolade 'Consumer Collector of the Year' than Tracey."

Bailey described how the award boosted her morale: "It often comes up in conversation which is really good, not to mention having it on my CV. Debt collection has changed so much over the years, it's a job no longer cringed at. There's a lot more awareness about the importance of the role."

The position she now has at Lowell has seen her set up two sensitive and vulnerable care teams in which she leads one team of 14. She added: "The job is very interesting and rewarding, I'm a customer-facing person.

"It's important to provide support to my team to help them understand how to treat customers as people, who have individual circumstances and may be experiencing life-changing events while also dealing with debt."

> "Debt collection has changed so much over the years, it's a job no longer cringed at"
>
> **Tracey Bailey,**
> **Team leader, sensitive cases team, GFKL Lowell Group**

STEVE PERRING

Compliance manager, Cabot Credit Management

Another previous winner of the Rising Star Award, Steve Perring, has worked his way up debt purchaser Cabot Credit Management since 2007.

He won the award in 2014 when working as a compliance officer and has now progressed to compliance manager. Perring is one of the rare individuals across the industry who enjoys the challenges within the world of compliance. Describing the win as reaching a career goal, winning the award improved Perring's confidence. He said he would previously question his ability, considering his young age for the role.

NIKYE BAHATI

Regulatory specialist, Vodacom Congo (RDC)

Aside from the obvious of bolstering confidence, a Credit Award can also open doors to new and interesting opportunities for them.

Nikye Bahati won the Rising Star Award in 2012 while working as a senior legal collector at debt recovery agency Moreton Smith.

Although no longer directly active in collections, her new role focusses on regulation within the telecoms industry.

Shortly after winning the award Bahati became a regulatory specialist at telecoms company Vodacom Congo (RDC) South Africa, a subsidiary of Vodacom South Africa.

On changes in practice she'd like to see, she added: "I would ensure that all clients within the credit management industry are briefed with the most basic of information of the processes from the start, particularly commercial clients. Sometimes, we spend time reassuring clients on what they perceive as issues, and in actual fact, what is perceived as an issue is just part of the process."

Regarding her career, she added: "I have developed a passion for the telecommunications industry and its rapid growth. I am fascinated and empowered by technological developments and the link between technology and poverty eradication in third world countries."

Bahati explained that the Credit Awards create credibility around a candidate's experience and potential. She said this is partly down to the fact the scheme is authentic and that entries are assessed by external stakeholders.

> "I would ensure all clients within the credit management industry are briefed with the most basic information from the start"
>
> **Nikye Bahati**
> **Regulatory specialist**
> **Vodacom Congo**

CREDIT AWARDS

This year the **Credit Awards** will once again take place at the **Grosvenor House Hotel in London**, **May 11**.

To book a table at the awards call **Vyvy** on **020 7940 4821**, or for sponsorship queries call **Ben** on **020 7490 4803.**

Award entries are open for 2017
The entry process and categories have been revamped this year. See p31 and visit creditawards.co.uk

JAMIE HESFORD

Compliance assistant,

Phillips & Cohen Associates (UK)

The awards scheme in 2014 awarded another young man who has gone on to carry out important compliance roles, which he said he thoroughly enjoys.

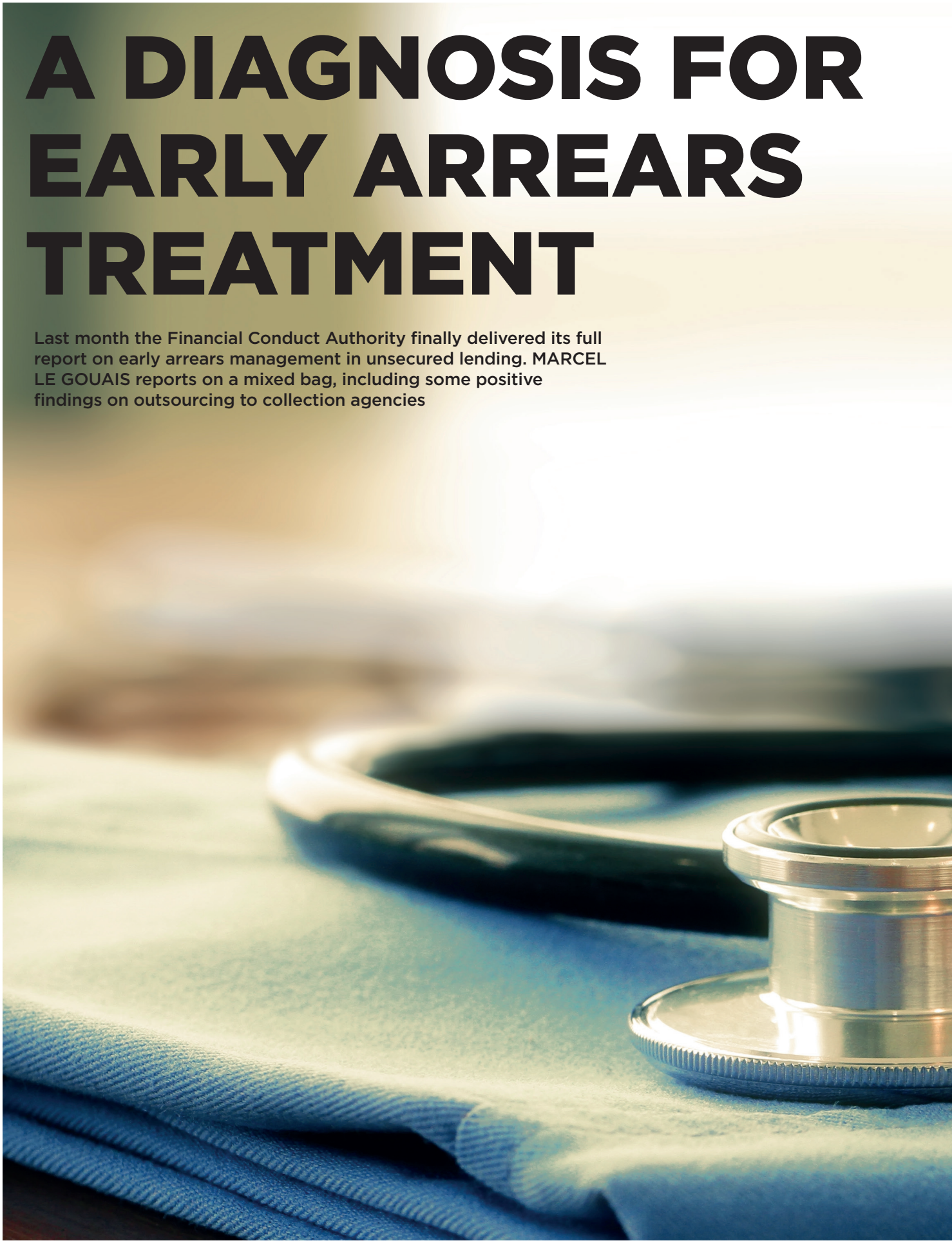
Jamie Hesford was granted the Consumer Collector of the Year Award for his work at the time as a customer contact representative at collections firm Robinson Way. Shortly after winning the award he was promoted to trainee team manager at the firm.

Two years later he decided to use his knowledge to explore a new role at deceased accounts management specialist Phillips & Cohen Associates.

Here he is a compliance assistant with ambitions to progress to management level. Describing it as a symbol of recognition, Hesford said: "The award is a great achievement to have on my CV." CS

A DIAGNOSIS FOR EARLY ARREARS TREATMENT

Last month the Financial Conduct Authority finally delivered its full report on early arrears management in unsecured lending. MARCEL LE GOUAIS reports on a mixed bag, including some positive findings on outsourcing to collection agencies



When it comes to early arrears management of unsecured lending, certain retail finance firms and online lenders are lagging behind.

This was one of the points made plain in the FCA's review of the practice, which involved assessing a sample of lenders last year.

Published in December, the report stated in general terms that lenders are "improving the way they deal with customers in arrears", adding that in many cases, firms are thinking about what would constitute fair outcomes for customers and organising staff, systems and processes to deliver them.

But it emphasised that in some areas, firms still need to improve practices.

Although teams found some areas of specific concern in individual firms, the retail banks and credit card providers in the sample reviewed were generally "more effectively complying with the rules" and "more consistently achieving fair outcomes for customers."

In contrast, it added: "This was not evidenced to the same degree across the retail finance and online personal loan providers in the sample. We saw some of the worst practices in these firms."

The FCA also found that some firms were still trying to "secure payment as fast as possible", sometimes at the expense of individuals' circumstances.

In other general findings, the FCA discovered that:

- A small number of firms reviewed had a culture that was strongly focussed on achieving fair customer outcomes, offered forbearance that supported this and were well organised to deliver forbearance effectively;
- Slightly under two thirds of firms had policies aimed at achieving fair outcomes for customers. However the firm's intentions and policies were not always carried out by staff in practice;
- Around a third of the firms had a culture that was less customer-centric than other firms in the sample and focussed on securing payment as fast as possible, often at the expense of giving due consideration to customers' circumstances. In these firms there was "widespread evidence of poor

customer outcomes."

So it was not by any measure a clean diagnosis from the regulator, but with the disparate nature of firms the report encompassed - banks, credit card companies, online lenders and retail finance providers - it was always going to be a mixed picture.

In the report a wide group of unsecured lenders are described together in one almost homogenous mass, but it's clear that some - notably banks and credit card firms - are more advanced in embedding TCF in systems, processes and cultures, whereas others appeared to be gesturing towards it. In fact, the FCA found that most firms offering credit or store cards had a proactive approach to monitoring customers' repayment records and identifying customers at risk, before they fell into arrears.

Jonathan Davidson, executive director of supervision – retail and authorisations at the FCA, said: "We found that firms whose culture was not motivated by securing fair customer outcomes were focussed on securing payment as quickly as possible - which could mean delays, undue distress and the avoidable exacerbation of debts."

In some instances during the review, firms were found to be breaching FCA rules or had only recently implemented changes to ensure they were fully compliant, so perhaps the regulator found an 11th hour, panic-stricken rush in some cases before its teams came knocking.

The scope

The review examined a range of unsecured lending products including credit cards, personal loans, store cards and point-of-sale finance. Teams looked at practices from the point of identification of customers in difficulties at a pre-arrears stage, to the point of default or charge off.

Investigators reviewed customer case files for each of the firms in the FCA's sample. This involved listening to call recordings, reading correspondence and case notes, as well as tracing the account history.

FEES AND CHARGES

Most credit and store card providers in the FCA's sample charged up to £12 for each type of late payment fee. For loans and point-of-sale finance, these fees were typically higher, around £25 for each fee. None of the retail banks in the sample currently charge a late payment fee for personal loans.

Teams also observed staff handling live collections calls and correspondence, and conducted interviews with management and agents. Full findings were then published in the report last month.

On the breaches

The full report provides a mixed bag, with credit card firms coming out particularly well for pro-active policies, but other firms showed old, familiar, bad habits such as sending out misleading information to debtors.

A common theme across many firms examined was a failure to recognise indicators that a customer may be vulnerable. Some firms missed triggers altogether.

The FCA said some examples it saw of clear triggers of vulnerability presented to agents, but not acted on in line with their firm's policy, were:

- A customer with mental health issues who was off work and had asked a family member to contact the firm on her behalf, because she felt unable to deal with the firm directly;
- A self-employed customer who had been unable to work because he had been caring for his wife who was in hospital with a serious illness;
- Customers undergoing long-term hospital treatment and unable to engage with their creditors, including one case where the customer was in a coma;
- A customer who had lost her job, was in temporary accommodation and had had to change her phone number because she was a victim of domestic violence.

In other cases in different firms, the FCA saw that customers often went through multiple conversations with the firm before their circumstances were recognised and addressed. This frequently resulted in the customer incurring more interest and charges, accumulating greater arrears and being subject to more collections activity.

Aside from vulnerability identification, instances of misleading communication were uncovered.

In one case, in contrast with policy, a letter informed a customer that the debt might be referred to a debt collection agency, and that the debt collection firm could carry out a visit to the customer's home 'to recover the outstanding amount'. The actual policy of the lender, however, was for home visits to gather information on the customer's circumstances.

In fact, a common thread through problems and potential breaches the FCA discovered, was that direct interactions with customers failed to adhere to the policy set out by the lender. Reasons for these failures aren't given, but the discrepancy between policy and practice was picked up on in industry reaction.

As the Lending Standards Board pointed out in a response to the report: "It is not just about having policies and processes in place. It is also about how these are put into practice.

"Customers may not always be forthcoming with information regarding their financial or personal circumstances, therefore staff training plays an important role in helping to identify and deal with a vulnerable customer who is experiencing financial difficulty."

Outsourcing and multiple accounts

The outsourcing of accounts in early arrears also came under scrutiny during the review. Here, the findings were broadly positive, with the regulator discovering that the process "did not adversely affect the

customer journey, with accounts smoothly transferred between firms and third party suppliers."

The report states: "We generally found that communication to customers about outsourcing arrangements was clear and appropriate. We did not see evidence of unfair treatment arising as a result of activities being outsourced, although in one firm we observed some inconsistency in forbearance appetite and approach between the firm and the outsourcer."

When it came to the management of customers with multiple accounts, however, the diagnosis was quite different. Inconsistencies across the industry were found in firms' abilities to identify customers who had multiple accounts. The FCA welcomed examples of practice whereby firms had established specialist teams to handle customers in arrears on different accounts and/or products.

The regulator also encouraged firms to explore and share ways to manage multiple account holders effectively in the future.

"Firms whose culture was not motivated by securing fair customer outcomes were focussed on securing payment as quickly as possible"

Jonathan Davidson, Executive director of supervision – retail and authorisations, FCA

Firms were far more likely to take a joined-up approach, the FCA said, where a customer held two accounts of the same type such as two credit cards. But it added: "None of the firms we looked at that offered both cards and loans held all of their products on the same collections management platform, making it hard to view multiple product-holdings of their customers."

The regulator did acknowledge, however, that this is a complex area and there are no specific requirements on firms on how they treat customers with multiple products.

Some firms told the FCA that they are looking at ways to approach multiple account or product holders, such as establishing a single customer or a holistic product view.

Lessons in I&E

One firm operated a highly developed pre-arrears strategy relative to its competitors. It had a dedicated team to handle all in-bound contact from customers who expected to have difficulties meeting their payments.

The firm's agents obtained income and expenditure information for most cases pre-arrears, to assess in detail the customer's financial circumstances and consider forbearance options.

But there were other examples of practices highlighted as potential issues – not all of them obvious.

Another firm was found to have had cases where agents amended the results of income and expenditure assessments to ensure the customer fitted the criteria for a particular repayment solution.

Culture

Perhaps one last general point to consider is the FCA's note that most firms' policies and procedures for dealing with customers' pre-arrears "were not clearly defined or documented."

Maybe that's a change happening right now too. CS

MISSING THE SIGNS

One example highlighted by the FCA of what not to do, was of a young customer who took out a store card.

Due to missed payments in the first seven months of using the card she incurred £48 in arrears fees, the last of which breached her credit limit.

Then, during a 48-day period, the firm spoke to the customer on five occasions to obtain payment. On each occasion she did not have enough money to clear the arrears so she promised to make a payment, usually in the next week. On the third call the customer asked if she could set up a payment plan to repay her arrears in instalments but the agent discouraged this, saying it would likely have a negative impact on her credit file.

The customer said she didn't want negative information recorded on her credit file so she again promised to make a payment the following week.

The customer again didn't pay after this call or the fourth call, by which point arrears fees and interest added to the account meant the minimum payment due was now more than £30 compared to £3.65 at the point she went into arrears. On the fifth call, the collections agent asked the customer why she hadn't made the payment as previously agreed. The customer told the agent she was suffering from mental health problems, problems at home and financial problems.

The agent continued to ask the customer to make a payment and she did. After the payment was taken the agent asked the customer what she was doing about her financial difficulty. The customer said she was getting advice from an individual who collected payments from her which were due on another debt she owed. She said this individual had become 'a sort of friend' who was willing to assess her finances. The agent did not react to the information or probe further. They did not signpost the customer to debt advice, but reiterated that the customer should make her next payment on time.

The agent made no notes of this conversation on the account. The only note on the system was one to indicate that the payment had been made.

Credit Week: A chance to wield influence on the power brokers

Speakers from regulators and Europe's largest banks have signed up for Credit Week, during which a host of events offer opportunities to network with influencers face to face. MIKE JEAPES explains

Mike Jeapes
Head of conference production, Credit Strategy

Unless something has gone very wrong, you would no doubt have heard about Credit Week happening at the end of March this year.

We'll be bringing the European credit industry into London for a week of conferences, meetings, networking events and parties in Westminster, with the UK's biggest credit conference – the Credit Summit – at its centre. What you perhaps may not be aware of are the further events that make up Credit Week.

Kicking off our planned itinerary of events will be the Parliamentary Reception. Held within the Houses of Parliament, we'll be hosting the most influential lenders, regulators, debt purchasers, debt collection agencies, credit scoring experts, trade associations and all the major stakeholders involved in financial inclusion, debtor protection and customer treatment.

They will be joined by the MPs who set the regulatory tone for the financial services sector, including those from the All Party Parliamentary Groups on Alternative Lending and Insurance & Financial Services, with the chair of the APPG on Alternative Lending, Julian Knight MP, sharing his thoughts with a brief address. This will be one of the best opportunities for the government to understand the realities of customer treatment and financial inclusion efforts 'on the front line', as well as the lending industry's opportunity to put their thoughts to those driving policy change.

Wednesday will see Credit Week take on a more European flavour. As an expansion to our CDSP (Collections, Debt Sale & Purchase) portfolio of conferences we'll be launching the CDSP: European NPL conference during the day, and our series of C-Suite Dinners: European Credit & Risk in the evening. In this area, attention is turning to cross-border deals as evidenced by the recent Intrum Justitia, Lindorff and 1st Credit deals (see p34).

As well as opportunities for UK-based NPL servicers in southern and central Europe, European asset servicers are coming to the realisation that they need to partner with or acquire UK holdings that have a demonstrable track record in TCF compliance if they wish to work with UK lenders. All of this is happening at a time that Europe's developing NPL problem is increasing the urgency at which lenders are required to deleverage.

With the Bank of Greece; the CFO of ICCREA Banca; the MD of HSH Nordbank, the head of Italian NPL at BNP Paribas and more speaking at CDSP: European NPL, and an exclusive gathering of c-level execs from the major lenders in the evening, this is a great opportunity to place yourself in the middle of deals being struck.

Credit Strategy has been lucky to work with the CICM throughout all of the Credit Week project, benefiting from their role as event supporters. As part of this year's Credit Summit the CICM will be facilitating the Trade Credit stream, which will explore the mechanics behind successful dispute resolution, and how the credit management landscape is panning out across Europe.

This will be alongside the streams focussed on the Alternative Lending and Utilities & Telecoms sectors, as well as programming focussed on credit risk, collections and compliance professionals. Outside the core programme of events we're hosting a networking breakfast for the current members of the Credit 100 and a Credit Strategy Boardroom, a chance for c-level execs at lending firms to sanity check their ideas and gauge thinking amongst their peers in a closed discussion.

Rounding off Credit Week will be the Credit 500 Gala Dinner. We'll be recognising the achievements of the current Credit 100 and unveiling the following year's most influential members of the credit industry, the new Credit 500. More details on the Credit 500 are coming soon. CS

CREDIT WEEK
Supported by CICM Chartered Institute of Credit Management

Tue Mar 28	Parliamentary Reception
Wed Mar 29	CDSP: European NPL
Wed Mar 29	C-Suite Dinners: European Credit & Risk
Thu Mar 30	Credit Summit
Thu Mar 30	Credit 500 Gala Dinner

How do I get involved?
Visit **creditweek.co.uk** for more details, or call us on **0207 940 4835**, follow Twitter updates on **#creditweek**. For sponsorship enquiries call **Mike** on **020 7940 4812**.

How the Credit Awards scheme has been revamped for 2017

The structure for this year's Credit Awards has been redeveloped from the ground up. There are fewer categories and it's simpler to enter. FRED CRAWLEY explains the changes

Fred Crawley
Consulting editor, Credit Strategy

The Credit Awards are coming in just four months, and firms all over the UK are entering the scheme – but what's new for 2017, and how is this year's awards programme different from those of previous years?

The truth is, there have been some big changes. Following last year's brand refresh, *Credit Strategy's* flagship event has been completely redeveloped from the ground up, from the technology behind the scheme's administration to the judging process – and of course the show on the night itself.

First of all, the application process has been simplified. Rather than the large amounts of text required in previous years, the nominations now only allow firms to enter 600 words of information, with a further 100-word summary of why they think they should win.

The most significant changes have been made to the categories themselves. The 20 awards in the 2017 scheme have been grouped into five new 'super categories'- Conduct & Culture; Lending; Credit; Collections and Technology.

Within these brackets, new awards such as Fair Lender, Leadership and Gamechanger have joined the scheme alongside returning accolades like Customer Service Champion.

It's unusual to shout about the fact we've got fewer award categories this year than in 2016 – 20 compared with 28 in 2016. But not only does it make for a tighter, more exciting ceremony, it means there's more value in winning an award.

There is a charge of £200 to enter, but any entries received before February 3 will be free. CS

CREDIT AWARDS

MAY 11, GROSVENOR HOUSE HOTEL, LONDON

GET INVOLVED
To enter, visit creditawards.co.uk.
If you have a question about which category is best for your firm to enter, call **Claire** on **0207 940 4824**. For table bookings call **Vyvy** on **020 740 4821** and for sponsorship queries call **Ben** on **020 7940 4803.**

THE FULL LIST OF CATEGORIES FOR 2017

ENTRY DEADLINE: 10 FEBUARY

Conduct & culture
- Outstanding Conduct in Collections
- Excellence in Treating Customer Vulnerability
- Fair Lender
- Best Company to Work For

Lending
- Best SME Lender
- Best Consumer Lender
- Innovation in Lending
- Lending for Everyone

Credit
- Credit Risk Excellence
- Risk Leadership
- Best Consumer Credit Team
- Best Commercial Credit Team

Collections
- Customer Service Champion
- Best Outsourced Collections Provider
- Best Specialist Collections & Recoveries Business
- Best Collections Team

Technology
- Data & Analytics Expertise
- Gamechanger
- Innovation in Customer Contact
- Best Credit & Collections Technology

Coming of age: The winners of the inaugural F5 Awards

Last month Credit Strategy held its inaugural F5 Awards, which championed fintech firms and providers of non-mainstream credit. MARCEL LE GOUAIS reports on the winners leading the alternative crowd

The first F5 Awards in December came after a conference that saw alternative lenders, fintech businesses and financial innovators discuss the future of lending.

The F5 Conference (see p8) positioned itself as 'not just another fintech conference' and in doing so, encompassed marketplace models (peer-to-peer and crowdfunding), direct lenders (short term, online/mobile, guarantor) and challenger banks.

Our inaugural F5 Awards operated in much the same way. Focussing on the evolution of the alternative lending market, the awards championed firms which had hitherto not been given their own scheme of recognition among the *Credit Strategy* awards portfolio.

On the night (December 13) at the Hilton London Bankside, the winners were recognised for best practice and expertise in technology, regulation and innovation.

The judging panel featured senior executives from alternative lenders and online banks, directors of fintech firms and a selection of company founders and investors.

They included:

* Julian Graham-Rack, UK chief executive, Speedy Holdings;
* Tom Parks, chief executive, Synced; founder and CEO, Smart-pig.com;
* Andrew Wayland, group head of marketing, Everyday Loans;
* Miles Cresswell-Turner, co-founder and executive drector, Non-Standard Finance;
* Tim Farazmand, former chair, BVCA and managing director, LDC;
* Matthew Newman, general counsel and company secretary, Starling Bank.

Around 150 professionals attended the celebration including chief executives of lenders and trade associations, directors of marketing, sales and operations as well as those leading the respective collections and recoveries teams in alternative lenders.

Guests at the awards raised more than £1,500 for the scheme's chosen charity, the Children's Air Ambulance, which flies critically ill children across the UK to get the specialist care they need. At a previous *Credit Strategy* event - the Collections & Customer Service Awards - guests raised £3,000 for the charity on the night.

Comedian Ian Moore entertains guests at the F5 Awards

During the F5 ceremony, hosted by comedian Ian Moore and scored by award-winning beat box group Beat Vox, a range of firms, representing the breadth of this market, took home 12 awards in the scheme's first year.

Car finance provider Blue Motor Finance and guarantor lender Amigo Loans were the night's biggest winners – while Blue won awards for Data & Analytics Excellence and Best Fintech Lender, Amigo was named Best Brand and Non-Standard Consumer Lender of the Year.

The first F5 Awards scheme was sponsored by the Consumer Finance Association (CFA) and affiliate network T.UK. The inaugural F5 Conference was supported by Experian as headline sponsor. CS

Award category sponsors:

T.UK

CFA Consumer Finance Association

Blue Motor Finance picks up the Data & Analytics Excellence Award

Provision of Accessible Credit winner Lending Stream

Amigo Loans scoops the Non-standard Consumer Lender of the Year award

In its second award of the evening, Blue Motor Finance wins Best Fintech Lender

THE FULL LIST OF WINNERS:

Data & Analytics Excellence
Winner: Blue Motor Finance

Best P2P Lending Platform
Winner: Zopa

Customer Conduct Innovation
Winner: WageDay Advance

Provision of Accessible Credit
Winner: Lending Stream

Best Brand
Winner: Amigo Loans

Non-standard SME Lender of the Year
Winner: Nucleus Commercial Finance

Non-standard Consumer Lender of the Year
Winner: Amigo Loans

Best Fintech Lender – Short Term
Winner: Iwoca

Best Fintech Lender
Winner: Blue Motor Finance

Best Challenger Bank
Winner: Pockit

Responsible Lender
Sponsored by T.UK
Winner: Myjar

Judges' Award for Social Lending
Winner: Places for People Financial Services

Zopa collects the award for Best P2P Lending Platform

The Amigo Loans team scoops a second trophy for Best Brand

Iwoca collects the award for Best Fintech Lender - Short Term

Customer Conduct Innovation winners Wageday Advance

Intrum deal marks the next phase of evolution in debt sale

News of a merger between Intrum Justitia and Lindorff sent waves across the European debt purchase market late last year. MARCEL LE GOUAIS asks if the continent is following the UK's consolidation journey

Marcel Le Gouais
Editor, Credit Strategy

The Lindorff/Intrum Justitia deal laid down a marker for the combined firm's pan-European ambitions, but will it be the first in a series of mega-mergers?

The announcement was preceded by the annual Credit Management and Debt Collection Index by OC&C Strategy Consultants, published in *Credit Strategy's* December issue, which tabled the notion that a merger between two of the nine largest European debt purchasers was on the cards.

While there could be considerable obstacles to deriving value from a merger of two of the largest eight players remaining, benefits of the combined data assets would, clearly, be numerous and substantial.

There's also an increasingly common view among executives within the industry that they're seeing a transition to a market led by four or five comprehensively European credit management groups.

L.E.K. Consulting, which works with debt purchasers, said the Lindorff deal itself is likely to lead to more transactions, which will undoubtedly include some of the other big European players.

Eilert Hinrichs, partner at the firm, said: "Further consolidation in European debt management is inevitable and is likely to accelerate, for two main reasons.

"First, single-country operators are vulnerable to takeover because they are at the mercy of individual market volatility and tend to have less competitive capital cost structures; and second, the geographies in which the major international players operate have become more overlapping."

In the meantime, on these shores creditors have privately welcomed the fact that, by virtue of being acquired by Intrum Justitia itself, UK debt purchaser 1st Credit will now have the funds to bid for large-scale debt sale deals coming to market.

The acquisition effectively brings another big player into a highly competitive process, where it seems the upward pressure on prices will continue. In fact, the pricing has come to a point that will force some sellers to reduce their panels this year, because of 'silent' debt purchasers not putting in bids, after realising that some price tags are simply out of reach.

As for Intrum and Lindorff, the new company will be active in 23 countries, with around 8,400 staff. It will also have a portfolio of purchased debt of around 18bn Swedish Krona (SEK), and combined net revenues of 12.12bn SEK.

The combination is expected to create shareholder value through annual cost synergies estimated at 800m SEK – equivalent to about £70m – which are expected to take full effect after three to four years.

A statement on the merger from Intrum also said the transaction implies an enterprise value of Lindorff of 40.5bn SEK (around £3.5bn).

Some analysts now estimate that Intrum's earnings per share will grow by 75 percent during a three to four-year period. They pointed out the costs of the deal too. Some believe the deal will incur costs of roughly 2bn SEK split equally between the companies, as well as more debt and issuance of new shares of Intrum Justitia to Lindorff shareholders. CS

** Debt sale trends across the continent will be discussed at Credit Strategy's inaugural CDSP European NPL Conference, on March 29 in London. Speakers already booked for the event, which forms part of Credit Week, include Jan Gross, managing director of special loans at German bank HSH Nordbank; and Andrea Torri, chief financial officer at ICCREA Banca, a central institution of credit unions and rural saving banks.*

Free energy ticks all the boxes for British Gas

A new energy tariff is making an impact by giving customers periods of free electricity. AMBER-AINSLEY PRITCHARD examines how the product scooped a Utilities and Telecoms Award for British Gas

Amber-Ainsley Pritchard

Content writer, Credit Strategy

At *Credit Strategy's* Utilities & Telecoms Awards in 2016, British Gas picked up the Innovation of the Year award, having been judged by an independent panel.

Entries were judged on the implementation of a product, service or process that proved to be unprecedented in its sector.

The criteria required that these new or modernised products must have demonstrated a significant advance on the scale of previous and similar developments.

FreeTime, the product that led the energy company to become award winners, offers customers periods of time they can use electricity for free - enabled by the free installation of smart meters.

After a trial FreeTime was fully launched in the summer of 2016.

Based upon its own research, British Gas found the product to be the UK's first proposition of its type in the market.

The offer of free time had to be between 9am and 5pm on either Saturday or Sunday and customers had to agree to manage their accounts online.

British Gas picking up their award at the Utilities & Telecoms Awards

A modern approach

According to its research, British Gas said FreeTime has been its best-performing proposition, in research and trials, compared to more traditional energy tariff propositions such as fixed price deals and variable contracts.

The company said customer relationships and engagement has also improved as a result of this product being implemented into the market.

The product was also found to employ a modern approach to the way customers engage with the company. The customer experience for FreeTime, according to the firm, has been designed to adopt a digital-first self-serve approach.

Customers have an online account enabling them to check savings made on their electricity-free days and view an estimate of future savings. British Gas said this is improving the proportion of customers transacting online.

The bigger picture

The implementation of FreeTime has also helped to meet government standards for smart meters to be installed in all UK homes by 2020. In the long-term, the company foresees the overall impact of the product benefiting the UK's electricity grid.

It said this proposition could play an important role in managing the grid and help support a lower carbon economy through reducing the need to build new power stations.

British Gas added: "FreeTime will incentivise moving electricity usage from peak periods to non-peak periods.

"Analysis of electricity consumption has shown material changes in behaviour of FreeTime customers, both on peak times and during the FreeTime period."

According to the energy supplier, 86 percent of customers reported that they changed their electricity usage with FreeTime, saving £60 on average per year.

Andrew Harper, head of energy at British Gas, told *Credit Strategy*: "FreeTime is an industry first and gives our customers greater control of their energy use. This will be the first of many smart meter innovations from British Gas, which will contribute to managing the country's demand for power from the national grid. "

These statistics were composed from research of 1,184 British Gas customers who signed-up to an early version of FreeTime in 2014. CS

Dates for your diary

Put these critical industry events, organised by Credit Strategy, in your outlook calendar.

CREDIT WEEK

March 27-31 2017
London
creditweek.co.uk

CREDIT AWARDS 2017

11 May 2017
The Grosvenor House Hotel, London
creditawards.co.uk

CREDIT AWARDS

CAR FINANCE CONFERENCE 2017

8 June 2017
Nottingham Belfry, Nottingham
carfinanceconference.co.uk

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CAR FINANCE AWARDS 2017

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Contact: David Gallagher

New chief executive leads Arrow Global into 2017

Lee Rochford
Chief executive
Arrow Global

The former chief financial officer of Virgin Money, Lee Rochford, is now in situ as chief executive of debt purchaser Arrow Global.

Rochford's predecessor Tom Drury stepped down from the position after five years but will remain with the firm until the end of February to assist the handover.

Arrow Global said Rochford has "relevant" experience including running a pan-European financial institutions advisory business, which focussed on the acquisition and sale of portfolios of non-performing loans across Europe.

Jonathan Bloomer, chairman of Arrow, said: "Tom has made an outstanding contribution to Arrow since he joined as chief executive in 2011. He led the successful initial public offering in 2013 and has overseen a series of strategic acquisitions."

Bloomer also said the group now has a diversified asset base and mix of income streams in the UK and across Europe, including the proposed acquisition of Italian servicing business Zenith Service SpA.

He said this marks Arrow's strategic entry into the Italian market having agreed terms to acquire Zenith for an enterprise value of €17m.

Bloomer added: "We are looking to find more assets in Italy. There is a relatively low level of retail debt to date in the country but I think we will see the market develop over the next two to three years."

Shoosmiths hires litigation partner

David Pacey
Finance litigation partner
Shoosmiths

National law firm Shoosmiths has appointed David Pacey as a finance litigation partner in its London office. Pacey will lead the firm's financial services litigation strategy nationally.

He joins Shoosmiths' London office from the Financial Conduct Authority (FCA). Having trained and qualified at law firm CMS Cameron McKenna, he went onto a senior in-house role at a major clearing bank. Subsequently he headed finance litigation teams in London and nationally for national firms.

Pacey brings insight into the FCA regulatory processes including approvals, authorisations, investigations, early interventions, settlements and regulatory proceedings before the Regulatory Decisions Committee and the Tribunal.

ICO appoints deputy commissioner

Rob Luke
Deputy commissioner (policy)
ICO

The ICO has appointed a new deputy commissioner, Rob Luke, who joins the regulator on January 30. Luke was previously British high commissioner to Malta, and has also served overseas in Brazil and Paris as well as in policy roles at the Foreign & Commonwealth Office in London.

Information commissioner Elizabeth Denham said: "This is a time of change for information rights, but it is an exciting time. The new General Data Protection Regulation brings an opportunity to look at how we all do things afresh, and the ICO will be at the forefront of that, helping organisations to improve how they comply with the law."

She added: "Rob will be a key part of that work. We'll be drawing heavily on his leadership skills, and he'll be central to our work to evolve the ICO."

Nova Everidge

Metro Bank

Metro Bank has made two new appointments to its asset finance team. Nova Everidge has joined as head of operations and sales support, while James Harrowsmith has been appointed as head of corporate transport. Both will report directly to Nathan Mollett, head of asset finance.

Everidge will be responsible for developing support and operations functions in the asset finance division, while Harrowsmith will be tasked with launching and driving forward the corporate transport sector.

Previously head of internal sales and support at Aldermore, Nova also headed up the lender's operations function, as well as spending time at Close Brothers, ING Lease UK and GE Capital European Equipment Finance.

Harrowsmith joins Metro Bank from BLME (Bank of London and the Middle East) where he was head of commercial vehicle leasing.

Maxine Hennessy

IGF

IGF, a commercial finance provider for SMEs, is continuing a recruitment drive with a trio of senior hires across the UK.

The lender (see their latest blog on p11) has appointed Maxine Hennessy as asset based lending (ABL) director for Thames Valley and the south east, while Stephanie Kinney has also come on board as regional sales director for IGF's invoice finance business, covering Scotland and Northern Ireland. Simon Jacobs has also joined as head of portfolio for the ABL side of the business.

Responsible for developing new business leads across the Thames Valley, south and west regions, Hennessy specialises in finance for growth, acquisitions and turnarounds. She joins IGF with more than 20 years' commercial finance experience, following ABL roles at Shawbrook, Centric Commercial Finance and Lloyds TSB Commercial Finance.

Joining from Bibby Financial Services, Kinney's role will focus on new business across Scotland and Northern Ireland from IGF's hub in Glasgow. Jacobs will be based at IGF's headquarters in Paddock Wood, Kent. He joins IGF with more than 20 years of experience in roles in lenders such as Shawbrook and GE.

The Fifth Estate

A moratorium for debtors? Let's take a breath

In Credit Strategy's December issue, StepChange Debt Charity called for statutory breathing space for debtors, during which interest and charges would be frozen. Our industry columnist believes it may not work for every case

So, a well-known charity thinks that all customers seeking debt advice should be allowed six to 12 months with zero interest, no charges and to be free from the possibility of enforcement action.

Is that really the correct customer outcome in every case? Does it address, for example, dishonesty?

Contrary to what the advice sector promotes, not all individuals in debt are mentally ill and not all of them are unable to deal with their finances.

Insisting everyone seeks free advice with breathing space may be good business for the advice sector but it is not always needed and not always the right outcome.

And due to the promotion of free advice for those who don't really need it, waiting times for those who do need advice are increasing.

Someone who owes £5,000 on a card might be coping and have no real issues. But if they seek advice do they automatically get a year, interest-free, on all their debts?

If the answer is yes, I think I would be tempted to seek advice; my mortgage repayments are quite high.

As for those whose finances are in a 'fluid situation', isn't that most of us? Yes a job loss is truly awful but while some job losses are catastrophic, that doesn't apply to all of them. Even if they are, is 12 months without paying anything in every case a little over the top? A year is a such a long time.

The debt charity also mentions that insolvency is only the right outcome for one in five of their customers. According to who? Let us not forget, the Financial Conduct Authority stated publicly that providers of free advice gave the wrong advice 20 percent of the time. Maybe insolvency is the right outcome in, say, two in five cases?

"Contrary to what the advice sector promotes, not all individuals in debt are mentally ill and not all of them are unable to deal with their finances"

Finally, how good are providers of free advice at monitoring their customers? My understanding is that it's 'poorly'.

Another point is: Will the customer on returning to work immediately tell their debt management company? If I was the individual in debt, I wouldn't if that resulted in me being charged interest once again, so will this debt charity be contacting customers monthly? What if the customer fails to communicate? Will the DMC be seeking proof that the customer still requires another nine or so months breathing space? And will creditors be permitted to backdate interest if they find out the customer has been less than honest?

A scheme such as this requires rules, policies and careful consideration. Has that been done?

And will the provider of free advice be happy for debt collection agencies to conduct in-depth quarterly audits on them to ensure the process is being managed correctly and not being abused? CS

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