CREDIT STRATEGY
Risk | Policy | Conduct
October 2016

A FINAL CUT

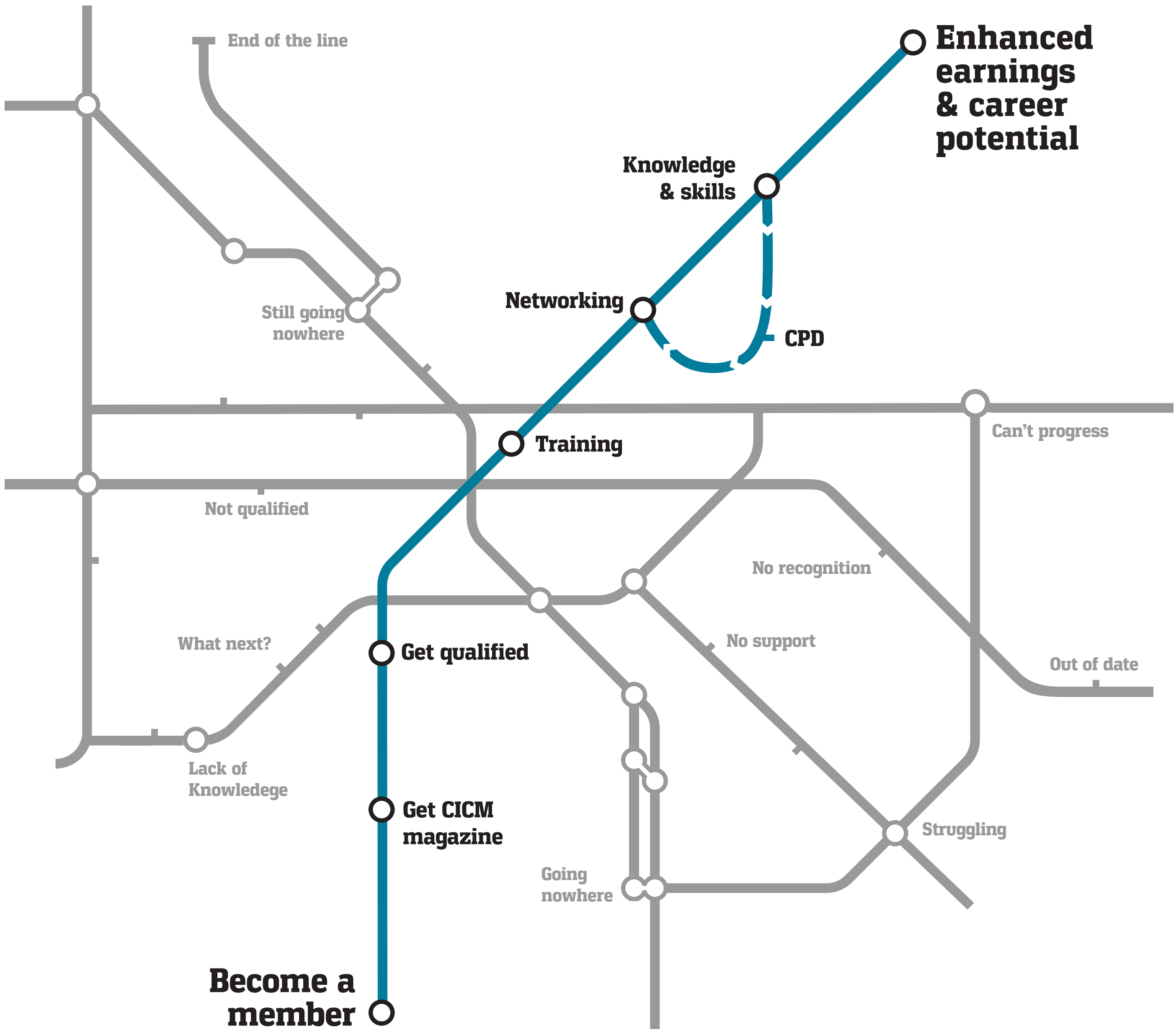
Can debt management firms survive a last regulatory purge?

SUBJECT ACCESS REQUESTS
An ICO masterclass in avoiding complaints

THE CS INTERVIEW
Simon Baum
Chief risk officer, Bluezest

IN THE BANKS' VAULTS
Loans in forbearance schemes at £4.5bn

Are you on the right track to SUCCESS



An industrious evolution

Marcel Le Gouais
Editor

So here it is, our redesigned, comprehensively refocussed Credit Strategy magazine.

It's worth explaining at the outset our mission statement - if you'll excuse a grandiose use of those two words - that underpins this relaunch: We're aiming to construct a more premium publication for a premium audience.

What does that mean? Put simply, it means our editorial focus has moved up the food chain. We are now providing insight on how strategy and risk appetite is formulated at source within major creditors, as well as the subsequent impact as it cascades down to conduct in collections and recoveries. It's a reflection of the magazine's new name.

How will we do that? Firstly, but not exclusively, we will be writing about the strategic issues affecting chief risk officers (CROs) and directors overseeing credit risk.

We will be delivering more content that unearths how CROs and those in group head of operations roles create policy; what their objectives are; how risk appetite is created.

Up until now, throughout its 18-year history, the magazine's editorial compass has pointed straight towards operational topics in collections and, inevitably, supervision. We're not leaving these areas behind – far from it – they'll continue to be front and centre of our print content.

The difference is, we're exploring the formation of policy, not just its execution.

You can see this in the first of our series of big interviews, starting this month with Simon Baum, CRO at the soon-to launch mortgage lender Bluezest (see p32).

Many readers may know him from his dual role as director of mortgage risk and deputy chief credit officer at Santander.

"Our editorial focus has moved up the food chain. We are providing insight on how strategy and risk appetite is formulated"

So what else is new? The design, as you've probably noticed. We've pared down the presentation with a more refined look. We've binned the clutter and kept it concise.

But this is not merely about keeping up appearances. Our new regular contributors include the Financial Conduct Authority (p8), the Information Commissioner's Office (p23) and the Lending Standards Board (p21).

Our new analysis pages (10-17) delve deeper into subject matter, such as the level of mortgages in forbearance at the banks, the practice of councils recovering debt and reforms imposed on overdraft charges.

We've also launched a new 'Streams' section (starting p38). Following the format of our Credit Summit, this is where we focus on specific sectors for which we host events – such as utilities and telecoms, car finance, alternative lending and insolvency.

More generally as a business, print is not the only area we are transforming. We are now rebuilding our website from scratch and aim to relaunch it later this year.

In the meantime, we hope our refreshed, recalibrated magazine delivers for a profession that has undergone a significant evolution itself. CS

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Garreth Cameron
Group manager (business and industry), Information Commissioner's Office

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Robert Skinner
Chief executive, Lending Standards Board (LSB)

"We have started to develop a set of business lending standards which we hope to launch in the first quarter of 2017"

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£4.5bn

The value of loans in forbearance across three major retail banks

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Can commercial debt management companies survive the FCA's authorisation process? Or are we witnessing the slow death by a thousand regulatory cuts? Christine Toner explores what purpose this sector will serve – and how Stepchange is preparing for an influx of clients.

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Number of debt management firms that have exited or been banned from practising

Source: Financial Conduct Authority

THE CS INTERVIEW

32 A refined art

Simon Baum, chief risk officer at yet-to launch mortgage lender Bluezest, on the future of technology, data management, collections and competition.

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SHARD MEDIA GROUP

Dispatches

FRONTLINE NEWS | ECONOMIC STATISTICS
M&A | REGULATION | A WORD TO THE WISE
THE VENT | KEYNOTE UPDATES

RBS returns to the debt sale table

The Royal Bank of Scotland (RBS) is believed to have recently returned to debt sale, after a lengthy absence. Credit Strategy understands that RBS put a portfolio up for sale to a closed group including Cabot Credit Management (CCM) which ultimately bought the portfolio. Both parties, however, declined to comment.

The sale was completed just before a round of half-year results came in from the major debt purchasers which showed that Europe continues to be the new frontier.

Although UK portfolio prices remain generally high, with even Lloyds Banking Group surprised at some of the prices it has sold at in the past year, activity in Europe through M&A and portfolio purchases is gathering momentum each month.

European expansion was prevalent in Cabot's half-year results; an update showed the company is now active in five European markets. Cabot posted loan portfolio purchases of £115m for the first half of 2016 and more than half of these purchases (£73m) were made in Spain, France and Portugal.

Cabot's chief executive Ken Stannard said: "We've driven our returns up because we've been able to be a bit more selective in what we buy in the UK, as a result of now having five European markets to choose between."

European expansion was also prominent in Lowell GFKL Group's results. Along with purchasing £175m of portfolios so far this year, the debt buyer announced an agreement to acquire Tesch Inkasso Group, a German company specialising in utilities and ecommerce.

Meanwhile PRA Group reported that it had more than doubled the value of its investments in portfolios across Europe during the first half of 2016, while Arrow Global's update showed the geography split of its portfolios is now 68.5 percent in the UK, 8.3 percent in the Netherlands and 23.2 percent in Portugal.

Affordability: The Achilles heel of (some) payday lenders

"Irresponsible behaviour by some payday lenders is trapping people with loans they can't afford."

Such was the view expressed by Citizens Advice chief executive Gillian Guy, as the charity published a report that found payday lenders are failing to carry out credit checks on all borrowers.

The report investigated the state of payday lending since the Financial Conduct Authority (FCA) introduced a cap on payday loan interest rates and fees in January 2015.

Researchers found that a quarter (27 percent) of local Citizens Advice advisers said inadequate credit checks were the biggest cause of problems to the people they help with payday loans.

The findings were unearthed from a survey of more than 400 people who have attempted to use payday loans since January 2015.

In one case, Citizens Advice helped a 33-year-old man who was granted a payday loan following checks, despite suffering from depression and alcoholism, having no permanent address, being previously declared bankrupt and having only benefit income.

Vital Statistics

£2.3m

The amount PwC was fined, by the Financial Reporting Council, over historic failures in its auditing of sub-prime lender Cattles. The lender's Welcome Financial Services business discovered a black hole of around £700m in its 2008 accounts due to accounting blunders.

THE VENT

Choice cuts from social media

This month a Twitter discussion started over Perinta, an organisation that specialises in loan products for consumers who are subject to individual voluntary arrangements (IVA).

Pearse Flynn is a director of Perinta as well as the chief executive of Creditfix, an IVA firm which has been sending out emails telling consumers they can end their IVA by taking an "early exit loan" from Perinta.

Consumers can't directly apply for the early exit loan, but must be recommended by their IVA firm.

Brexit crisis? What crisis?

In the immediate Brexit aftermath of navel gazing over cultural identity, bleak economic forecasts and Westminster's collective brain freeze, Britain's financial customers carried on regardless.

Rather than freak out like their country's cultural institutions, millions of consumers continued to borrow and spend, if recent statistics are anything to go by. The British Banking Association's first set of borrowing statistics since the EU referendum showed that, for the month of July, there was a six percent rise in gross mortgage borrowing to £12.6bn, compared to the same month last year.

Consumer credit also continued to show annual growth of more than six percent, reflecting strong retail sales and in the case of personal loans and overdrafts, favourable interest rates. Chief economist at the BBA, Dr Rebecca Harding, said the results did not suggest borrowing patterns had been affected by the Brexit vote.

"Creditfix are saying some people half way through IVAs can get a loan to settle it early - a good idea?"
@Debt Camel
Sara Williams,
Debt Camel

"Certainly innovative and commercially profitable. May benefit some IVA customers but for others, the bulk, not so sure."
@nwpearson
Nick Pearson, chief executive,
Debt Counsellors charitable trust

"I'm terrified that the perceived and implied benefits will be way in excess of the cost"
@McnabGareth
Gareth McNab, money advice liaison manager,
Nationwide Building Society

A WORD TO THE WISE

"If people didn't feel so ashamed about their financial difficulties, perhaps being in debt wouldn't trigger or worsen so many mental health problems. Tackling this double stigma would be a win for everyone."
Polly Mackenzie
Director, Money and Mental Health Policy Institute, (from her CSA blog)

"The financial sector is now more likely to dampen shocks rather than amplify them"
Mark Carney
Governor, Bank of England

"It's time for banks to be taken off the naughty step."
Carolyn Fairbairn
Director general, Confederation of British Industry

"You're more likely to get divorced twice than you are to change your bank account."
Andrea Leadsom
Secretary of state for environment, food and rural affairs

"He (Sir Phillip Green) should be writing a cheque and saying 'I'm sorry'."
Lady Barbara Judge
Former chairman, Pension Protection Fund

"A very small number of customers have been charged the wrong amount for their gas, due to the incorrect recording of imperial and metric gas meters. Under 11,000 people (out of 23 million accounts) have been charged too much or too little."
Lawrence Slade
Chief executive, Energy UK

The FCA on life after authorisation: 'Tell us when things go wrong'

In a new regular column for Credit Strategy, the Financial Conduct Authority (FCA) offers tips to firms that have gained authorisation just recently

Our best tip for a newly authorised firm is to use our website as your first port of call – and use it regularly.

If you go to our consumer credit landing page you will see the basic requirements all authorised firms need to be aware of and what we expect from you.

All authorised firms must provide the FCA with certain information on a regular reporting cycle. This helps us have an overview of the sector, spot emerging trends and decide how to prioritise our work. In addition to this, you must update us about changes to your business and, if the change is material, in some cases you may need to apply for our approval first. We also expect you to notify us when things go wrong.

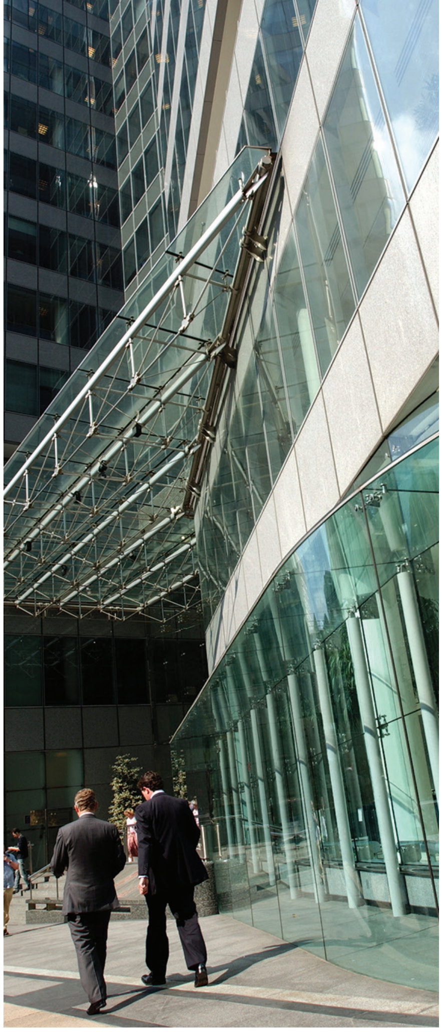
Smart TV

To help consumer credit firms understand their responsibilities we have produced and launched a series of video guides that give an overview of what comes next for newly authorised consumer credit firms.

We recommend firms use the videos and the checklist as a starting point for understanding what we expect of you and why.

Here's a thorough list of our expectations:

- As soon as you are authorised for consumer credit, remember to confirm your details by registering on Connect again as a newly authorised firm.
- Know when and how to use our three systems: Connect, Gabriel and our online invoicing system, i-receivables.
- We expect firms to report information to us on a regular cycle. You should find out what your reporting requirements are and how often your firm should report to the FCA using our systems.
- Note and remember when your annual fee is due and how much it will be and pay it using our online invoicing system, i-receivables.
- If your firm's contact information, or other material information, changes remember to update this or apply for approval through the Connect system.
- Keep abreast of any changes to FCA rules and guidance by checking the FCA website and by reading our monthly Regulatory Roundup email.



- Finally, notify us when there are changes in your business or things go wrong which may have an impact on your customers; there is more information about this on our website and in the videos. A good rule of thumb is: if in doubt, let us know.

Our website can help you get useful information quickly and we encourage you to check our consumer credit page on a regular basis, to keep up to date and on track. CS

Regulation round-up

Financial adviser fined for "lying repeatedly" over qualification

The Financial Conduct Authority (FCA) this month fined and banned a financial adviser, who provided consumer credit services, for repeatedly lying about her qualifications.

Elizabeth Parry was prohibited from performing any function in relation to regulated financial activity and was fined £109,400 for "failing to be open and honest with the regulator".

Parry was authorised in May 2006 as a sole trader to conduct investment and mortgage business and, from January 2015, for consumer credit activities. Since 2013, retail investment advisers have been required to hold a statement of professional standing (SPS) as part of changes following the Retail Distribution Review.

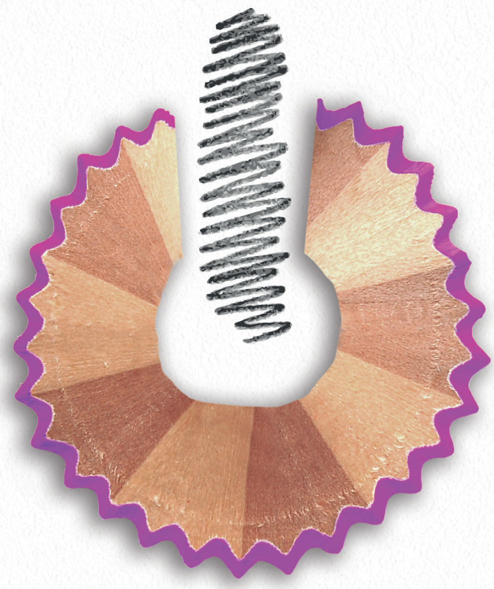
The FCA found that Parry had lied about having her SPS documents.

Parry made six misleading statements to the FCA between 2013 and 2015 pretending she had appropriate qualifications from the Chartered Insurance Institute (CII) and submitted false SPS documents on two occasions.

"Following enquiries made by the FCA in July 2015 the CII confirmed it had no record of Parry applying for, or being issued with, an SPS"

Following enquiries made by the FCA in July 2015 the CII confirmed it had no record of Parry applying for, or being issued with, an SPS.

It wasn't until a compelled interview in November 2015 that Parry admitted her misconduct. CS



A £4.5bn question over forbearance

Credit Strategy has discovered that three out of five major UK banks are sitting on £4.5bn of loans in forbearance. As repossessions fall, AMBER-AINSLEY PRITCHARD compares impairment figures across the biggest lenders, and asks if banks' litigation activity will drop further

The half-year mark has come and gone, payday lenders have been banned, banks are under investigation and a new chief executive is settling in at the regulator.

Mid-summer is also the point at which high-street lenders publish their six-month trading updates. They show sizeable levels of mortgage debt subject to forbearance schemes – probably something that hasn't gone unnoticed by the regulator.

In fact, the Financial Conduct Authority's former acting chief executive, Tracey McDermott, told delegates at our Credit Summit in spring that the regulator is "just as concerned about over forbearance as much as under forbearance".

After dissecting the banks' results, where possible Credit Strategy has collated the same sets of figures from the lenders to compare impairment figures and levels of debt in forbearance.

Forbearance values

Despite forbearance figures showing a year-on-year decrease across all banks, three of the main contenders racked up a combined total of £4.5bn of loans in forbearance schemes.

Lloyds Banking Group revealed that it had £2.5bn of loans in forbearance for the first six months of 2016.

The figure is made up in part of £2.2bn of secured loans which are subject to repair and term extensions, along with £333m of loans with reduced payment arrangements.

As of December 31 2015, the bank had £3.7bn of secured loans in forbearance schemes. This means that according to the bank's own results, the value of its secured loans in forbearance fell by around £1.2bn in just six months – January to June this year.

In the bank's half-year trading update it said the reduction in forbearance was due to the overall improvement of credit quality in its portfolios.

The first half of 2016 results show that the value of Lloyds' mortgages which are greater than three months in arrears (excluding repossessions) decreased by £19m over the first half of 2016, to £5.88bn.

Although Lloyds' forbearance figures were notably high, the collections industry was surprised to find that the FCA had opened an investigation into the group's handling of mortgage arrears.

The news emerged within a general context of a fall in litigation activity at the bank, for mortgage debt recovery, during the past two years.

This could be related to a previous mortgage arrears court case (Bank of Scotland plc v Rea, McGeady, Laverty). It could also be related to a general, more long-term decrease in mortgage arrears levels as a result of an improved economic environment for Lloyds' customers.

This chimes with the experiences of competitors. Barclays UK's forbearance balances fell six percent to £971m following continued improvement in card and mortgage portfolios driven by what the lender called "a benign economic environment".

There have been decreases elsewhere. During the first half of 2016, Santander recorded £153bn of residential mortgages on its loan book, £1.9bn of which are mortgages in forbearance. This figure is down by 50 percent, from £3.8bn, for the same period last year.

Paul Smee
Director general, CML

"Another reduction in possessions shows that borrowers continue to prioritise mortgage commitments"

UK-wide arrears and repossessions

The individual banks' figures for arrears indicate a wider pattern, which is also demonstrated by industry-wide statistics from the financial trade bodies.

Latest figures from the Council of Mortgage Lenders (CML) report that the number of mortgages in arrears across the UK is now at 0.84 percent, the lowest since records began in 1994.

The number of arrears has decreased by 2.5 percent from the first quarter of 2016 up until the half year mark, dropping from 95,900 to 92,500.

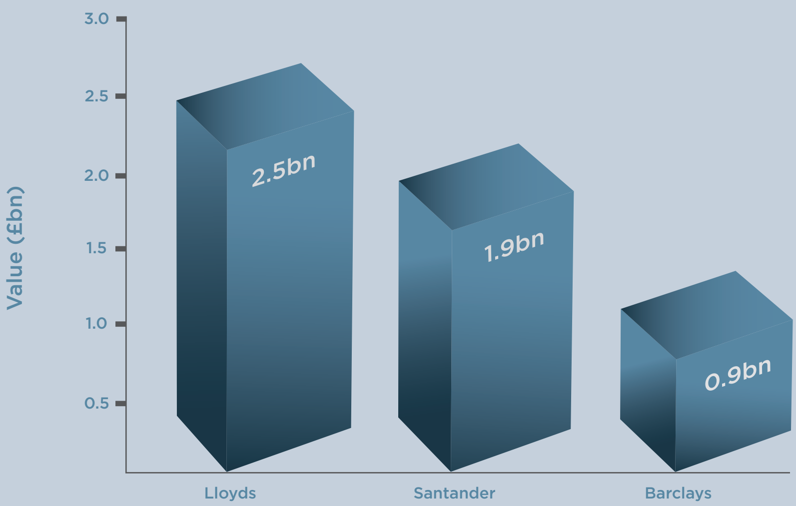
Repossessions also fell in the second quarter of this year to 1,900, down from 2,100 in the first quarter of 2016.

CML director general Paul Smee says: "Another welcome reduction in arrears and possessions shows that borrowers are continuing to prioritise their mortgage commitments and that lenders remain committed to helping them through a period of temporary difficulty, wherever possible.

"As ever, the key to success in dealing with any payment problems is to address them as soon as possible. Any borrowers anticipating difficulty in paying their mortgage should therefore speak to their lender at the earliest opportunity."

Figures from a recently published report by the Finance and Leasing

Value of loans in forbearance H1 2016



Source: Banks' H1 results

Association (FLA) also reported the high decrease of mortgage repossessions. Second-charge mortgage repossessions decreased by 40 percent in the second quarter of this year compared to the same period in 2015.

Fiona Hoyle, head of consumer and mortgage finance at the FLA, said: "Second-charge mortgage providers continued to support customers in financial difficulty in the second quarter of 2016, while meeting the demands arising from the implementation of new systems, following the market's move to the FCA's mortgage regime in late March."

Impaired loans: Unsecured debt

In contrast to the mortgage arrears numbers, figures recorded for unsecured debt were much lower.

The bank that recorded the smallest figure of impaired loans for unsecured debt was Lloyds, with £4.9m worth in the first half of 2016. Barclays was next with a figure of £23.7m for the same period.

Royal Bank of Scotland (RBS) recorded more than a 50 percent decrease in impaired, unsecured loans to £21m for the first half of 2016.

Similar figures were published for secured debt, with RBS reporting £19m for the first half of 2016.

The total of impaired secured debt at Lloyds decreased by more than 30 percent to £32m for the same period this year.

Impairment charges

While forbearance figures were high, much lower figures can be found for impairment charges (actual losses), across the biggest banks.

Both RBS and Lloyds recorded these as numbers for their respective whole groups. Both banks also recorded these losses against its commercial and retail lending sectors.

RBS had the greatest increase in bad debt losses, with a total of £412m for the first half of 2016 compared to £431m a year ago. However, Lloyds' actually saw its charge fall over the year - to £179m from £245m.

HSBC and Santander included impairment charges based on UK-wide results across both its commercial and retail lending sectors. HSBC's charge rose year-on-year by £89m to £280m for the first half of 2016. Santander posted a minor increase to £63m from £57m last year. CS

AN ALTERNATIVE VIEW

There is an alternative view on how the banks, particularly Lloyds, arrived at its forbearance figures.

In Lloyds' trading update, the bank stated that a reduction in forbearance figures was due to an improvement of credit quality in its portfolios. However, there is a theory that while partly due to low interest rates, another reason for the reduction could be a re-classification of the loans as 'performing', by virtue of the bank effectively writing off the amounts charged, by way of capitalised interest, which is no longer sustainable by virtue of the BoS v Rea case. There could also be a risk that 'over forbearance', as the FCA calls it, may cause consumer detriment in some cases, particularly when delays in the process exasperate the losses suffered by a client on a property they cannot afford to keep.

Report casts doubt over bailiff reforms

A StepChange Debt Charity report recently accused bailiffs and councils of poor treatment of debtors. Now the enforcement trade bodies have responded with claims that two years of new rules for agents have worked. FRED CRAWLEY reports

StepChange's study into debt collection practices in the public and private sectors unearthed some familiar themes.

The report, *Creditor and debt collector conduct: What's making debt problems worse?*, names government departments, local authorities and bailiffs as the most unfair when it comes to the treatment of people in problem debt.

The enforcement community, however, feels there may be more to the situation than meets the eye.

Some 1,794 of StepChange's clients were surveyed for the report. Out of those respondents who had been contacted by bailiffs in the past, 50 percent said they had been treated unfairly.

The charity said poor enforcement practices, such as intimidation and the addition of excessive fees, were commonplace, and made people's existing debt problems worse, despite reforms implemented by the Ministry of Justice in April 2014.

In particular, the report claimed that some creditors were failing to take vulnerabilities such as depression and other ongoing mental health conditions into account when collecting.

StepChange's research followed similar studies earlier this year into the practices of enforcement agents. In April the Money Advice Trust went even further with its own report, which urged the government to stop local authorities from passing council tax owed by the most vulnerable debtors to bailiffs.

The enforcement industry bodies have faced similar accusations for years. Following the latest allegations from StepChange, they were keen to point out that the situation for debtors has been greatly improved by the introduction of new rules in 2014. Credit Strategy pulled together StepChange's findings (below), with the responses (right) of the trade bodies - who have their own concerns.

> *"Some 1,794 of StepChange's clients were surveyed for the report. Out of those respondents who had been contacted by bailiffs in the past, 50 percent said they'd been treated unfairly"*

Key findings of the StepChange report

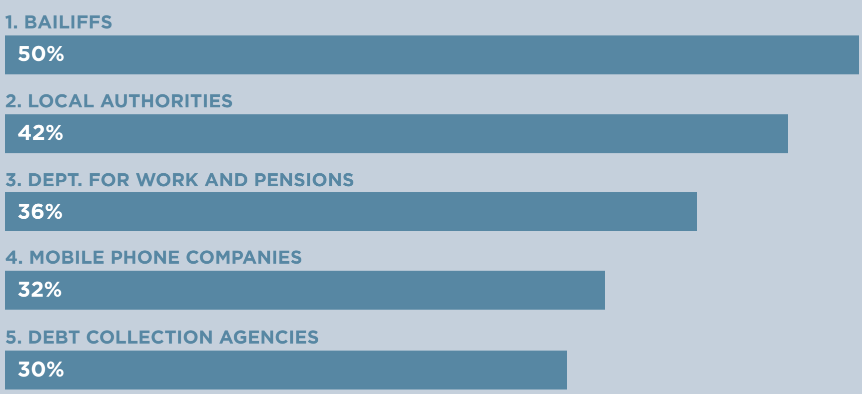
StepChange Debt Charity's report was based on research from a survey of 1,794 clients.

They were asked to identify which organisations they considered had treated them fairly or unfairly in relation to dealing with their debt.

Some 50 percent said they'd been treated unfairly by bailiffs, 42 percent by their local authority, and 36 percent by the Department for Work and Pensions.

High street banks and credit card companies performed significantly better in the treatment of people in debt, although the numbers who felt unfairly treated were still at around one in five.

Percentage of debtors who said they were treated unfairly by:



StepChange said the findings highlight a particular problem with the collection of council tax debts, given that 51 percent of bailiff visits experienced by the charity's clients relate to council tax arrears.

The trade bodies respond

Vernon Phillips

Director general, Civil Enforcement Association (CIVEA)

"The reforms have had a positive impact. Before there existed a hotchpotch of regulations created over many years which caused confusion among debtors, the advice sector, even enforcement agents themselves. The reforms created features including:

- A clear three-stage enforcement process;
- A transparent, fixed, capped system of fees for all debts, taxes and fines;
- An extended compliance stage process before goods can be seized.

"I note from the report that more than half of StepChange's clients questioned felt that the bailiff fees were excessive. However, these fees are clearly set out in the regulations and are, in effect, three fees chargeable at different stages of the enforcement process.

"For example, if the matter is resolved with the enforcement agent at the first stage (the compliance stage) as many are, just one fee of £75 is payable. Since the regulations came into force, the number of complaints made against enforcement agents in respect of fees has plummeted."

Vulnerability

"In cases where the debtor is considered to be a vulnerable person enforcement agents must ensure the debtor has been given adequate opportunity to seek assistance and advice before attempting to recover fees or remove goods.

"Furthermore, enforcement agents are not permitted to enter a property or take control of goods where a vulnerable person (including a child) is the only person present.

"This builds upon the provisions contained within the National Standards for Taking Control of Goods which require all enforcement agents to recognise vulnerable debtors and report any concerns directly to the creditor.

"An issue on which we do have concerns is the tendency for some local authorities to employ their own in-house enforcement teams for the recovery of council tax, etc. Whilst this is a perfectly legitimate practice, there are some serious concerns in particular over possible conflicts of interest and, in a few cases, clear attempts at profit making.

"The conflict of interest arises over the fact that the local authority is acting as both creditor and enforcement agent, creating a concern that the decision to escalate recovery of, for example, unpaid council tax to enforcement is based upon commercial considerations.

"A number of authorities have publicly acknowledged that in-house recovery has profit-making potential. Furthermore, the private enforcement sector has implemented multiple stage compliance processes which help to ensure that vulnerable people are identified at the earliest possible opportunity, as well as giving debtors every opportunity to deal with their debts while paying minimal fees.

"There is evidence that a few local authorities with in-house teams merely issue the notice of enforcement prior to visiting the debtor's home, without giving them a chance to resolve the matter earlier, instead causing debtors to incur additional fees." CS

James Bond

Membership secretary, Certificated Enforcement Agents Association (CEEA)

"In general our members have found the reforms to be positive. This is particularly with regard to the compliance stage and the actions that must be taken prior to enforcement and the knock on the door, along with the setting out of the costs chargeable at each stage.

"I would like to think that anyone undertaking enforcement will always include within their procedures a definitive course of action, where a truly vulnerable person owing debt is given the time to respond prior to any enforcement action. The agent then attends the property (without adding costs) to assess the situation and assist with paperwork and advice.

"However one main concern since the introduction of the TC&E Act is the enormous increase in the numbers claiming or hiding behind vulnerability. Some of this will be due to the economic climate, and those genuine cases should be advised and helped accordingly. However, we're seeing a large number of people trying to use vulnerability as a way to avoid paying their debts, and hence distort the figures and make it more difficult for those who truly need help." CS

A model of consistency

A new format to assess a debtor's income and expenditure will launch next year, to be used by many creditors as a uniform set of guidelines. But will the government follow suit? AMBER AINSLEY-PRITCHARD reports

The Money Advice Service recently announced that its new income and expenditure format, the Standard Finance Statement (SFS), will go live on March 1 2017.

This will be the first time that all major debt advice providers, creditors, and other debt bodies will use the same format to assess income and expenditure for over-indebted people.

The SFS, which has a single set of spending guidelines, is intended to replace the Common Financial Statement (CFS) and other financial statement formats in a bid to bring greater consistency to the way finances are considered in debt advice.

While many creditors will adopt the SFS next year, there's uncertainty over whether it will be adopted by the public sector and central government.

In response to whether or not government departments will also use the new format, Lee Edmonds, who is leading the Debt Market Integrator programme within the Cabinet Office, said: "There is no central policy within government on the use of the new Standard Financial Statement."

Leigh Berkley
President, Credit Services Association

"Personally, I would also like every single creditor, including local authorities and government departments, to use the SFS"

Although many in the private sector remain hopeful of SFS adoption by the public sector, the new format (should) improve the process for individuals dealing with typical household debts.

A savings category has been introduced as part of the statement which will be included to help people build financial resilience while repaying their debts.

This important addition is intended to help people in debt withstand unexpected costs and to give them a solid financial footing once they are debt free. The new format will also create a fairer approach to affordability assessments when considering when repayments are recorded and considered.

Debt advisers and creditors will also be able to pass people's details more smoothly between different agencies, reducing the number of times affordability assessments are completed and making the journey through debt advice more straightforward.

What the experts said:

LEIGH BERKLEY
President, Credit Services Association
"This new mechanism will help remove some ambiguity, and allow a more consistent and transparent approach across the industry. Personally, I would also like every single creditor, including local authorities and government departments, to use the SFS."

ERIC LEENDERS
Managing director, retail and commercial banking, British Bankers Association
"It's vital that people in debt receive a consistent standard of advice and the SFS is an important framework that will help to deliver this outcome."

JOANNA ELSON OBE
Chief executive
Money Advice Trust
"We are particularly pleased that the SFS will include a savings element, with creditors acknowledging the importance of helping people to build up rainy day savings to guard against unexpected costs. As operators of the CFS we have long advocated the use of a single sector-wide budgeting tool, and we are hopeful that all advice agencies and creditors will now come on board with the new SFS.

"Crucially, this must include public sector creditors too – and there is more work to do to persuade local councils and government departments to adopt this common approach."

The Money Advice Service will now continue to work with the governance group (see below) over the coming months to monitor the roll-out of the SFS and to extend the reach of the programme beyond the financial services sector. CS

MEMBERS OF THE SFS GOVERNANCE GROUP

Whilst developing the SFS, the Money Advice Service brought the industry together in the forming of a SFS governance group, listed below:

- Advice NI
- Advice UK
- Accountant in Bankruptcy
- Barclays
- BBA
- Christians Against Poverty
- Citizens Advice
- Citizens Advice Scotland
- Debt Resolution Forum
- Finance & Leasing Association
- HSBC
- Insolvency Service
- Lloyds Banking Group
- Money Advice Scotland
- Money Advice Trust
- Nationwide
- Ofgem
- Payplan
- RBS
- StepChange Debt Charity
- UK Cards
- Wessex Water

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Modern LAW Awards 2015 WINNER
Credit Today AWARDS 2013 WINNER Best Use of Technology – In-house
Credit Today AWARDS 2014
Credit Today AWARDS 2015 FINALIST
Experian

SmartSearch delivers UK and International Business checks, plus Individual checks along with Worldwide Sanction & PEP screening, daily monitoring, email alerts and full enhanced due diligence intelligence.

An overdue change for overdraft charges

A government report has revealed banks made more than £1bn from unarranged overdraft charges in the past year. After long overdue attempts to reform these pricey charges, changes have finally been proposed. AMBER-AINSLEY PRITCHARD reports

The Competition and Markets Authority (CMA) has finally decided it's time to make avoiding overdraft charges and switching banks accounts easier for consumers.

Instructions for banks in its report, which sets out a series of reforms, are designed to create awareness about these charges and increase competition between the big six and other lenders via an app.

One of the key things banks will be forced to do is send alerts to customers going into unarranged overdrafts and inform them of a grace period. This is perhaps borne out of the CMA's discovery that lenders make £1.2bn a year from unauthorised charges. This change was the most highly publicised in the report, released in August, entitled *Making Banks Work Harder For You.*

The report's specific measures will benefit unarranged overdraft users, who make up around 25 percent of all personal current account customers and small businesses. The CMA believes these changes could save customers up to £180 per year on average if they typically go overdrawn for one or two weeks every month.

A spotlight on the relative cost of overdrafts, particularly in relation to payday loans, was timely.

It followed research by Which? that found the cost of borrowing £100 for 28 days at some banks was as high as £90 – up to four times higher than the maximum charges of £22.40 on a payday loan following a price cap introduced on them.

Now that banks' overdraft charges are coming under as much scrutiny as payday loans once did, the CMA has requested the Financial Conduct Authority (FCA) to research overdraft alerts and grace periods to maximise their effectiveness.

Reactions to the CMA's report ranged from the highly critical to the supportive, depending on whether they came from MPs or chairs of trade bodies. Former Labour shadow chief secretary, Rachel Reeves MP, said the report was "a missed opportunity" that should have taken tougher action by determining the maximum charge on overdraft fees, rather than leaving it up to the banks to decide.

Measure for measure

The CMA's other reforms proposed to make it easier for customers to switch accounts, includes increasing the scope of services the Current Account Switch Service (CASS) has to offer.

The CASS enables consumers and small businesses to switch bank accounts easily once they have chosen their new bank. The new bank will then carry out the switching process on a specific date chosen by the consumer. Proposed measures to the CASS include ensuring consumers' incoming payments are redirected to their new account for as long as they need it.

Open banking

As part of further changes, banks will be required to implement open banking by early 2018.

This is designed to enable customers to take more control of their funds and compare financial products on the basis of their own data and accounts through a single digital app.

The proposed style of app would use a customer's transaction information to find the current account best suited to them, or find the best deals for business accounts and loans.

Gocompare.com launched a midata powered comparison service last year, which carries out a similar service to what the CMA has proposed.

Midata, which is a programme of work undertaken by the government to collect a consumer's personal data and give them access to it in an electric and portable format, is collected by a consumer's bank and compiled into a single file to be found on the bank's online system.

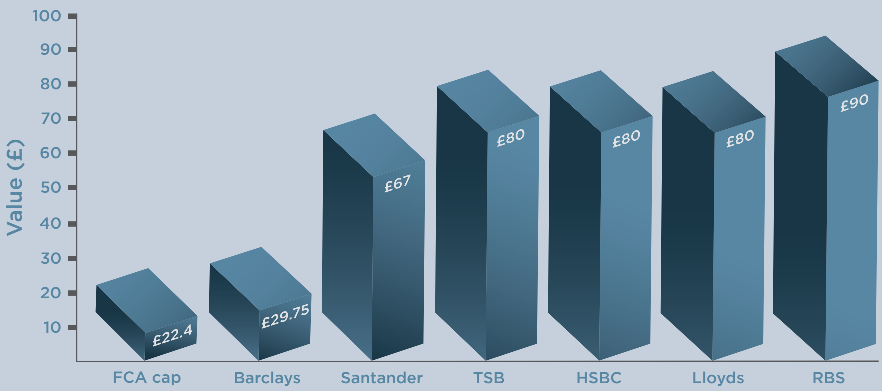
Consumers download the file and feed it into an online comparison tool where calculations are made in relation to the individual's spending habits.

Gocompare's online tool will sift through the current account market

Anthony Browne
Chief executive, BBA

"You cannot force people to give their personal data, which is the most sensitive data you have, your financial data"

The cost of borrowing £100 for 28 days



Source: Which?

comparing interest rates, overdraft charges, cashback offers and much more before showing the consumer a chart of available current accounts with the best rates.

In agreement with the government and the Information Commissioner's Office, safeguards are in place to keep consumers' banking data anonymous throughout the process.

Personal information within the midata file will not contain the individual's name, address, sort code or full account number, and information within certain transactions will be blanked out.

Matt Sanders, head of money at Gocompare.com, said: "To date the banks have not gone out of their way to promote this service or make it easy for customers to access their own data and transfer it to the midata comparison tool. Clearly they have a vested interest in keeping hold of their customers for as long as they can."

Another part of the CMA report outlined how digital services can empower consumers and strengthen the banks' positions. However some commentators made understated warnings to the banks over the expansion of digital banking.

Nitin Rakesh, chief executive and president of Syntel, a digital services provider, said: "In the new digital landscape, customers are brand agnostic and loyal chiefly to accessibility and convenience. Paradoxically, they also desire a level of face-to-face interaction. Banks must understand that going digital doesn't mean everything is online."

Chief executive of the BBA, Anthony Browne, said he hopes the reforms will promote innovation in banking.

But he warned: "You cannot force people to give their personal data, which is the most sensitive data you have, your financial data."

Echoing the words of Rachel Reeves MP, chair of the Financial Services Consumer Panel, Sue Lewis, has her doubts about open banking.

She said: "The CMA has found that banks with the highest prices and lowest quality of service have the highest market share. These same banks are now set to dominate the design of rules on open banking.

"Open banking will not help the digitally excluded. More data will enable providers to 'cherry pick' customers, leading to better deals for some, but exclusion for others." CS

£1.2bn

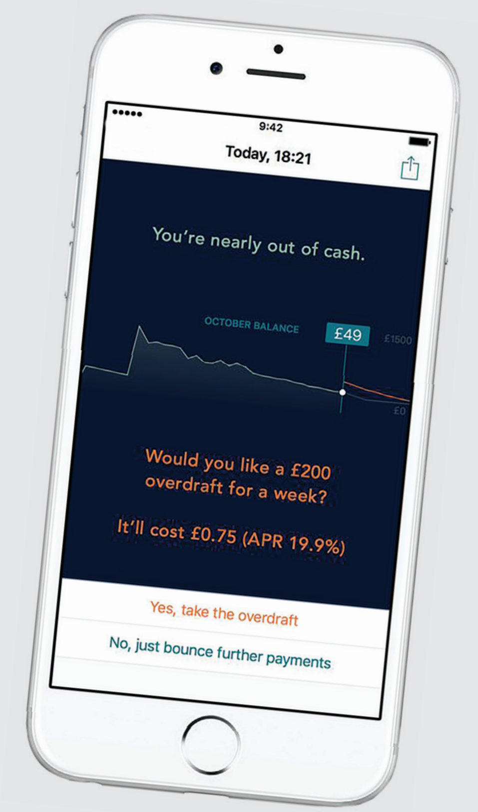
Made by banks in the past year from unauthorised overdraft charges

25%

Of all UK current account holders are unauthorised overdraft users

77%

Of UK banking is controlled by the largest banks



The Watchman

What we have here is a failure to communicate

In the first of a series of blunt commentaries on comms and publishing, FRED CRAWLEY asks if businesses are getting their money's worth from PR

Fred Crawley
Consulting editor, Credit Strategy

Here's the most frustrating thing about business publishing: the information people most want to read is the information businesses least want to reveal.

As George Orwell famously put it, "journalism is printing what someone else does not want printed. Everything else is public relations."

For national news titles, this isn't too difficult a situation - their revenue corresponds to the size of their readership, which corresponds to how well the title can interest people in its stories, so they print what attracts most readers and don't care if they put individual noses out of joint.

If you are a trade publication, however, you have to consider the approval of the industry you cover.

You may know sensitive details about some businesses. But you develop an instinct for the type of facts which, if printed, will earn you telephone-based grief. Aggrieve enough influential people too often, and your revenues drop.

Most of us in the trade press, therefore, are in the business of producing 'content', rather than journalism: we cover what firms choose to issue press releases about, and save the rest for the pub. C'est la vie.

The problem here is that most press releases (including proposed opinion pieces) are unusable. There are two main reasons why.

Non-news

To make a business-to-business title worth reading, everything in it should give readers information that directly informs the potential success of their business.

Knowing a competitor has just pulled out of merger talks, or that a product is about to be pulled, will do this. Knowing that nine of a competitor's staff have been on a charity bike ride will not.

Many press releases contain information companies can be proud of, but they don't always offer useful information to the industry – they're thrown out into the void in the hope of getting a mention for the firm.

One common form of this is commentary sent out in response to national news. Unless this presents facts and/or opinion that differ wildly from the prevailing view, they are wasted words.

Adverts in disguise

I don't mind commercial copy. I like writing it, in fact. If your business is good at solving a problem for others, then buying space in trade media is a superb way to reach your audience while displaying your expertise. (Do you see what I did there? That was commercial copy. Advertise with us.)

However, most PR activity is an attempt to achieve this without the "buying" part. The theory is that, instead of advertising, a business puts budget into an agency, which assures the firm they can get journalists to write about them for free.

Some agencies can do this, and I respect them. Most can't. The worst attempt a limp kind of trickery - selling a product launch as being "of great interest to the industry", or a "nice little story", or puffing up a sales pitch as a piece of "thought leadership".

> *"The worst (PR agencies) attempt a limp kind of trickery - selling a product launch as being of great interest to the industry"*

The solution

Having griped, here are my three suggestions for improving how businesses handle PR:

1. *If you can afford to sacrifice a little commercial sensitivity, then conduct press activity around your tough, controversial decisions. Yes, you may reveal your hand, but journalists and the industry will respect your transparency.*
2. *If you want something published in the hope of getting business from it, consider paying for it. Putting out a press release is only paying someone to convince my team to publish it for free.*
3. *If in doubt over how to get your message out, give us a call. We are a trade media title; our existence is defined by the market we serve. Unlike a national title, which survives mostly by shock value, we can be trusted to offer more discretion. We're on the same team, after all.* CS

A landmark step for enforcement

Weighing in at a hefty 300 pages, Lord Justice Briggs' report on the civil courts might be a seminal document for the enforcement sector. PAMELA MULCAHY explains why

Pamela Mulcahy
Public affairs director, Marston Holdings

With Brexit having dominated the political agenda this summer, the July publication of Lord Justice Briggs's final report on his Civil Courts Structure Review came as a welcome development for many (and, weighing in at almost 300 pages, less welcome holiday reading too).

As its title would suggest, the scope of the report was substantial, meaning that Briggs' recommendations related to the structure of the civil court system, and highlighted other areas worthy of further review.

"Lord Justice Briggs described in his report a 'serious blight' upon the quality of the county court bailiff service, observing that criticisms of it had gone entirely unchallenged"

His remarks relating to the enforcement of judgments are of particular relevance to the credit industry.

The severe limitations of the public sector county court bailiff service, the only current route of enforcement available to recover debts regulated under the Consumer Credit Act, are well known. Briggs described in his report a "serious blight" upon the quality of that service, observing that criticisms of it had gone entirely unchallenged.

He also recognised that most judgment creditors would like private sector enforcement to be available to them for all enforcement, either in addition to or instead of county court bailiffs, "so that judgment creditors have a choice".

The option of private sector enforcement of Consumer Credit Act-regulated debts would allow much swifter and more effective recovery of debt, serving as a critical value driver which will in turn improve the credit cycle.

Not only would this provide greater access to justice for creditors, but the court system itself would also benefit from reduced demands on (or by) the county court bailiff system, as well as generating considerable income for the court system, which is reliant on civil court users for funding.

A single solution

Briggs observed that once a money judgment has been made, the only real difference in terms of enforcement relates to the sum of money involved; subsequently, he recommended a single court as the default court for enforcement of civil judgments.

This would remove the requirement to transfer cases up from the county court to the high court, further decreasing demands on both creditor and court resource.

It was noted by Briggs that those representing customers (such as advice organisations) had proposed that "a unified enforcement court should simply offer a version (improved if necessary) of the current county court bailiff service."

He made clear however his view of the limitations of such a proposal, stating that it would be "wholly unsatisfactory to provide only for physical enforcement by state-employed bailiffs on the county court model, for as long as their service continues to be, as is unchallenged, gravely afflicted in its quality by delays and under-performance."

He also warned that an increased investment in the county court bailiff system sufficient to eradicate delays "would not necessarily deal with all its alleged defects, by comparison with the more incentivised private service offered".

In view of this, it is clear that further attention must be given to broadening the enforcement options available to civil court users.

While constrained by the limited scope of his own review, Briggs proposed that a detailed bespoke review of civil enforcement be undertaken. It is imperative that the Ministry of Justice undertakes this review as a matter of urgency.

While Brexit will no doubt continue to dominate the political agenda, there is every reason for the department to move forward with delivering reform that will be of immediate and tangible benefit to all parties concerned.

It is encouraging that the debate will now focus on how this agenda for reform is taken forward. CS

A road map for coexistence with the FCA

The Lending Standards Board (LSB) has made changes to reflect customer outcomes - and to reduce overlap with the Financial Conduct Authority (FCA). ROBERT SKINNER explains all in a new LSB column

Robert Skinner

Chief executive, Lending Standards Board

It is easy in financial services to fall into the same old trap. Everyone talks about customer outcomes and putting the customer at the heart of what they do, yet, when it comes to implementation, other thoughts can take over such as process, systems or compliance.

At the LSB we have grown accustomed to the Lending Code's structure with its focus on detailed provisions and, because of the value it added in a world before the FCA introduced CONC, breaking that mindset has been difficult. Something had to be done though.

Professor Russel Griggs' independent report into the code, while highlighting its positive aspects, nevertheless concluded that change was necessary if a code was to have relevance when coexisting with the statutory regime.

So what did we feel was necessary?

Put simply, an increased focus on customer outcomes and added value, of which, more later. By having the customer as our ultimate reference point and then constructing a set of standards and principles, we provide firms with greater flexibility to innovate and use their business models to achieve good customer outcomes. The standards and details of the LSB's independent oversight regime, which has evolved to reduce overlap with the FCA's work, were launched in July.

This way forward

Where do the new standards go from here? How can the LSB's work add value to firms? Moving from provisions to outcomes and principles, underpinned by an oversight model that is proactive, has caused a mindset shift. This has enabled us to broaden our thinking around what can be achieved through the new regime and how self-regulation can help firms achieve the right customer outcomes.

There are four developments where we can add value.

Firstly, the new standards will evolve and we will not wait for an independent review every three years as a catalyst for change. As the pace of technological advancements increases we need to ensure the standards keep track and, where possible, set the agenda for pragmatic consumer protection. We are about to publish a series of documents to support the standards, called the Information for Practitioners, which will contain good practice and suggest ways firms can meet the standards.

Secondly, we believe voluntary self-regulation can achieve much in the area of lending to small businesses and we have been encouraged by the FCA's views on this, expressed in its discussion paper on SMEs.

With industry experts, we have started to develop a set of business lending standards which we hope to launch in the first quarter of 2017, covering businesses with up to £6.5m turnover.

Thirdly, extending the standards' scope beyond their current product set of credit cards, overdrafts and loans, will help to benefit a wider reach of customers.

The business standards would be a natural place to extend, because many businesses access other forms of finance such as asset-based finance (invoice discounting and invoice factoring) and sales finance.

A set of standards, coupled with an extended product scope, should attract more firms to the regime such as business banks, asset finance specialists and potentially peer-to-peer platforms.

Lastly, the LSB's oversight will be risk-based and proportionate.

> *"We have started to develop a set of business lending standards which we hope to launch in the first quarter of 2017"*

State of independence

So who will benefit? Well, both firms and customers. Firms will see a more efficient alignment between our work and that of the FCA.

For customers, they will know we'll retain our independence and hold firms to account, but not burden firms with a costly, onerous monitoring regime that doesn't reflect current and emerging risks.

How have our stakeholders reacted to these changes? It's early days but we seem to have achieved support from firms, regulators, debt advice and consumer bodies.

From our perspective these are exciting times. We feel we have an opportunity to help the industry deliver consistent and fair consumer outcomes. CS

How well do you know your customer? I mean, really know your customer?

Brought to you by:

Callcredit Information Group

Affordability assessments are a constant among the regulator's watchwords. EAMONN TIERNEY explains why lenders need to impart the importance of them to consumers

Eamonn Tierney

Managing director - credit solutions, Callcredit Information Group

Technology has transformed the way businesses can use data, enabling them to get a greater understanding of their customers. It's a development with the potential to improve lending outcomes for both consumers and businesses.

To find out how lenders are making use of customer data and to assess their views of changing attitudes to affordability, Callcredit recently interviewed 100 risk professionals and 100 customer experience managers from across the UK.

Grasping the affordability agenda

Affordability has been working its way up the agenda largely as a result of regulatory changes and shifting consumer expectations.

In recent years, consumer lending organisations have faced increased scrutiny from the Financial Conduct Authority (FCA). At the same time, lenders increasingly see themselves as having a wider responsibility when it comes to lending and understanding a consumer's ability to repay – with 72 percent reporting they believe it is their duty to prevent customers from overstretching themselves financially.

To meet these expectations, affordability assessments are required to give lenders an understanding of a customer's current level of risk and how this is likely to change over time.

Utilising technology, these assessments now give the most accurate, real-time view of a customer's income, living costs and spending habits – providing organisations with greater confidence in their lending decisions.

These assessments can make it easier for lenders to achieve best practice in affordability.

They enable affordability to be assessed both at point of application and for future sustainability, and give lenders a comprehensive view of their customer as a whole, rather than considering a customer's data in isolation at a certain point in time.

Informing consumers the right way

Following the 2008 recession, lenders have been facing increased pressure to ensure that credit is only extended to consumers who can genuinely afford it. This is something which can only be achieved by truly knowing your customers.

Consumers' expectations of their relationships with lenders is also changing, and lenders have woken up to this. More than eight in 10 (83 percent) of risk professionals and just under seven in 10 (68 percent) of customer experience managers, told us they believe customers expect to be asked about long-term changes to their income and retirement plans.

Consumers want to feel valued and receive services from an organisation that knows them personally.

Once an organisation is armed with customer data and uses big data analytics to give it meaning, it becomes possible to determine the customer's needs and how they are likely to be impacted and behave as their requirements change.

"Organisations need to ensure they are doing more to communicate the value of affordability checks"

The right balance

To make accurate and realistic judgements of a consumer's ability to fund new loans or credit, both in the short and long term, lenders need to assess a range of affordability indicators. However, at the same time, they should ensure this doesn't compromise the customer experience.

With 17 per cent of respondents disclosing that they have had a customer complain about affordability checks, there is a need for organisations to ensure they are doing more to communicate the importance and value of affordability checks.

Organisations should also aim to target communications to the right customers at the optimum time to ensure they don't feel either spammed or ignored. Again, organisations can utilise customer data to pinpoint key times to connect with customers and deliver the best possible service.

Accessing affordability assessments that use big data technology, can help lenders promote responsible lending and meet their regulatory obligations, while simultaneously facilitating the delivery of the best outcomes for themselves and their customers. CS

Subject access requests: Don't get caught out

Well-trained frontline staff and a pragmatic approach can avoid complaints from customers, explains GARRETH CAMERON

Garreth Cameron

Group manager (business and industry), Information Commissioner's Office

The right of individuals to access the information an organisation holds about them is an important safeguard and a cornerstone of data protection.

Whatever business you're in, if you hold personal data, you will probably have to respond to a request at some point.

Subject access requests happen to be the top cause of complaint to the ICO, accounting for 46 percent of cases we receive. We know that when businesses fail to respond properly to a subject access request it can end up costing them time, money and reputational damage.

So what concerns do individuals raise with us?

We often see cases where a subject access request is made following a dispute with a customer or employee that hasn't been resolved, or has been badly managed. If you can avoid a position where the requestor feels their only option is making a subject access request, you stand a good chance of not receiving a request in the first place. The importance of good customer service and a pragmatic approach cannot be overstated.

A disgruntled requestor may be motivated to complain if you've clearly not met legal obligations. Failing to respond within the statutory 40-day time limit is a common problem. We understand it can take time to get the information required together and review it.

On the records

Good management of records is key to ensuring information can be easily identified and retrieved. Of course, you shouldn't be retaining information you no longer have a justifiable need for anyway.

It goes without saying; you should be conducting an extensive search for the data, because failing to provide something the requestor knows you hold, is a sure fire way to a concern being raised with the ICO.

In some cases individuals' requests are just plain ignored. While in a low number of cases it may be reasonable to inform a vexatious customer that you are ceasing contact with them, you're still obliged to respond to their subject access request if they make one.

In other cases we see, organisations fail to identify receipt of a request. It's important that frontline staff are trained on individuals' rights, and know how to respond when a request is received.

Extra care is needed to ensure information about third parties is not inappropriately disclosed. We recently fined a GP surgery £40,000 after the practice revealed confidential details about a woman and her family to her estranged ex-partner, after he made a subject access request.

It's about control

Giving people more control over their data is crucial to building consumer trust. While individuals have legal rights under data protection, you should consider whether you want to force people to resort to the law to see what information you hold about them.

It's a better experience for the customer to be in the driving seat, with the ability to access their data without going through a formal legal process. The growth of digital services helps to make this a reality.

Remember, individuals' rights will be brought into focus across the European Union when the General Data Protection Regulation comes into force in May 2018. The regulation will require the data to be provided free of charge and, in certain cases, in a common electronic format.

No matter what happens in the UK post-Brexit, it's time to ensure your house is in order when it comes to subject access. CS

"In other cases we see, organisations fail to identify receipt of a request. It's important that frontline staff are trained on individuals' rights"

CHECK OUR WEBSITE

The ICO provides advice and guidance for businesses. This can be found on:

- Our website: **ico.org.uk**
- Our webinar: search the website for **'Subject access requests webinar'**
- Our recent blog: **iconewsblog.wordpress.com**

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IFRS 9 implementation: Are you ready?

Brought to you by:
JAYWING

With the implementation of IFRS 9 on the horizon, CROs and CFOs don't have long left to gear up for the final stages of implementing the new standards. BEN O'BRIEN outlines the essentials for preparation

Ben O'Brien

Managing director, Jaywing

As most firms are aware, IFRS 9 will be a significant change to the financial reporting of all lenders. Given the importance of UK lenders in global capital markets and the wider economy, the effective implementation of the new standard will benefit many stakeholders, including investors, regulators, analysts and auditors.

Conversely, a low-quality implementation based on approaches that are not fit for purpose has the risk of undermining confidence in the financial results, shining a spotlight over offending lending organisations.

Jaywing is working with organisations that have made significant headway towards IFRS 9 implementation. That's given us a lot of insight on the current and perceived issues organisations face in achieving this transition.

Long range loss forecasting

The new standards require loss forecasts that are more sophisticated and predict further into the future than was needed previously.

Producing forecasts in a robust manner is a challenge and requires heavyweight analytical expertise to achieve. Moreover, IFRS 9 models require constant updates to ensure they remain accurate, potentially creating a large ongoing resource overhead.

That's why many firms are looking to adopt modelling software that encapsulates heavyweight analytical expertise as a more affordable option to meeting best practice standards.

Lack of data

Modelling the new requirements is data intensive, and this is a key challenge, particularly for lenders with low defaults or a lack of historical data. One way to overcome this issue is by utilising a relevant industry-wide dataset to supplement your internal data. Through partnerships with IFRS 9 specialists, you can have an approach to creating IFRS 9 models even where data is thin.

Risk and finance working together

IFRS 9 requires credit risk modelling approaches and data to be applied when preparing your accounts, meaning that risk and finance teams will need to work more closely than ever before. Those organisations that have the right structure, processes and systems to manage this, will find compliance more straightforward.

Data requirements

Currently, much of the data required for producing IFRS 9 provision numbers is held in separate systems and often with different definitions from risk and finance teams. The best approach to meeting the new standards is to have one centralised data store – a single version of the truth.

Some early adopters have already begun to put sophisticated data marts in place to manage and store data better.

This best practice approach will not only help them address the IFRS 9 requirements, but having a single source of data will make it far easier to address additional regulations and requirements now and in the future.

Governance processes

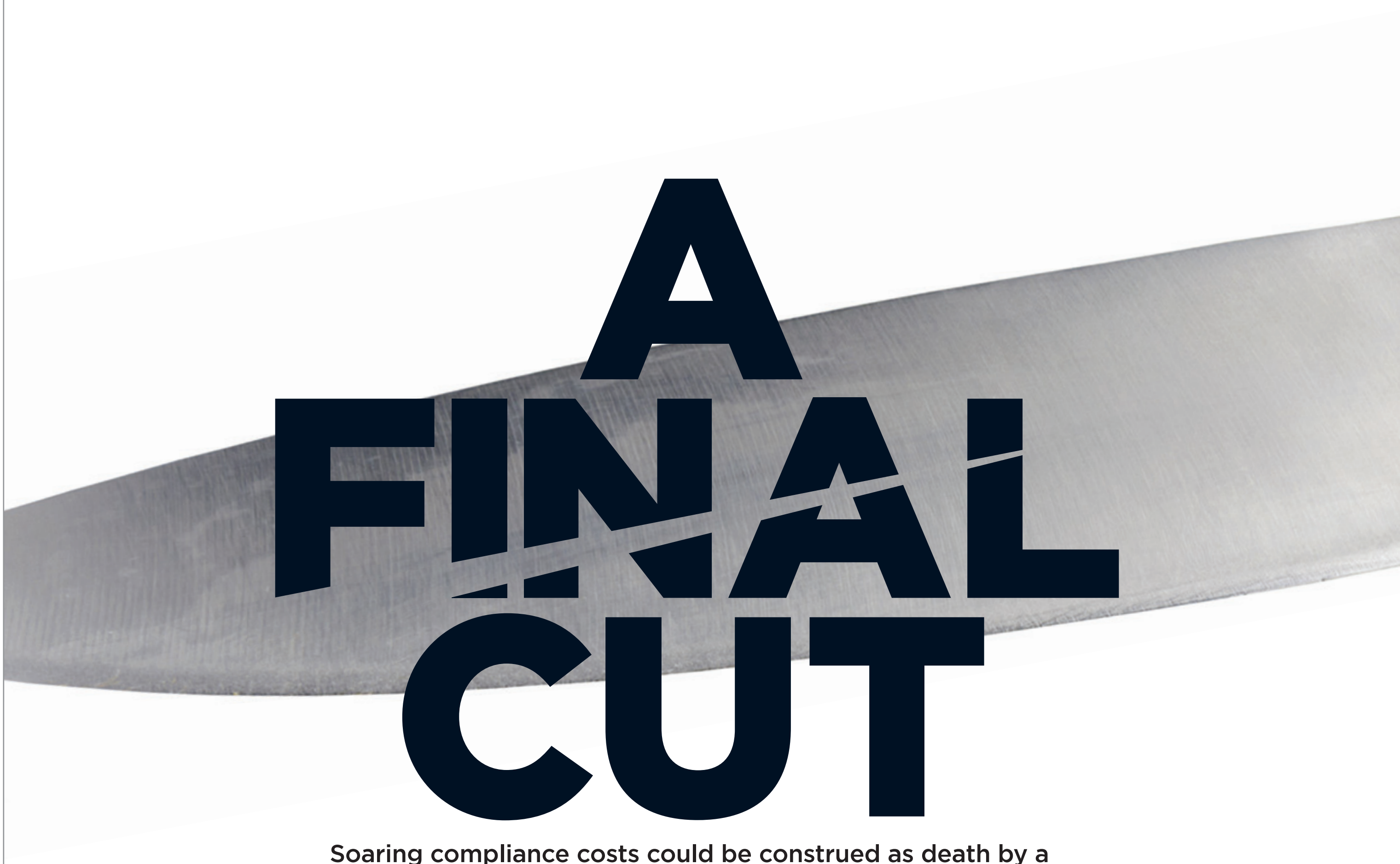
Controls and governance processes will be particularly critical for implementing IFRS 9. Lenders will need to make sure they are focussing on the right areas, with the right team behind them who have a clear focus on what needs to be done right now.

The impairment requirements for IFRS 9 show many practical challenges that will need to be addressed during project implementation.

The key to success includes:

- *Early commitment across the organisation at an executive level;*
- *Governance and control processes applied with the right people involved;*
- *Don't underestimate the data requirements;*
- *Ensure transparency across risk and finance teams.* CS

"The best approach to meeting the new standards is to have one centralised data store - a single version of the truth"



A FINAL CUT

Soaring compliance costs could be construed as death by a thousand regulatory cuts for many debt management firms. As the authorisation process acts as one last purge by the regulator, CHRISTINE TONER investigates how many companies can survive and what purpose this sector may serve in future

The debt management sector is entering a new dawn - if enough firms can survive the night.

According to previous pledges from the Financial Conduct Authority (FCA), a new regulated environment for such companies will ensure customers are treated fairly and provided with good advice to help them manage their debts.

But this new dawn appears to be somewhat delayed.

Two years after the reins of regulation were passed over by the Office of Fair Trading, a large number of firms are still unsure as to what their future holds. So is the sector just in limbo? Is it in crisis? And how many firms are effectively in a closing-down fire sale?

At present, the FCA says, there are 89 debt management firms awaiting authorisation. Around 130 firms have withdrawn their applications and exited the sector and 13 have been refused authorisation.

Around 40 commercial debt management companies have received authorisation although, interestingly, none of these manage client money. It's a point that hasn't gone unnoticed. Indeed, it has become a major talking point in the industry.

"I know one or two people, whose opinion I respect, who've said there won't be any commercial debt management firms left in the debt management market holding client money after the autumn," says Nick Pearson, chief executive of debt charity The Debt Counsellors. "I'm not sure I'd go quite as far as that. There are some very good firms operating in the commercial debt management sector and it would be disappointing if the FCA couldn't work with those firms to get them authorised."

As a result of those firms managing client money that have left the industry, whether as a result of being refused authorisation or of their own accord, Pearson suggests an estimated 70,000 debt management plans are now 'orphaned' in that they have no firm managing them.

Pearson believes there are around 200,000 debt management plans in operation in total and the question of what will happen to them, if any more firms leave the market, is still unanswered.

"From the consumer's perspective, as long as there is adequate capacity and consumer choice across the free-to-consumer and commercial sectors, there will be no adverse impact even if the number of authorised firms is reduced," says Matthew Cheetham, chief executive of financial management firm Harrington Brooks, which is awaiting authorisation.

"For those firms that have been closed down, there will be disruption for customers as they need to be 'onboarded' by a new debt manager. Earlier in the year, that process didn't go smoothly and creditors recommenced collections activity due to the length of time it took to onboard elsewhere."

Cheetham believes that the FCA is now allowing a longer period of time for the firm exiting the market to onboard customers elsewhere, a factor he thinks has mitigated

the unintended customer detriment that was occurring. "In addition, creditors' collections departments are now more aware of the issues and the whole market is adjusting to ensure as smooth a transition as possible, in very challenging circumstances," he says.

On boarding and jumping ship

While the process of onboarding debt management plans may in itself be smoother, this is of little help if there is no one available to onboard them.

Kevin Still, chief executive of debt management trade body DEMSA, says the sector is already at capacity thanks to the high profile closure of debt management firm PDHL earlier this year. The firm was refused authorisation in March, leaving 16,000 customers in need of a new debt manager.

"At this stage the brunt of the impacted client programme has been borne by Payplan and DEMSA members," says Still. He explained that a significant proportion of the PDHL client bank was engaged by DEMSA members after the formal closure in March 2016, which was well publicised by the regulator. The transition process involved weekly management information given to the regulator to assess levels of engagement and the quality of advice offered.

"We are supposed to have 'authorised' lifeboats available for the fallout from the authorisation process. They are not in place. Firms were meant to have been determined by no later than January 2016. They weren't"

Kevin Still,
Chief executive, DEMSA

Still adds: "We are in a bit of a hiatus period at the moment, where a number of firms know their fate, however, due process is underway and nothing will be in the public domain for several months. The scale of this is not known, but it is expected that a number of firms will exit the market in the coming months. This is reflected in sizeable volumes of impacted clients being notified by their provider that their DMP will be terminated and that they will be contacted by an alternate provider.

"This channel is now at full capacity and would struggle to accommodate another firm of the size of PDHL."

Many of the 'orphaned' debt management plan customers are being steered towards the free advice sector through the ➢

A FINAL CUT

THIS WAY TO THE EXIT

The number of active debt management companies has plummeted by nearly 50 percent since the FCA took over regulation of the sector.

The chart here shows how many have exited, or simply been banned, since the interim authorisation process started - though even these figures may change dramatically by the end of 2016.

For example, it shows that out of a total of 272 debt management firms that existed at the start of the FCA regime, 130 (47 percent) have withdrawn.

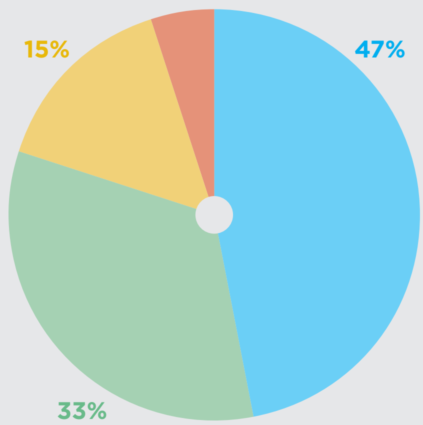
130 (47 percent) Firms have withdrawn

13 (five percent) Companies have been refused authorisation

89 (33 percent) Are still being assessed

40 (15 percent) Have been authorised

How an industry shrunk from 272 firms



➢ Money Advice Service - although firms like Payplan and StepChange Debt Charity have yet to receive FCA authorisation either - at the time of going to press.

However, Pearson is doubtful about how many more cases the sector can feasibly take.

"We're struggling now," he says. "We get a lot of referrals from the MAS contact centre and we are really struggling to meet demand. So if another 200,000 customers eventually make their way through it's going to be very difficult for us to cope."

StepChange says it is taking steps to prepare for a possible influx of new cases.

A spokesman for the organisation said it has hired additional advisors and was in regular dialogue with the MAS, adding: "We are well prepared and have put in place a number of contingency measures to allow us to cope with a significant increase in demand."

The free advice sector, of course, is still dealing with the impact of the regulator's review into debt advice which found that,

"Creditors' collections departments are now more aware of the issues and the whole market is adjusting to ensure as smooth a transition as possible, in very challenging circumstances"

Matthew Cheetham,
Chief executive, Harrington Brooks

UNDER PRESSURE

Stephen Allinson, debt recovery specialist and consultant solicitor, Shoosmiths

"With regulation being at the heart of the recoveries sector at the moment, unless the debt management sector embraces regulation in totality it will become more difficult to see how its future will look.

"There have been significant changes in recent years and, unfortunately, some examples of conduct that does not bear close scrutiny. Whereas it is easy to tarnish a whole industry because of a limited number of bad apples, they clearly do not assist in this era of transparency and openness.

"The recent creation of the adjudicator process for debtor bankruptcy has already seen an increase in the number of persons making themselves bankrupt through this 'out of court' system. Couple this with the increase in the debt limit to qualify for a debt relief order, and one can see more pressures on the sector.

In my experience, it is sometimes hard to see why a customer who owes money would want to undertake a debt management plan with relatively low payments over many years, when a better debt forbearance option would be an individual voluntary arrangement.

"If the sector survives, I am sure it will look a completely different creature in the next two years."

while free advice was "generally of a higher standard" than those firms that charge, there was still scope for material improvements. StepChange says the review was a 'wake up call' for the free advice sector.

However the findings also revealed that about 60 percent of the fee-charging cases reviewed were assessed as posing a high risk of harm to customers – compared to 20 percent from the free-to-customer firms.

Cyclical issues

While a large number of consumers with debt management plans will now head to the free advice sector, or to another debt management plan, there is a concern that some will find themselves dealing with collection agencies once again.

"We expect that there will be a significant number of impacted clients running to tens of thousands of indebted consumers," says DEMSA's Still. "Some are already aware that their DMP is being terminated. This is the tip of the iceberg. The impact of non-engagement in DMP reviews is also likely to swell the numbers that need to engage with creditors once their plan is cancelled."

He adds: "Creditor forbearance is key, but they only have so much patience and we have seen a very large proportion of PDHL clients return into mainstream collections. This is not a good outcome for either the client or the creditor.

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Number of debt management firms that have exited or been banned from practising

Source: Financial Conduct Authority

"Creditors prefer paying clients to non-paying clients. They don't like having to deal with vulnerable clients directly. Business-to-consumer correspondence is also more problematic than dealing with a regulated firm with infrastructure to deal with creditor and collector queries, including submitting information in recognised formats like the Common Financial Statement (CFS) or Standard Financial Statement (SFS), which is being rolled out by the MAS from March 2017."

Indeed, Pearson says the sector is unlikely to see the true impact of debt management firms leaving the market in the short term, as it will take time for clients to take the necessary action. "The anecdotal evidence is that only a very small percentage of those people are actually seeking advice and getting back on another debt solution," he says. "I suspect a lot are lying low. Once creditors start taking recovery action against those people there'll be a big influx."

At present the market is at something of a standstill. DEMSA's Still has hit out at the regulation process, which has seen some firms awaiting authorisation for two years.

"Market capacity and consumer choice seem to be key considerations," he says. "We are supposed to have 'authorised' lifeboats available for the fallout from the authorisation process. They are not in place. Firms were meant to have been determined by no later than January 2016. They weren't. Most firms have had to put business planning on hold."

Looking ahead however one would surmise a standstill would be better than a free fall, which could be on the cards, with some insiders suggesting the commercial debt management sector is all but over.

Pearson is slightly more optimistic.

"I think there will be some firms in the commercial sector that get authorisation; I suspect it will be predominantly those that don't handle client funds," he says.

"There will be some firms that handle client funds that get authorised because there are some very good firms in the commercial sector. I'm a great believer in a mixed economy of fee and free provision. I've got no philosophical issue with people paying for debt advice if it's a quality service. I'm sure there will be some firms the FCA will find they can authorise that do hold client money. However, I suspect my view is very much in the minority." CS

A FINAL CUT

Who will provide the funding to expand free debt advice?

A big question remains unresolved around the funding of free debt advice to meet demand, explains MIKE O'CONNOR

Mike O'Connor

Chief executive, StepChange Debt Charity

For the last year, the debt management sector has been waiting for the outcome of the FCA's authorisation process.

Many organisations are still awaiting a decision on whether they will gain the regulator's seal of approval or lose the right to provide debt advice. Rumours of fee-charging firms being de-authorised and large volumes of impacted clients have been rife, but so far only one company of significant size has suffered this fate.

Dealing with problem debt can be a stressful process. For people who had put plans in place to tackle their financial problems, the loss of their debt management company may mean repeating that difficult process. It's crucial then, that support is available to all those who are affected.

That's why the Money Advice Service is funding StepChange Debt Charity to provide extra capacity to ensure people have a safe harbour.

Even with the best will of everyone involved, some clients may be lost and left to struggle alone. We will need to work closely with creditors to help these people.

When people come to us, we re-advise them and often recommend a different solution to that which they have been on previously. About a third of the 9,000 clients who have come to us from debt management firms that exited the market, have been recommended a debt management plan (DMP). Around a quarter were recommended some form of insolvency, while other recommendations include full and final settlements, equity release, and in some cases, the client has been in a situation to handle their debts without support.

"Funding levels, be it through the levy on the financial services industry, fair share contributions or donations, aren't sufficient to meet the need we expect to see"

No one should mourn the loss of those firms that delivered poor quality advice and caused extra heartache for those in financial difficulty. It remains to be seen whether there will be a mass extinction of the fee chargers as has been rumoured. I suspect not, but I am clear that in the future the free debt advice sector will provide a greater share of debt advice in the UK. I welcome this.

'Free is best'

Provided good quality advice is on offer, and the fact that the FCA is driving up standards is welcome, free is best. My opinion is that if you are in problem debt the last thing you need is your financial recovery being delayed by fee chargers taking a cut from your repayments.

Demand is difficult to predict. The first half of 2016 was the busiest we have ever seen; it was 11 percent up on 2015. Currently, only about 1.25 million of the 2.6 million people in urgent need of free debt advice seek it. We do not anticipate significant change in the nature of problems that our clients are facing or in the trends that we see. Indeed, the broader economic and political climate suggests that more people will be worse off in the short to medium term.

My concern is where the money will come from to fund the expansion of free debt advice, which will be necessary. If those people who are paying for debt advice stop doing so, it will remove funding from the sector, although creditors will benefit from greater returns as fee chargers will not be taking a cut.

Current funding levels, be it through the levy on the financial services industry, fair share contributions or donations, are not sufficient to allow the free sector to meet the need we expect to see.

We need to become more efficient, collaborate more within the free sector and find new ways of raising income, but never from clients. We need to prove our value to those who fund us. I am confident we can.

The market is undergoing change and clients are moving around, sometimes onto other debt solutions. Doubtless the FCA will scrutinise how the sector develops and how clients are being treated.

What the debt advice market looks like when the authorisation process is complete is difficult to predict, but people struggling with problem debt deserve a sector that operates to consistently high standards. CS

A REFINED ART

In the first of our series of interviews with chief risk officers, SIMON BAUM, the former deputy chief credit officer for retail banking at Santander, explains to Marcel Le Gouais the strategic vision for Bluezest where he is in situ as CRO. The new mortgage lender is aiming to innovate with a streamlined, online application process for customers

When he left Santander in late 2015 Simon Baum intended to do very little. A bit of consultancy perhaps; maybe a non-exec role would present itself.

Then he heard from two former Experian colleagues. They tabled an enticing proposition: A new mortgage lender that would enhance and refine the application process with slick technology developed in-house, thereby making the process for customers much less arduous.

The company was Bluezest; the offer a perfect fit. Widowed a couple of years ago, Baum needed a role that enabled him to spend more time with his three teenage sons at home. Added to that, here was an agile start-up, promising a pacier environment than his previous experience with a huge retail bank. In a Q&A with Marcel Le Gouais, he explains the big idea.

Simon Baum: "It was an exciting proposition; I felt I could implement ideas here far quicker than at a larger lender. I had been working for a large mortgage lender with entrenched systems and processes. There, I couldn't implement new techniques as quickly as I wanted to. I got frustrated.

"Another thing that attracted me was the depth of experience. For an online start-up, there's an awful lot of grey hair here. Our chief executive, Russell, is probably the youngest at the table in meetings."

MLG: What are the important things to tie up before launching?

SB: "We still have to do the things large lenders do. We've built our infrastructure and systems from the ground up, we're very fortunate that John (Robinson) and Chris (Slater) – two of the founders – had built some slick technology within their

"Our loans to SMEs will be secured against the residential property of one of the directors"

➢ company after they left Experian. That technology is now encompassed within Bluezest. We've got one of the best, most flexible decision engines out there, along with the people who built it. We've also designed the infrastructure so that it can be integrated quickly with new technology as and when it becomes available.

"It's not just customer acquisition we have to think of. As soon as you have existing customers, you need policies for them. Some customers might have repayment problems, so we need a policy for customer support and collections.

"At the same time, we have been preparing for our bond launch to provide the funds we will use to lend."

MLG: Tell me about how Bluezest has formed its risk appetite and policy.
SB: "For a start, an organisation has to decide what its risk capacity is. So, how much can our company lose? Once you've determined that, you ask yourself: How much does our company want to lose? How much would we be prepared to lose if there was a serious economic downturn?

"Then it's a matter of deciding what policy is going to ensure we stay within that appetite, but also at the same time be competitive and generate revenue. It's not a question of how tight the risk policy is, it's about ensuring we're lending into areas where we understand the risk, and ensuring we're appropriately compensated for that risk in terms of the margin we make.

"But in terms of policy, if you look at all the major lenders, about 90 percent of their risk policies will probably be the same. Every organisation is looking at credit history, and affordability."

MLG: How will your mortgage products be different to what's out there?
SB: "It's much more about the application process, than product, but for the launch we'll be operating in the buy-to-let and SME lending spaces. Our loans to SMEs will be secured against the residential property of one of the directors.

"However, our ultimate goal is to become a regulated lender to participate in residential mortgage lending. This is where the majority of our lending will be. It's in this space where we've got the ability to be slicker in how we assess and process loan applications."

MLG: Offering the director's property as security for the SME loans sounds unique?
SB: "It's not that usual. But we don't set out to be unique for the sake of being unique. It's an area that's probably under served, and it's an area where we have the capability of doing some good business.

"It's an area that lends itself to the assessment processes we are putting in place. In the SME space, you need to understand the interaction between company profits and drawdowns made by the director from those. A company can make itself look very profitable if the directors are not taking large drawdowns, either by means of salary or dividends. If you assess both of those together, in a clever way to see the interaction between them, you can see the total repayment capability for the loan you're looking at."

> "It's true, committees within banks have grown beyond all recognition. At Santander I could have an entire day consisting only of committee meetings. I don't miss that one bit"

MLG: Do you have a date for the launch of your residential products?
SB: "At the moment, we can't give a date until we are regulated. Once we've launched phase one, we'll complete our regulatory application. We will submit that to the regulators. We're not the only lender going through that process and I suspect it might not meet the timetable we would like."

APPLICATIONS

MLG: In practical terms, how is your application process going to be different?
SB: "The information we're using isn't necessarily different. I can explain by looking at the three pillars of lending – customer risk, affordability and security. In terms of customer risk – it's about getting credit bureau information quickly and easily. The credit reference agencies continually add to the type of information available. Our systems have been developed so that, as soon as this new information becomes available, the data can simply be built into our processes, whereas I have not been able in the past to do that in larger organisations. I would have been told it's at least a 12-month project to implement."

MLG: Even for a huge retail bank, 12 months still sounds surprising.
SB: "Sometimes it's even longer. It's due to various different reasons – IT, the processes we used, and having a work stack. It's about getting the relevant priority to your piece of work. It took 12 to 18 months for many lenders to get systems and processes ready for MMR (the Mortgage Market Review), so during that time they were unable to focus on anything else. A host of other changes fell into a backlog."

MLG: And the other changes are the clever, innovative things you really want to do?
SB: "Exactly, exactly. Sometimes those organisations don't have the bandwidth to start those changes as quickly as you would like."

AFFORDABILITY

With affordability as the second pillar of lending, as Baum describes it, Bluezest is looking to reduce the amount of information customers have to put into applications. Working out expenditure is often a difficult, tedious task for customers and Bluezest's management wants to reduce the burden.

Bluezest will be using a tried and tested third party technology, similar to that used at moneydashboard.com, that provides customers with a tool to collate information from their different bank accounts into a web browser. It shows them exactly how much they spend each month on things like bills, eating out and shopping. As Baum explains…

SB: "This type of technology will help us verify the information customers give us during the affordability assessment, to ensure it's consistent with reality. As a customer, you will effectively give your bank permission to ping us a breakdown of your transactions. It's no different to you going home, pulling out your bank statements for the last few months and sending them to us in an envelope.

"Instead of doing that, you sign onto your internet banking, and this system pushes a summary of your recent transactional history to us. We use that to verify income. It's not 100 percent fool proof in terms of verifying income but no such process is. A great thing about this is; applicants can't manipulate it. It comes straight from your bank to us, in a fully secure environment."

MLG: So that's the business, tell us about your role specifically.
SB: "We are a single-product lender, but there are still risks - credit risk, fraud risk, operational risk and legal risk, particularly if you've not got the correct documents in place. Initially, my main focus has been on fraud and credit risk, and ensuring that if we have to foreclose and go through the courts with a repossession, we have all the right documents in place. So the risk types go across different functions but right now, credit and fraud risk is where I spend most of my time. At the moment – I am the risk department. It's very different from Santander where I could have an entire day consisting only of committee meetings. I don't miss that one bit.

"Here, rather than waiting for those committees to send something to a higher committee to be rubber stamped, it's now a pleasure to have a five-minute conversation and reach a conclusion swiftly.

"In my view, meetings are a practical alternative to work, they can just stop work being done."

MLG: The common thread through complaints from directors who work within banks is that risk and audit committees have grown exponentially.
SB: "It can depend on the governance structure of the bank. Is the authority invested to the committee, or the committee chair? But it's true, committees within banks have grown beyond all recognition.

"The cost of committees in large organisations must be incredible. How much does it cost to keep 30 senior executives sat round a table for two hours in a retail bank? It must be huge."

MLG: Here, it must be the polar opposite.
SB: "We have one executive committee meeting each week. We have the authority to make decisions.

"I come to work and make a difference, I have a mandate to make things as I think they should be. I've had a lot of exposure to the ways in which things are done within large organisations. I know what works and what doesn't. And because of our experience, you don't have to explain things to people. You shortcut conversations to get to the nitty gritty. That's really refreshing."

MLG: So aside from the executive structure, if we look at operations, how will your collections and recoveries operation be set up?
SB: "We have an operations area, run by our chief operating officer – one of the founders Chris Slater. The underwriters will report into Chris, as will collection agents. But they will operate under a policy set by me. I have put together an originations policy, a policy for existing customers, and a collections policy.

"I like to think of a policy as a set of principles and boundaries, setting out the lines beyond which we will not go. These can be translated into a series of rules."

MLG: Will you outsource any collections activity?
SB: "Early collections, we will do in-house. Certainly, we will outsource recoveries, as most lenders do. There are advantages and disadvantages to outsourcing – variable cost modelling is better for outsourcing. If you've got a collections operation of a certain size, it's good to have a benchmark for in-house and outsourced collections. Initially we will do it in-house. I'm quite happy with internal; equally so with external. We'll develop our thinking as and when we need to."

MLG: What kind of innovations do you think we'll see in the mortgage market in the near future?
SB: "The mortgage market has lagged behind others when it comes to innovation. We want to help it catch up.

"For instance, how many people want to go into a branch? To get a mortgage, many people may have to. We want to enable a consumer to do as much as they can to get that mortgage while sat in front of their computer, or using their tablet.

"When people are buying a house, most of them are not asking 'will you lend me a specific amount?' Their question is 'how much will you lend me?' If you can get that answer in a few clicks, you are presented with potential. The mortgage market still has some impediments to innovation; we're trying to break those down. That's the path we've chosen." CS

BLUEZEST: THE MANAGEMENT

Simon Baum: Chief risk officer
Previously:
Mortgage risk director and deputy chief credit officer, Santander; Credit and risk director, Alliance & Leicester UK; Consultancy services director, Experian.

Russell Gould: Chief executive officer
Previously:
Norwich Union, John Charcol, Bradford & Bingley, HomeServe, Everline (Wonga for Business), Thomas Cook, Mytravel, Airtours, ANZ Bank.

Sue Colquhoun: Director of risk and compliance
Previously:
Kensington Mortgages, Target Group, Bradford & Bingley, Equitable Life, Tiuta, Bear Stearns.

John Robinson: Chief technology officer
Previously:
Co-founder at International Risk Partnership (IRP) (purchased by BlueZest), Experian.

Robert Ainscow: Funding director
Previously:
Morgan Stanley, Bear Stearns, Investec Bank.

Duncan Bain: Chief financial officer
Previously:
Finance director at Cambridge Building Society, Aviva Plc, Arthur Andersen.

Chris Slater: Chief operating officer/ chief information officer
Previously:
Founding partner at IRP (purchased by Bluezest), Credit Connections, Experian.

Lloyds to transform customer experience in collections with new appointment

Tasneem Bhamji
Head of business transformation
Lloyds Banking Group

Lloyds Banking Group has appointed Tasneem Bhamji as head of business transformation within credit operations.

As the credit operations division at Lloyds undergoes a significant transition, she will shape and lead the strategy for improving the customer experience.

Her role will involve identifying ways to change the way Lloyds interacts with customers, assess Lloyds' customer demographics and look at digital innovation from a customer experience perspective.

She will be looking at the customer journey from pre-arrears through to collections and write-off. The role may involve interacting with debt collection agencies although it will not mean direct management of third party relationships.

She told *Credit Strategy*: "I will be looking at customer outcomes, how to revamp the way we assess customer outcomes and our approach to customer feedback. I'll also be looking at our controls and how we are set up to measure the effectiveness of how we treat our customers."

Based in London, Tas will be reporting to credit operations director Jaime Graham, who she previously worked with at Santander. In her role at Santander a team of around 30 reported into her, but she will now have oversight over a team of around 200 in credit operations at Lloyds.

She added: "Whilst working in collections at Santander we went through a transformation of how we interacted with customers; we're looking to continue a similar journey here at Lloyds and build on the great work already underway."

During her three-year stint at Santander Tas worked her way up to head of change, conduct and control within UK debt management.

The teams within credit operations at Lloyds have more than £19bn of balances under management and engage in more than 330,000 interactions every month with customers in financial difficulties.

STA International's new arrival

Mark O'Neil
Managing director, STA International

Debt collection and recovery agency STA International has appointed Mark O'Neil as managing director.

O'Neil will replace Colin Thomas who has moved to the role of chairman of the company. O'Neil has business experience in credit management, asset-based lending and alternative finance. He also sits on the Institute of Directors committee for Sussex and The South East Local Enterprise Partnership, focussed on the European structural and investment funds growth programme. STA is known for its position in the university, higher education and credit insurance markets.

New risk director joins StepChange

Richard McKenzie
Director of risk and compliance, StepChange

StepChange Debt Charity has appointed Richard McKenzie as director of risk and compliance. McKenzie joins the charity from Ryan Direct Group, the insurance services provider, where he was compliance and central services director, as well as the designated data protection officer.

A member of the group's executive committee, he established and chaired a conduct risk committee. Prior to that he held senior compliance and risk positions with sub-prime lender Cattles and the accountancy firm Deloitte.

McKenzie takes over from Patrick Girling.

Michael Welch
Financial Conduct Authority

The Financial Conduct Authority has appointed former US Federal Bureau of Investigations (FBI) agent Michael Welch as retail and regulatory investigations director.

Welch has been recruited to improve the investigations unit and will report to Mark Steward, the FCA's director of enforcement and oversight. Welch previously ran the FBI's international operations and worked at the agency for 30 years, before moving to London in 2014 to work at Standard Chartered.

Antony Jenkins
Currencies Direct

Provider of foreign exchange and international payment services Currencies Direct has appointed Antony Jenkins as non-executive chairman. Jenkins, the former chief executive of Barclays, will focus on advancing the company's digital offering and expanding its existing international footprint.

Prior to his employment at Barclays, Jenkins spent 17 years at Citi where he ran the north American cash management unit and was in charge of the Citi-branded credit card business.

Nick Rossiter
Registry Trust

Nick Rossiter has been promoted to deputy chief executive of Registry Trust. He has worked with the non-profit company, which provides information on debt judgments, for 12 years. Prior to the trust he was employed at the credit reference agencies Experian and Callcredit. The deputy chief executive position is a new role created to ensure the standards of chief executive Jon Hale are continued once he retires next summer.

Steve Humm
Callcredit Information Group

Credit reference agency Callcredit Information Group has appointed Steve Humm as chief operating officer. Humm joins from KCOM, a technology consultancy, where he was chief information officer. Humm will work closely with chief executive Mike Gordon to support the implementation of the group's growth strategy.

A showcase for the future of alternative finance

The future of alternative finance lies with fintech – so say the alternative lenders threatening traditional lending models. But how will they grow? MIKE JEAPES explains how Credit Strategy's new F5 conference will provide answers

Mike Jeapes

Head of conference production, Credit Strategy

2016 will perhaps be known as the year the fintech sector came of age.

Start-up and early stage non-traditional lenders are frequently citing reports, published by the big four accountancy firms, which point to a growing trend of consumers and SMEs seeking credit away from traditional high-street lenders.

Increased customer engagement and providing credit to those previously turned away from traditional lenders are just two of the ways that the new wave of non-traditional lenders, with fintech propositions at their core, are rapidly growing their market share.

But how will alternative lenders ensure their growth is sustainable and how will the major high street lenders adapt to change?

Regulation for innovation

Representing both threats and opportunities, the three main focus points for growing non-traditional lenders are compliance, operations and investment.

Until recently the regulators have been prepared to sit back and maintain a watching brief. Mindful of not stifling a nascent and emerging industry with stringent compliance requirements, the Financial Conduct Authority (FCA) also needs to ensure systemic risk concerns and the stability of the financial system are not endangered by over-reliance on unstable lending mechanisms.

Now the FCA has taken its tentative first steps towards setting the rules for firms within the industry with a start-up sandbox, by bringing new players closer to foster a greater understanding. But the regulator's imminent next actions will be most telling.

Scale of operations

While most successful entrepreneurs are business visionaries lauded on LinkedIn, with the praise that only inspirational quotes set to backdrops of remote paradise beaches can provide, the nuts and bolts of delivering their visions may not be their speciality.

A robust business plan will get them so far, however the real efficiencies are to be found in the internal operations of the business; the engine room. A lean, cheap and efficient operating model will see costs drop and profits soar, as well as gearing up businesses to ramp up their offering and improve economies of scale. This will provide the platform to launch further products in the market, as well as making businesses a far better proposition for attracting future investment.

Investment

The third crucial aspect to achieving growth is securing funding. Whether through private equity, venture capital or a different investment channel, further funding is essential for both the going daily concern of providing credit as well as achieving strategic business objectives.

With many new lenders now gaining authorisation and rapidly increasing scale, it's no wonder that the investment houses of Europe are now courting non-traditional fintech lenders, having long ago realised a lucrative revenue stream.

Credit Strategy's F5 conference – attended by alternative lenders, fintech firms and investment houses – has been put together with these three topics at its core. With three dedicated streams focused on the three areas of compliance, operations and investment, the concerns and opportunities of heads of legal/compliance, chief operating officers and CEO/CFOs are tackled head on to provide a sense of clarity for future growth.

We'll be exploring how the market for non-traditional lending will pan out, as well as bringing lenders together with those who can help bring about growth and kick their firm on to the next level. CS

If you'd like to join us visit **www.f5conference.co.uk** or just drop me an email: **mike.jeapes@creditstrategy.co.uk**

Our plans for high street branches, debt sale and product development

In a Q&A with Credit Strategy, Caroline Walton, chief customer insight officer at Dollar UK, the UK's largest short-term lender, outlines her vision for the company's transformation of high street branches

Q&A

Caroline Walton

Chief customer insight officer, Dollar UK

CS: Now that Dollar UK has had FCA authorisation for several months, what strategies are you putting in place for new products, or are your current product features something of the new norm for this market?

CW: "At Dollar UK, it is always our priority to serve the needs of our current and potential customers, and we are very excited about our plans for the future. We are continually looking at ways in which our customers can get the most out of their visit to our stores. In direct response to customer feedback, we are transforming all of our the Money Shop stores across the UK.

"We have invested a large sum of capital expenditure into the complete re-design of our stores as new concept stores, in line with what we see to be the future of high-street consumer finance.

"We have a healthy product development pipeline that is aimed at addressing the different customer segments that we operate in. In particular, a great deal of our attention is focused on reviewing and enhancing our loans proposition as we move forward in the sector."

CS: What impact has the price cap had so far on your products, strategy, or general ability to serve new customers?

CW: "We welcome the price cap as a regulatory measure to make lending more responsible. Since the changes to the regulatory landscape began, we have sought to go above and beyond all regulatory requirements to ensure we become the most trusted operator in the market. This means we charge below the FCA-mandated price cap, and we price loans competitively.

"Lending only to people who can repay is the responsible thing to do and makes good business sense. I want to move to a more generic risk-based pricing going forward – which would take into account people's credit history and their ability to repay. This would mean customers paying less interest if they are more credit worthy."

CS: What can you tell us about your view on the size of this market once it has settled post FCA authorisation? How many lenders do you think might be left operating?

CW: "The sector has contracted sharply since the introduction of the new FCA regime – something that we welcome because we think that a consumer finance sector comprised of responsible, professional firms is in the best interest of consumers.

"However, it has turned out that there are more players than the FCA originally expected, which means that, even though there are still companies exiting the market, the market in its final incarnation will be bigger than expected. It remains important that the regulator and other agencies, such as the Illegal Money Lending team, maintain a focus on illegal providers. While most bad actors will exit of their own accord, the role of the Illegal Money Lending Team in tackling companies outside the scope of the law – those who have no intention of seeking approval – remains crucial."

CS: What is your strategy for debt sale this year or next?

CW: "We are constantly reviewing the most effective ways to run our business efficiently and debt sale is a subject on our agenda."

CS: Do you think we've seen the last of the regulatory fines in this sector?

CW: "With most major players now authorised, we expect we've seen the last of the big fines.

"Some companies may still be getting their affairs in order, and some settlements may be included in that; but we want to see a well-regulated market in which fines are the exception rather than the norm." CS

F5 SPEAKER

Caroline Walton will be speaking at our new F5 Conference. She's on a programme featuring a host of alternative lenders such as Amigo Loans, Uberima, Wonga, Brighthouse, Monzo Bank and Funding Circle. The event will be hosted at the Hilton London Bankside on December 13. Visit **www.f5conference.co.uk** for more details or call Vyvy on 0207 940 4821 for bookings. For sponsorship queries call Ben on **0207 940 4803.**

F5 AWARDS: TIME'S RUNNING OUT TO ENTER

On the same day as our new F5 Conference (December 13), Credit Strategy will also be hosting the F5 Awards – another new event for 2016. The categories will champion the pioneers within non-traditional finance. The deadline for entries is 5pm on September 30 2016. Visit **www.f5awards.co.uk** for more details, or call Vyvy on 0207 940 4821 for table bookings. For sponsorship queries call Ben on **0207 940 4803.**

f5 AWARDS

MotoNovo shuts out disruptors to back the dealers

FRED CRAWLEY reports on MotoNovo's move to withdraw from brokers who bypass dealers in his monthly round-up on the car finance market

Fred Crawley

Consulting editor, Credit Strategy

Independent car finance provider MotoNovo has announced its withdrawal from all relationships with car finance brokers that "bypass or interrupt the dealer in the supply of finance".

Traditional brokers source finance proposals from dealerships before placing them with lenders.

However, a new model has emerged over the last few years wherein brokers source business direct from consumers online instead – potentially cutting dealers out of the process.

The online, direct-to-consumer broker model was made famous by two companies – Zuto and Carfinance247 – and it is these that will be most impacted by MotoNovo's decision.

The Cardiff-based lender, which currently takes on significant levels of business each year from the online broker market, has made its decision in a show of support to its 3,000-plus dealer partners.

However, it may also suggest that MotoNovo is preparing its own plans for the direct-to-consumer channel. The lender is well known for having aggressive growth targets, and has already invested heavily in digital tools for dealers – it would not be a surprise if it was involved in developing a competitive proposition to the online brokers.

In conversation with *Credit Strategy*, MotoNovo's divisional chief executive for motor finance Karl Werner was adamant that the withdrawal was not an attack on online brokers, per se. "They are blameless", he said.

"There's nothing wrong with those who disrupt. The development of that market has, in part, been driven by complacence among the lending community that supports dealers. We've not clubbed together and done something amazing to bring dealer finance online, so they've filled a need, and that's fair enough."

Nevertheless, Werner does feel that dealers (and end users, especially in areas such as quotations) are not best served by the direct online model. He doesn't see it as part of the "triple-win" vision for car finance in which lender, dealer and customer all prosper.

It's not just online brokers that MotoNovo feels this way about. Werner also points out that in the case of banks offering secured products directly to their customers, there is a question over whether dealers are losing out.

Certainly, MotoNovo's withdrawal could be a sign of things to come. Online brokers have become immensely successful (see Carfinance247's results on the facing page), but the disruption their success has caused has made them one of the most controversial topics in the industry.

Saturation point

Aside from MotoNovo's announcement, some encouraging statistics emerged in the past month.

Car finance sales volumes, as well as the percentage of new car sales backed by finance agreements, have risen yet again, despite a slight decrease in car sales figures themselves.

According to the Finance and Leasing Association (FLA), June saw point of sale new car finance up 10 percent by value and five percent by volume year-on-year, with penetration of finance into sales up from 84.3 percent in the year to May, to an astonishing 84.9 percent in the year to June.

Since the 12 months to December 2009, new car finance penetration has risen from 47.5 percent to its current peak, with increases registered nearly every month in the intervening years.

Now, especially as auto retail performance is softening, the expectation is that finance sales growth cannot continue much longer. Figures for September, a key month for car sales due to the registration change, are being anticipated with great interest by the industry.

Black Horse hits the big time

Black Horse, the UK's most well-known independent lender (and winner of the Best Large Independent Lender award at our inaugural Car Finance Awards back in June) has followed up its record year in 2015 by lending £10bn in the first half of 2016 alone. This represents lending growth of 30 percent year-on-year.

Black Horse brought on board 220,000 new customers across its motor, bike and leisure businesses in the first half of the

"In the case of banks offering secured products directly to their customers, there is a question over whether dealers are losing out"

year – compared with 294,000 in the whole of 2015.

Managing director Richard Jones says the business is expecting a tougher second half for 2016, however, explaining: "The regulatory and economic climate is more uncertain, whilst customer digital adoption is accelerating so we must keep pace with this."

"With this in mind", he continues, "we will be significantly upgrading our digital capability in the coming months, investing in front-end processes, developing self-serve options and bringing new products to the market that offer dealers and customers increased flexibility. I am confident therefore that despite these increased challenges, we will continue to grow in the second half of the year and into 2017."

Big numbers for online broker

Carfinance247, one of the two big names in the direct-to-consumer broker sector, has announced its annual results, including a total of £210m of business introduced over its last financial year.

This is 122 percent up on the previous year's total, and the business expects to grow the figure a further 79 percent to reach £375m during this year.

It has taken on four new lenders over the year, increased the volume of prime business it transacted by 55 percent, and accrued more than six million website visits.

Staff numbers increased by 157 to reach a total of more than 320, while Bill Leyland was appointed as finance director. CS

As a new continental frontier expands, what next for UK collections?

With M&A activity leaving the UK collections landscape radically altered, MIKE JEAPES asks what the pan-European focus of debt purchasers means for collections in the UK

Mike Jeapes

Head of conference production, Credit Strategy

At an industry conference earlier in the year (I just can't keep away from them) I had the pleasure of bumping into two of my industry colleagues.

Attending on behalf of their debt purchase employers, and with the theme of the day squarely focussed upon cross-border NPL opportunities and servicing, it was obvious to see where their future focus lies.

I'm breaking news to no one when I say the UK has seen the DCA industry shrink to a fraction of its former self, partly fuelled by debt purchaser acquisition. With few left to buy and expansion by geography a logical move, the end result has seen the UK's remaining debt purchasers turn to Europe, resulting in a corporate land grab.

But establishing a successful commercial operation within the target geography brings with it all sorts of questions. The three strategies deployed by the debt purchasers are a combination of opening a local office, taking a stake in a local operation or buying a local firm outright, with the choice of tactic varying between company and country.

Once established, legal boundaries need to be understood, but acquiring local knowledge and an understanding of the cultural considerations around servicing NPLs in each region are essential.

It can be argued that UK purchasers have a huge advantage over their continental counterparts. Driven by the FCA's intense regulatory focus over the last few years, the UK perhaps can boast some of the best customer treatment and service levels within Europe. However, the question is whether European sellers place as much value on service levels as UK sellers, compared to cost and results.

Celebrating its 10th anniversary this year, the Collections, Debt Sale and Purchase (CDSP) conference will be bringing together the UK and Europe's most prominent debt sellers.

Within our European conference stream we'll host Anacap, First Athens, Frontis NPL Italy, Santander Netherlands and Deutsche Bank Spain to outline the landscape in their markets.

A dip for UK collections?

All of this poses a number of questions for the UK debt sellers who are momentarily out of some debt purchasers' gaze.

The elephant in the room remains the issue of reduced competition; the vast reduction in panel sizes for many of the UK's creditors and direct lenders has brought about concerns around comparative pricing around service levels.

The gaps in panels aren't likely to be patched by continental European purchasers working directly with UK sellers – a lack of FCA compliance experience and proven history of Treating Customers Fairly proving a barrier too high for the comfort of UK lenders. Unless the European purchasers start snapping up the remaining UK DCAs?

So far, acquisitions have led to an increased individual headcount in the major firms, but the reality is, not everyone from the recently acquired firm makes the transition.

What else is new?

Just as the ramifications from the regulator have provided a real stimulus behind M&A, the customer journey has come to the fore.

At our CDSP Conference in Manchester this November, we've brought together a panel including Barclays' vulnerable customer lead and Polly McKenzie (who is now spearheading Martin Lewis' Money & Mental Health Institute).

They'll also be joined by a consumer with direct experience of the vulnerable customer process, and will help delegates understand what works and what can still be done. CS

The great escape: How a case of crisis management secured an I&R award

With the Turnaround, Restructuring and Insolvency (TRI) Awards just around the corner, AMBER-AINSLEY PRITCHARD reveals the story behind last year's winning entry of Business Rescue of the Year – up to £20m turnover

Amber-Ainsley Pritchard

Content writer, Credit Strategy

When companies win awards at any of our events, most of the audience is unaware of the often pioneering work that makes an entry a winner.

That's true of our TRI Awards scheme, which we rebranded this year from its previous title: The I&R Awards. We renamed and recalibrated the scheme to reflect the turnaround and restructuring work now more prevalent across the profession.

Throughout the event's nine-year history, we've never documented the details of winning entries. This year, we're changing that, and starting by highlighting an outstanding winning entry from last year.

In 2015 KPMG won an award for rescuing a firm with a turnover of nearly £20m/year, at the (as was) I&R Awards. Due to commercial sensitivity the recovered business wished to remain anonymous, so we have referred to it here as Business A.

KPMG pulled out all the stops to save the second-generation, family-run business, where more than 100 employees were at risk of losing their jobs. During the time that KPMG worked on restoring Business A for operation, no less than six government agencies took enforcement action or reviews of the business. These included:

- *The Environment Agency;*
- *HMRC;*
- *The Health and Safety Executive (HSE);*
- *A high street bank.*

A series of unfortunate events

Before the detail of the rescue, here's the history: Business A creates recycled wood-based products and won a contract in 2011 with E.on to supply wood to a new biomass plant, which at the time was scheduled to be commissioned in early 2014.

E.on suffered delays but Business A continued to take landfill wood on site to meet forecast demand.

Over eight weeks, two fires broke out and the fire brigade were instructed by the Environment Agency to use millions of gallons of water to extinguish them. This water flowed into acid-filled lagoons, flooding a nearby river full of salmon - which were in turn killed off by the acid.

The Environment Agency insisted the site be closed and forced Business A to spend £20,000 a day to pay for the transfer of the lagoon water to an effluent works in Leeds.

With the instruction to close and no more wood able to leave the site, Business A's insolvency loomed.

The rescue

Firstly, KPMG persuaded the Environment Agency to keep the site open. Business A's bank then decided to freeze its account, but KPMG persuaded the bank against the move.

The next challenge was dealing with HMRC. After the site for storing wood was kept open, the biomass plant was eventually commissioned and Business A got a £40,000 loan to cover wages and critical payments, while the plant was being set up. Amid all this, KPMG had to handle the tax debts. Although the Environment Agency had agreed to keep the site open, Business A did not generate any cash and built up HMRC arrears, resulting in a winding up petition for £1.1m. While operating under this threat, KPMG managed the payment of more than £1m of tax arrears. KPMG then agreed a repayment plan with HMRC, stating that if just one payment was missed – there would be an automatic winding up hearing and insolvency. Finally, in March 2015, after three months of supplying the E.on plant, HMRC was repaid and the winding up petition was lifted.

KPMG also restored shareholder value from zero to more than £10m. CS

‘Outsourcing collections is our bigger priority, not debt sale’

Ahead of Credit Strategy’s Utilities & Telecoms Conference and Awards this month, two conference speakers from First Utility and Extra Energy give the inside track on their strategies for credit risk and collections

Q&A

Ian Parry

Head of customer payments, First Utility

Occupier debt, customer engagement, fraud and theft. These are the three biggest challenges in credit and risk facing energy firms, according to Ian Parry, one of the speakers at our Utilities & Telecoms Conference later this month.

Parry explained that occupier debt cuts across risk, data quality and cost to serve, while the matter of just speaking to customers remains a difficult proposition for utility providers.

“Fraud and theft is usually lost in bad debt but it needs to be segmented out and treated very differently”, he added.

During his appearance on a panel session at the conference he hopes others will learn of First Utility’s approach to customers and how policy should be flexed as much as possible when needed.

As for debt management, Parry confirmed that outsourced collections remains a bigger priority than debt sale, adding: “As a low cost provider our focus on costs and resolving customers’ debts is our highest priority. This helps us remain competitive, allowing us to help our customers save money.”

Parry also believes 2017 will bring further competition into the market and that debt assignment protocol will become a more prominent topic.

He believes that increased competition will drive customer churn and change the ratio of customers in debt for live and lost accounts.

Parry revealed that First Utility will spend next year investing in data and strategy across internal and external partners, as well as specific data to drive more sophisticated approaches. CS

Q&A

Ben Jones

Managing director of operations, Extra Energy

Ben Jones, another speaker at the Utilities & Telecoms conference, confirmed that he also regards “outsourced collections” as a bigger priority than debt sale, and considers the latter “a last resort; not a replacement for good collections practice.”

Jones explained that the hot topics for him and his teams are “vulnerability and theft and fraud, and finding that balance.”

In a Q&A with Credit Strategy, Jones revealed he was keen to see how innovation and technology will transform the industry during the next 12 months.

Jones said: “Traditional debt collection methods still rule the roost and I don’t understand why technology isn’t playing a bigger part in managing risk and also performing collections. The connection to smart metering for example could open up a new world of opportunity and the Extra Energy team will focus on that in 2017.”

During the past year Jones said one of the most visible changes to the industry has been the emergence of new entrants and the impact it is having on customer behaviour.

Jones said it will be interesting to see how these new entrants will adapt their credit and debt strategies, and how entrepreneurial flare will impact the credit industry.

He added: “Data has always been at the heart of energy and has often been the difference between success and failure.”

As with his counterpart, Ian Parry at First Utility, Jones will be discussing fraud strategies at the Utilities & Telecoms conference. CS

Dates for your diary

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

UTILITIES & TELECOMS AWARDS 2016

29 Sep 2016
St John's Hotel, Solihull
www.utilitiesandtelecomsawards.co.uk

UTILITIES & TELECOMS CONFERENCE 2016

29 Sep 2016
St John's Hotel, Solihull
www.utilitiesandtelecomsconference.co.uk

TRI AWARDS 2016

19 Oct 2016
London Hilton on Park Lane
www.triawards.co.uk

COLLECTIONS & CUSTOMER SERVICE AWARDS 2016

24 Nov 2016
The Midland Hotel, Manchester
www.ccsawards.co.uk

COLLECTIONS, DEBT SALE & PURCHASE CONFERENCE 2016

24 Nov 2016
The Midland Hotel, Manchester
www.cdspconference.co.uk

F5: THE FUTURE OF FINANCE CONFERENCE | AWARDS

13 Dec 2016
Hilton London Bankside
www.f5conference.com www.f5awards.com

CREDIT SUMMIT 2017

30 Mar 2017
QEII Centre, London
www.creditsummit.co.uk

CREDIT AWARDS 2017

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

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Contact: David Gallagher

The Fifth Estate

Aha! Is the regulator taking the Partridge approach to payday?

In the first of a series of irreverent diary pieces on the month in consumer credit, our secret columnist shares thoughts on a perfect payday loan metaphor

While Steve Coogan isn't the first person you'd seek out to summarise the changing face of financial services regulation, he may have accidentally nailed it.

In his recent comedy vehicle Alan Partridge's Scissored Isle, failed broadcaster Partridge sets out on a cringe-worthy journey to examine the face of inequality in the UK.

As part of this endeavour, he seeks out the home of payday loan boss Kevin Ruddock, and aggressively doorstops the man. As he emerges from his home, Partridge dogs his step, barking "why do you charge such extortionate rates" and "why are your cheeks so big; do you store coins in them?".

For a while, Ruddock is flustered. Soon, however, he gets tired of being hassled, and politely confronts his pursuer to shut down the tirade.

Alan, typically craven, crumples in the face of resistance. With all the wind gone from his sails, he resorts to feebly muttering "just go easy on your interest rates, yeah?" as Ruddock gets into his car and drives away.

I don't know about you, but to me that whole scene plays out like a perfect metaphor for the action of the Financial Conduct Authority (FCA) over the last two years.

The regulator, as it took the reins, seemed almost entirely to be tasked with conducting a show trial – and subsequent execution – for payday lenders, debt management firms, and other supposed undesirables.

The moves had been lined up by government before the FCA took the stage, and things played out unsurprisingly henceforth.

The public wanted to see their town rid of baddies, and former chief executive Martin Wheatley made for a superb sheriff in a white stetson.

When the media was bored with pillorying short-term lending, however, Wheatley was unceremoniously binned (presumably in case he started making life tricky for "proper" lenders), and the FCA was left to the task of handling its colossal authorisation backlog.

"The public wanted to see their town rid of baddies, and former chief executive Martin Wheatley made for a superb sheriff"

Now, after an interim period ably managed by acting chief executive Tracey McDermott, new chief Andrew Bailey is in charge, and the new mission statement appears to be "just go easy on your interest rates, yeah?"

Bankers: it appears to be safe for you to poke your heads back above the parapet – the bashing is over.

Wikipedia lists the new FCA boss as "Andrew Bailey (Banker)", suggesting where his sympathies lie, and his press conference at the FCA's annual meeting seemed to back that up.

Bailey said he "openly disagreed" with Wheatley's methods (i.e. shooting first and asking questions later), and seemed to express an urge to move the national discourse away from the sins of lenders, and onto the responsibilities of borrowers.

In recent years, the principle of Caveat Emptor seems to have fallen very much to the wayside – if consumers can't pay their debts, it has been the responsibilities of the underwriters who let them take them on.

Could the pendulum finally be swinging the other way? CS

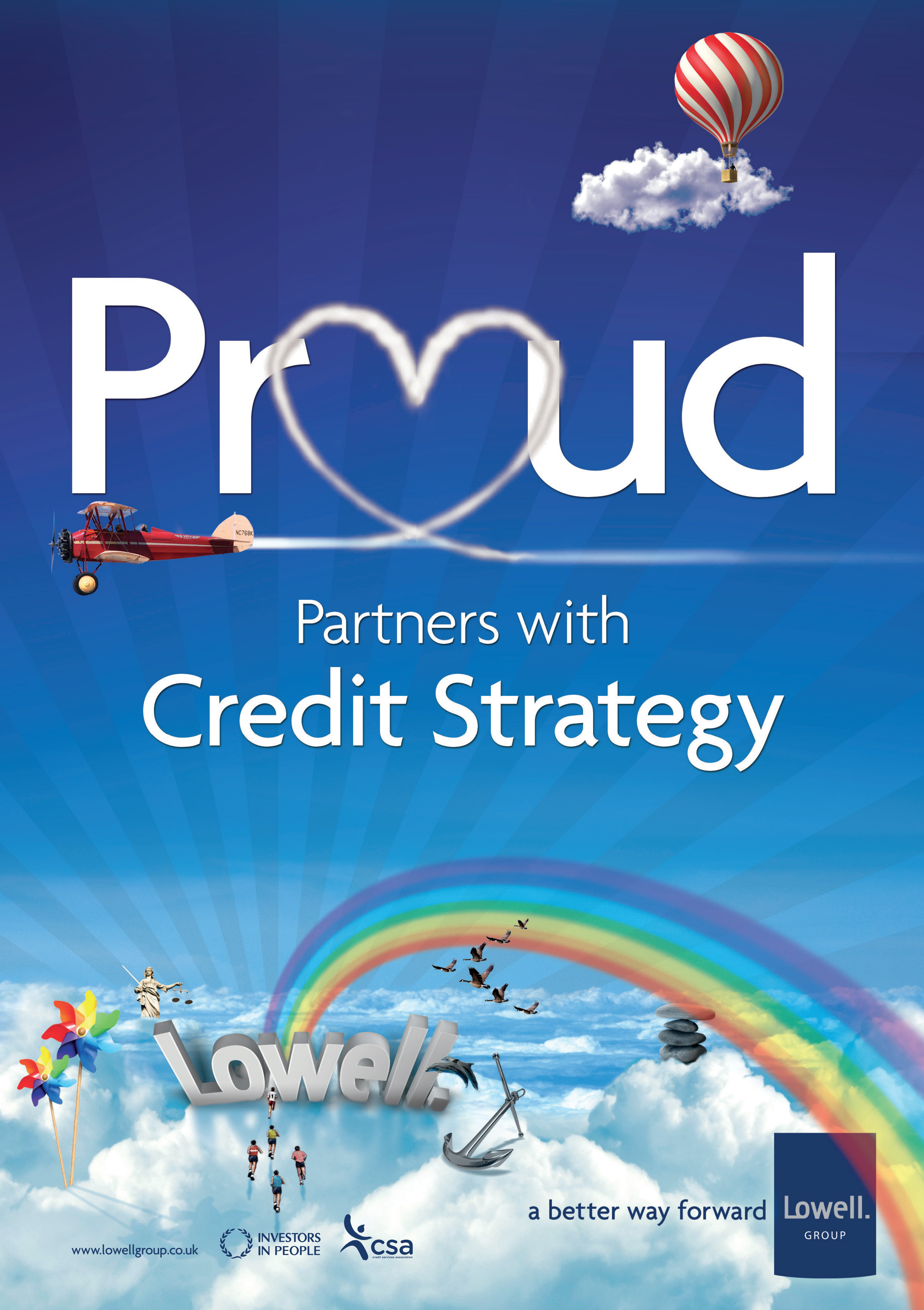
And the award for inane press release of the month goes to...

I was (un)lucky enough to be forwarded by the *Credit Strategy* team an example of a pretty desperate press release – one of the editorial team's constant bugbears.

Here's the opening pitch, which included two spelling and grammar mistakes in the opening paragraph:

"There is a nice consumer news angle around so many people taking an average of 27 years to pay off the (sic) their tip (sic) to the Costa Del Sol for a family of four. It also fits nicely on the back of the TUC coverage earlier this week around consumers (sic) debt with 32 percent growth in the amount being spent on credit cards for holidays."

These two utterly unrelated bits of information (holidays to Spain and TUC coverage), fit as nicely together as Jeremy Corbyn and an uneventful Virgin Trains journey. CS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