CREDIT STRATEGY

Risk | Policy | Conduct

November 2016

IDENTITY THEFT

Do creditors know their own exposure?

DISTRESS CALLS
FCA names firms topping the consumer credit complaints table

THE CS INTERVIEW
Hugh Fitzpatrick
Chief risk officer
Shawbrook Bank

WHAT BREXIT MEANS
HSBC's economist fills an information gap left by govermment

Data protection law: A known unknown?

Marcel Le Gouais
Editor

This was inadvertently the correct month to angle our editorial focus towards fraud and data security. The Information Commissioner's Office (ICO) recently hoisted the issue onto the mainstream news agenda by fining TalkTalk and Ocean Finance. The former was culpable of data security failures while the latter spammed seven million customers without sufficient consent (see p6).

TalkTalk's £400,000 fine was notable in being a record penalty issued by the UK's data protection regulator.

A hack on the telecoms company in October last year enabled access to nearly 157,000 customers' names, addresses, dates of birth, phone numbers and email addresses. In almost 16,000 cases, the attacker also secured access to bank account details and sort codes.

The act itself was an SQL injection attack, a common cyber attack well understood for more than 10 years, for which known defences exist.

Tellingly, the ICO said that "for no good reason", TalkTalk overlooked the need to ensure it had robust measures despite having the required financial clout.

Accountability for data protection at blue chip firms, as well as transparency on data sharing, appears to be high on the ICO's priorities. This was made clear in a maiden speech from the new information commissioner, Elizabeth Denham, delivered late last month.

After mentioning an ongoing review into data sharing between Facebook and What'sApp, inevitably, she raised the spectre of the EU General Data Protection Regulation (GDPR). Leaving huge preparatory implications for the collections and debt purchase sector, the GDPR will replace current legislation and drag data protection law into the 21st century.

"The information commissioner said it was 'extremely likely' the GDPR will be live before the UK leaves the European Union"

EU members are now preparing to adopt the new law by May 2018 but as Denham admitted, the referendum result has thrown the ICO's data protection plans "into a state of flux."

Perhaps most critically, she said it was "extremely likely" that the GDPR will be live before the UK leaves the European Union, telling delegates at a London event: "For most people in this room, the GDPR will be something you'll have to follow, to do business where you want to."

As for companies operating only in the UK, Denham explained that it'll be up to the government what happens here, both in the middle period from May 2018 to whenever the UK formally leaves the EU.

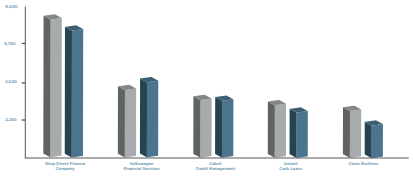
For now, this might remain a known unknown, but Denham added that UK-operating companies will still need to be deemed "adequate or essentially equivalent."

She also emphasised that a global economy requires "consistent standards".

So perhaps no matter the model in consumer credit, whether it's exclusive to the UK or not, it seems there may be no escape from the GDPR. CS

Contents

06 Pensions in bankruptcy



08 | FCA complaint data

Mark Berrisford-Smith
Head of economics, HSBC UK Commercial Banking (p16)

"A recession looks to be unlikely, but a noticeable slowdown is definitely on the cards for 2017. Hopefully, it will be short lived"

Stuart Howard
Chief executive, Dollar UK (p19)

"Businesses like ours exist in no small part to help people who are under banked, unbanked, suspicious of mainstream finance or outright unwilling to take on long-term liability"

25

The number of fintech firms mulling relocating to Berlin, post Brexit

See p39

CS COVER STORY

22 Identity theft

Before the revelation of a (historic) cyber attack on 500 million Yahoo accounts emerged, a report revealed that around £10bn of identity fraud has been committed against individuals in the past year. Amber-Ainsley Pritchard asks if major creditors are really aware of their own exposures.

170,000

The number of identity fraud cases in 2015, up from 114,000 in 2014

Source: Cifas

THE CS INTERVIEW

26 Access all areas

Hugh Fitzpatrick, chief risk officer at Shawbrook Bank, on creating a risk culture while acting as "the conscience of the bank".

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Some of the articles and guidance included in this edition may well make a contribution to the reader's personal CPD requirements.

Court ruling protects pension pots in bankruptcies

The Court of Appeal has ruled that individuals facing bankruptcy will not be forced to hand over their pensions which are not yet in payment, to pay off debts.

On October 7, the decision in *Horton v Henry* ruled that pensions not yet in payment are protected from bankruptcy.

In an article on the case for *creditstrategy.co.uk*, Graham McPhie, partner at insolvency law firm Moon Beever, explained the issue at the crux of *Horton v Henry*. This issue was the extent to which a pension not yet in payment could be taken into account on an application, by a trustee in bankruptcy, for an income payments order.

McPhie explained that the Court of Appeal decided the pension pot not yet paying out remains excluded from a bankrupt's estate.

The decision means that income the bankrupt is entitled to, only applies to a pension fund that is actually in payment. There is also now clarity that a trustee has no right to compel a bankrupt to take any particular election in relation to a pension scheme.

McPhie added: "There has always been a balancing act to ensure that pension pots have a measure of protection. However creditors are not prejudiced by this result, because income from the pension can be taken into account for income payment purpose. Plus, excessive contributions to a pension can be recouped in certain defined circumstances."

But Andrew Patten, director and pensions lawyer at Fieldfisher, said: "The ruling means that creditors' access to a bankrupt's pension fund remains a matter of pot luck, depending on whether the person has started their pension.

"This has serious implications for creditors as, under the new pension freedoms, more people are deciding not to take regular pension payments.

"With a pension fund often being one of a bankrupt's most valuable assets, the government should consider if the pendulum has swung too far in favour of bankrupts, and if it would be more appropriate for creditors' rights to be based on the capital value of a bankrupt's pension fund and their ability to build up new retirement savings."

ICO teaches hard lessons in data protection

The Information Commissioner's Office (ICO) stepped up its enforcement activity this past month, issuing fines of well over £500,000 for security and consent failures.

This month the ICO fined TalkTalk £400,000 for security failings that enabled a (well-documented) major cyber attack on its customers. The data protection regulator said the hacker had been allowed to access hundreds of thousands of customers' data "with ease."

The ICO's investigation found that an attack on the company last October could have been prevented if TalkTalk had taken basic steps to protect customers' information. ICO investigators found that the attack took advantage of technical weaknesses in TalkTalk's systems.

The ICO also fined Intelligent Lending, trading as Ocean Finance, £130,000 for spamming individuals with seven million texts. The texts were sent to offer prospective customers a new credit card. Manchester-based Ocean Finance believed it was complying with the law because the third party firm it obtained names and phone numbers from claimed it had people's consent to send texts.

But an ICO investigation found the consent was insufficient to meet legal requirements.

Vital Statistics

£34m

The amount that payday lender CFO Lending has agreed to pay in redress to more than 97,000 customers. The lender admitted to the Financial Conduct Authority that it had taken payment from customers without consent and sent threatening, misleading letters.

THE VENT

Choice cuts from social media

Are banks dying a slow death?

This month on Chris Skinner's blog, the finanser.com, which takes an irreverent look at the banking world, a Twitter discussion on fintech was highlighted, which involved industry heavyweights Simon Taylor (an ex-banker) and Mariano Belinky (a banker).

For more on the discussion visit: thefinanser.com/2016/09/banks-not-dying.html

More competition in retail banking, but on what grounds?

The news that mobile-only bank Atom will open up to all customers probably brought good news for suppliers and the government this month.

Amid a context of Treasury briefings to regulators to cultivate conditions for increased competition in retail banking, Atom announced that it was spreading its net to a wider pool of potential customers after an initial six-month period of an invite-only phase.

During this phase registration codes were only sent to customers who registered an interest in the new bank via its website.

Atom said this allowed the bank to open in a controlled way while learning from customer feedback and therefore refining its app in recent months.

Now the invite-only phase is over and the bank is open to everyone, customers can download the app and open an account without the need of entering a branch or filling in any paperwork.

Anthony Thomson, founder and chairman of Atom, said: "Building a bank in the right way takes time. The key to providing our customers with the best banking experience possible is to continue to build the bank piece by piece, listening to customers. We do not want to rush simply to say we were the first."

Atom offers two fixed saver accounts along with SME lending via a panel of specialist business intermediaries.

It is also committed to launching further products in the near future including residential mortgages, current accounts, debit card and overdrafts.

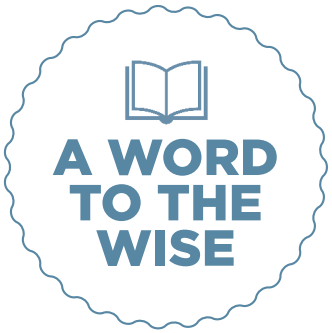
But as it launches new products, senior bankers have told *Credit Strategy* that they're trying to work out – what is it that Atom is competing for?

Senior directors are perhaps wondering what Atom will offer when incumbents are finding it harder and harder to differentiate and compete on pricing. Maybe the answer comes from Atom's founder in using the words "customer experience".

"Fintech didn't disrupt banks but banks are slowly dying. Creating an ever growing opportunity for #fintech"
@sytaylor
Simon Taylor
11FS

"@sytaylor low int rate env, reg costs, restruct charges... look for the long term cycles. Some rev pools shrink, others grow. Not dead yet. Banks've always focussed on cost"
@belimad
Mariano Belinky
Santander InnoVentures

"Banks don't know how to deliver revenue in the digital age, that is going to kill many of them before they learn"
@brettking
Brett King
Moven



"Last year, it was reported that the Financial Conduct Authority (FCA) was dropping its review into banking culture. This led to commentators saying the FCA doesn't care about culture in financial services. Nothing could be further from the truth. Culture matters a great deal"
Andrew Bailey
Chief executive,
Financial Conduct Authority

"Police forces found it much easier to deal with the stealing of milk bottles than with the defrauding of people out of larger amounts"
Lord Goldsmith
Former attorney general

"I have lost all faith in banks, and my big question is, are they really doing enough to keep every customer's money safe?"
Gloria Hunniford
Broadcaster, who recently had £120,000 stolen from her account by a fraudster

"We are living in an age of retail revolution, but water customers are being left behind. The uncomfortable truth is that, when it comes to retail offers, water companies provide an analogue service in a digital age"
Cathryn Ross
Chief executive, Ofwat

"My main role will be to progress codes of conduct for GDPR, the EU data protection regulation and the pan-European code for collections"
Leigh Berkley
Last month Berkley was appointed vice president of the Federation of European National Collection Associations (FENCA)

Complaints drop but are lessons being learned?

Data from the Financial Conduct Authority shows more than two million complaints were unloaded against financial services firms in the first six months of 2016. AMBER-AINSLEY PRITCHARD investigates where and why the most complaints have been made

In the modern regulatory landscape, how complaints are managed says a lot about how a culture permeates through any financial services firm.

That's one of the key reasons why the Financial Conduct Authority (FCA) collects and publishes the number of complaints made against financial services firms twice a year.

The data for the first half of 2016 was published this month and is broken down into product categories, to help both consumers and creditors see where certain products and practices can go wrong.

The information shows that more than two million complaints were made against banks, insurers, lenders and other financial services firms between January and the end of June this year.

This is a near three percent decrease of complaints in comparison to the previous six months but as Christopher Woolard, the FCA director of strategy and competition said, firms still need to reduce consumer dissatisfaction.

Commenting on a 2.6 percent reduction in overall complaints, Woolard said: "The figures show firms are taking our feedback seriously."

Complaints are broken into five product groups; banking and credit cards, insurance, home finance, investments and pensions.

The number of complaints made may have only reduced by a small margin but the amount of redress paid to consumers, who have been mis-sold financial products, reduced by an even smaller margin.

The total redress paid back to consumers in the first half of this year was £1.96bn.

Whilst the amount of redress reduced as a whole, the amount paid back to consumers increased across only two of these product categories, rising two percent in home finance and six percent in insurance.

"Arrears-related complaints across all types of financial services increased by five percent to 28,211 in the first half of this year, but they made up only about one percent of all complaints"

Hannah Maundrell, editor-in-chief of Money.co.uk, said: "I suspect the numbers we see are only a drop in the ocean compared to the overall amount of people who aren't happy with the standard of service they receive from their provider."

Most complained about firms

Across all of the product categories Barclays was the most complained about firm so far this year, with around 287,000 complaints made against it, a three percent increase compared to the second half of 2015.

Nearly half of these complaints, 124,000, were made in relation to banking and credit card products.

Not too long ago the Financial Ombudsman Service also released its complaints data and found Barclays had the most banking and credit card complaints made against it during the year between June 2015 and June 2016.

Of the bigger firms HSBC and Barclays had the biggest increase of complaints compared to the previous six months, with both experiencing a three percent rise.

A spokesperson for HSBC said: "Great customer service and satisfaction is very important to everyone at HSBC, and when things go wrong we want to resolve them as quickly and fairly as possible.

"The latest published figures show an increase in complaints which related to an increase in call waiting times in our contact centres. Those issues have now been resolved, but we will continue to work hard to reduce the number of complaints in the second half of the year."

In contrast, NatWest had a 10 percent drop of complaints compared to the second half of 2015.

Low arrears complaints

Generally, complaints about arrears within the banking and credit cards category were far lower than in any other area of conduct.

For example, advising, selling and arranging related complaints in banking and credit cards were nearly 219,000, but arrears complaints in this same area were just under 14,000.

Arrears-related complaints across all types of financial services increased by five percent to 28,211, but made up only one percent of all complaints.

Where there have been hundreds of thousands of cases made against firms in relation to banking and credit cards, the number of home finance complaints is a little lower.

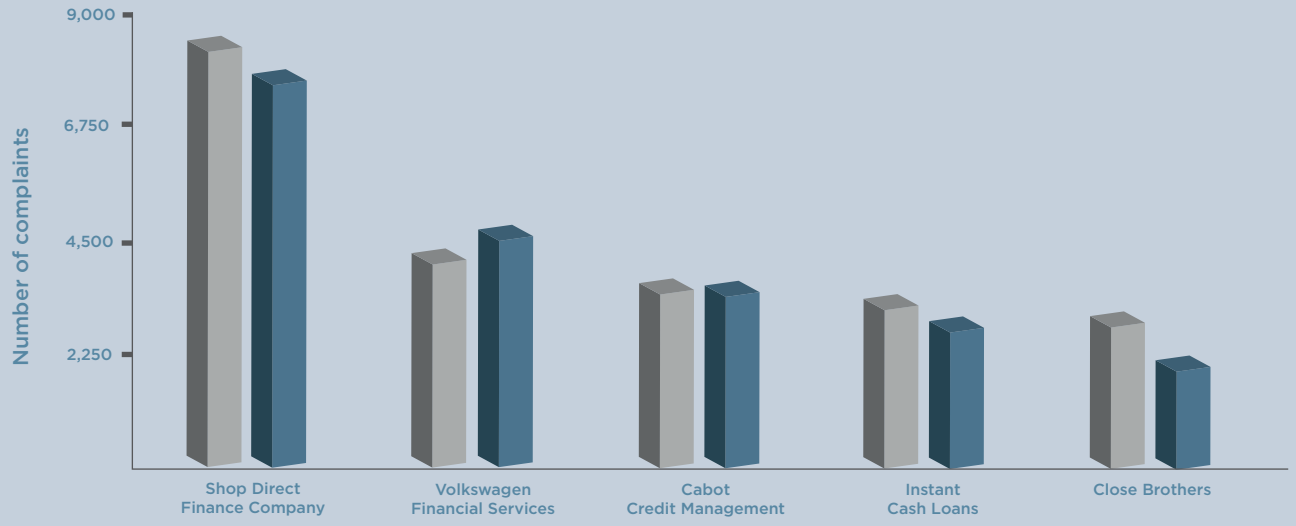
Bank of Scotland topped the home finance complaints table, followed by Santander, HSBC, Landmark Mortgages and once again Barclays.

Consumer credit

The FCA data also recorded complaints made about consumer credit to financial firms. Shop Direct had the most consumer credit complaints opened against it - 8,681. The firm declined to comment on the figure when approached by Credit Strategy.

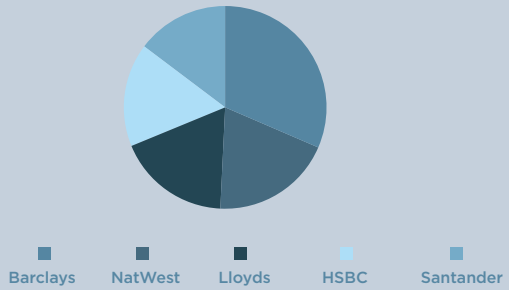
In terms of consumer credit grievances, Volkswagen Financial Services had the second highest number of cases opened with 4,262, followed closely behind by Cabot Credit Management with 3,646.

Complaints made about consumer credit to firms, H1 2016



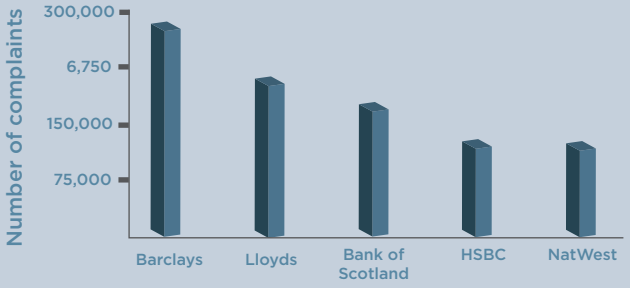
Source: Financial Conduct Authority

Complaints: Banking and credit cards, H1 2016



Source: Financial Conduct Authority

Most complained about firms, H1 2016



Source: Financial Conduct Authority

Cabot Credit Management said the number of complaints represents one per every 1,000 customers.

A spokesperson for the debt purchaser said: "Cabot was one of the first major firms in debt management to be authorised, on March 11 2016, resulting in it being the only firm to report to date in this sector.

"In line with FCA expectations Cabot registers any expression of customer dissatisfaction as a customer complaint, many of which are verbal in nature and resolved at the point of expression. There is a dedicated team to monitor themes and as a result the company continues to learn from this valuable source of customer feedback."

Providers with the highest number of consumer credit complaints upheld during the first half of 2016 were Alphabet GB and FCA Automotive Services UK, with both at 64 percent.

UPHELD COMPLAINTS ABOUT CONSUMER CREDIT TO FIRMS

Cabot Credit Management	50%
Shop Direct Finance Company	47%
Volkswagen Financial Services	41%
Close Brothers	36%
Instant Cash Loans	16%

The FCA published the proportion of complaints upheld about consumer credit to firms. These figures refer to not only the complaints made in the first half of this year, but also for any complaints made previously.

FCA changes

In April 2017 the FCA's complaints publications will change in correspondence with the regulator's new rules on improving complaints handling.

This means the twice-yearly publications will provide sets of data including figures that compare the number of complaints in relation to the size of each business.

The regulator said it also aims to begin publishing a completely new section for consumer credit related data once all firms are authorised and submitting their complaints data to its teams. CS

A shared solution for utilities and telecoms

This year's Utilities & Telecoms Conference, at St John's Hotel in Solihull, featured speakers from the UK's largest energy, water and telecoms firms. Data sharing, fraud and above all vulnerability, continue to dominate the agenda. AMBER-AINSLEY PRITCHARD reports

A database shared between utilities and telecoms companies could improve the treatment of vulnerable customers and help tackle fraud.

This was the over-riding view from speakers at last month's Utilities and Telecoms Conference, who represent some of the largest providers in both sectors.

Speaking on a panel, Steve Crabb, head of vulnerable customers at British Gas, told delegates: "Don't be scared of data sharing, as long as it's in the best interest of customers."

Vicky Jones, senior manager of credit and fraud customer payments at First Utility, expressed the view that sharing data across all industries would help tackle fraud.

During a separate panel session Amanda Scovell, cash and debt manager at Thames Water, warned that a supplier cannot help its customers unless they know their individual circumstances.

She said: "You must know your customer and how to best save them and if you don't - the customer journey is broken before it has even started."

Ian Parry
Head of customer payments, First Utility

"A good conversation with customers can arrive to the same point as the income and expenditure regime would"

UT CONFERENCE
UTILITIES & TELECOMS

Jack Bevan, senior policy researcher at Citizens Advice, raised the point that young people are more likely to be open to sharing data if they know who's using it and if they have the option to opt out.

Bevan also described how it would be useful to create a "data dashboard" for consumers so they could see who had access to their data, who is using it and how it's being used.

Data sharing and its link to the treatment of vulnerable customers was a theme throughout the day, with many of the panel discussions revolving around vulnerability.

During a debate on this specific topic Zoe Dixon, consumer affairs manager at Barclays, described how there is "thankfully" no longer a checklist regime.

She said: "Vulnerable customers are no longer classified as being vulnerable based on a particular illness or their age, but are now based upon their individual circumstances."

Crabb added: "We don't need to know what makes a customer vulnerable just what we can do to help them."

Alistair Chisholm, credit liaison policy officer at Citizens Advice, talked about customers who suffer from financial abuse.

Borne from domestic abuse, financial abuse results in people suffering from sexual, physical and psychological abuse, who are prevented from handling their own finances. Customers suffering this type of abuse, Chisholm said, don't often disclose this to their supplier because they don't think they can help. He described a situation where someone suffering such abuse managed to escape their abuser and set up home elsewhere.

The person contacted their supplier regarding their new address and the situation they were in, but the supplier sent a redirect notice to their old address.

This resulted in the abuser discovering where the person suffering had moved to.

Chisholm explained how the relationship between customer and supplier must be improved to prevent these mistakes from recurring and potentially threatening a person's life.

The general quality of contact between customers and suppliers also came up in this panel session, with First Utility raising the point that a good conversation could even replace a formal process imposed on a customer.

Ian Parry, head of customer

OPENING UP THE WATER MARKET

Keynote speaker Neil Pendle covered the opening up of competition in the non-household water market, due for next April.

The managing director of solutions company Waterscan, described how this may cause customers concerns.

He said that retail competition could be dangerous for the market as there is bound to be big switches in the first month of its introduction.

Pendle also enlightened delegates to news that United Utilities and Seven Trent Water were combining to introduce a new supplier called Water Plus.

payments at First Utility, was on the panel and explained how the removal of the income and expenditure process could be a positive idea.

He explained how First Utility had tested its removal, adding: "A good conversation with customers can arrive to the same point as the income and expenditure regime would."

Collection panels

In a separate panel session speakers from EE, Extra Energy and Severn Trent discussed the outsourcing of debt as part of a panel discussion on collections.

The overall opinion of the panel was that firms should be trying to reduce the number of DCAs they outsource debt to.

Paul Stretton, head of debt and credit at Extra Energy, said: "Our focus over the next year is to reduce how often we use DCAs, but make sure that when we do we use DCAs they are ultimately an extension of ourselves and our practice."

After the Utilities & Telecoms conference Credit Strategy announced this year's U&T Top 50, for which you can see the full list on p33. CS

Steve Crabb

Head of vulnerable customers, British Gas

"We don't need to know what makes a customer vulnerable just what we can do to help them"

L-R: Steve Crabb, British Gas; Ian Parry, First Utility; Alistair Chisholm, Citizens Advice; Mark Wilkinson, Northumbrian Water; Zoe Dixon, Barclays

Q&A with this year's U&T Top 50

The U&T Top 50 (see p33) celebrates the leading professionals who, within the last 12 months, have had a positive impact on the credit and collections industry.
Amber-Ainsley Pritchard checked in with a few of this year's top 50 members to discover what they took from the conference sessions.

Sarah Henry
Agency manager, domestic debt operations, Scottish Power
Q: What will you take from today?
SH "The information learned in the fraud talk with Stuart Sykes of Myjar. It was interesting to hear what he had to say about IP addresses being used to commit fraud, this is definitely something we need to think about."

Amanda Scovell
Cash and debt manager, Thames Water
Q: What will you be discussing with your team on return to the office?
AS: "Definitely vulnerability in the water sector and how we can share data to recognise who may be in a vulnerable position."

Paul Stretton
Head of debt and credit, Extra Energy
Q: What did you enjoy about the conference?
PS: "The environment here is all about fresh thinking and triggering ideas by sharing what we have all been doing and see whether or not it is working."

Steve Banks
Head of domestic credit risk, RWE npower
Q: What challenges will your team face across the next year?
SB: "In this highly competitive market there are many issues we must focus on, specifically vulnerability."
Q: How does it feel to be part of the Top 50?
SB: "I'm very pleased. It's obviously nice to be recognised for the hard work we all put in. "

How to drag public sector collections into the modern age

The Local Authority Civil Enforcement Forum's (LACEF'S) annual event was held alongside the Utilities & Telecoms Conference and Awards last month, at the same venue. LACEF's FREDDIE DAWKINS picks out the highlights

Councils across England and Wales are slowly catching up with their commercial counterparts, when it comes to debt collection and enforcement. Identifying 'won't pays' from 'can't pays' can be done in lots of ways but until recently councils relied on lots of telephone calls and expensive postal mailings.

However, at its latest annual conference, LACEF heard from several speakers at the cutting edge of applying technology and psychology to improve collection results.

Michael Sanders, head of research at the Behavioural Insights Team (BiT - previously 'The Nudge Unit' within the Cabinet Office) spoke at the Solihull conference on September 29, at the St John's Hotel in Solihull.

He gave solid case study examples of how, with just a small change here and there in terms of words and letter design, collection targets could be substantially improved.

Sanders gave examples from HMRC and a campaign to improve collections from self-employed taxpayers, which yielded more than £200m in early payments; from Merthyr Tydfil and Newport Councils in Wales, where small shifts in language (after careful data analysis), have made significant contributions to revenues.

Sanders also told more than 50 member councils at the conference that incoming telephone queries from debtors could be turned into collection calls with the right scripts and gave several examples of successful campaigns.

Following Sanders, LACEF members heard from Patrick Knight, finance operations systems manager at Medway Council in Kent. With support from BiT, Medway has radically increased the number of council tax debtors choosing direct debit as the preferred payment method.

Panellists at LACEF included Brighton & Hove Council and Northumberland County Council

Trust pilot

Other highlights from the conference included a debut appearance from Jamie Waller, the new chief executive of Japanese-based Hito. Waller recently sold his founding stake in enforcement firm JBW Group and is now leading the launch of Hito and its specialised services and software, based on propensity to pay models.

His presentation included case studies of how profiling debtors to the public sector could be done quite fast – but at substantial cost. Hito aims to make profiling and propensity to pay outcomes more affordable to the public sector in the UK. A pilot project to register all council-secured liability orders against council tax and business rates defaulters, was also launched at the event.

Steve Nicholson, project consultant for Registry Trust, told councils how the trust is working with several local authorities already, passing information to/from Experian, so that better and fuller credit and debt profiles could be made available to creditors. The project has been checked by the Information Commissioner's Office, which raised no objection to the methodology and participation of councils.

The north and east of England are both rapidly gaining reputations as financially smart and efficient council areas, with Northumberland County Council, after seven years of development, now collecting local taxes and other sundry debts on behalf of over seven local authorities.

Keith Teasdale, recovery manager, financial services at Northumberland County Council revealed how much more efficient his team are now at bringing in revenue, and how Northumberland is providing cost-effective collection services to others in the public sector.

The adoption of a shared service model was echoed by the Anglia Revenues Partnership (ARP), where two years of planning and lobbying for elected members support has resulted in a team of more than 200 council employees administering the tax and other debt collection and enforcement services of differing authorities.

Paul Corney, head of ARP and Nikki Holley-Smith, ARP enforcement manager, gave a powerful two-handed presentation, emphasising how, by having control of their own in-house enforcement agents, they have achieved increased collection rates with significant surpluses being added back to general council funds. CS

Is the system for CCJs really being abused?

A Daily Mail article recently revealed that nearly 740,000 county court judgments in the financial year 2014/15 were undefended or not heard in court. Amid an apparent government probe, MARCEL LE GOUAIS asks if ministers will take a balanced view

There were a few intakes of breath last month when a Daily Mail front page carried the headline: Lives ruined for a sake of a penny.

It was the result of an investigation into the total number of county court judgments (CCJs) issued by various creditors to individuals during the past 20 years.

Using information secured via a Freedom of Information (FOI) request, the article detailed a large rise in debt judgments against families who were unaware about them, claiming that in one case a debtor had been sued for just a penny.

Most of the newspaper's vitriol was aimed squarely at ParkingEye, which collects parking fines, but it added that customers of HSBC, Lloyds Banking Group, Barclays, NatWest, Vodafone, O2, Npower and United Utilities had all been issued with CCJs.

As could be expected from an emotive story, certain aspects of the CCJ issuing process were given little or no attention.

The civil procedure rules for example, were not mentioned, or the specific obligation on creditors to issue against the last known address. The more uncomfortable questions in case studies - such as, did the borrower tell all their creditors before they moved - didn't tend to be asked. Instead, the article's main points can be summarised thus:

1 Around 85 percent (736,000) of nearly 866,000 CCJs were issued by default against individuals in the financial year 2014/15. Most of these, if not all, had been issued at the County Court Business Centre.

2 Many individuals were unaware that they were the subject of any judgment because correspondence was sent to outdated addresses. In some cases, families discovered they had received a judgment against them years after the event.

3 The Ministry of Justice (MoJ) is now looking into the use of CCJs, following a response from the Prime Minister's office to the Daily Mail's calls for an investigation.

This third point demonstrated a classic journalistic exercise in exacerbation, by presenting commentary on an action, as direct action itself.

The Daily Mail's follow up article claimed Theresa May had "vowed" to investigate abuse of the CCJ system.

What actually happened is that a Downing Street press officer merely confirmed what the industry already knew – that the MoJ would be looking into it. However, confirmation of the MoJ's attention to the issue, is by no means the same as direct intervention from the PM.

And it's a fair bet that it's unlikely the MoJ will find the appetite, resources and cash to launch a lengthy, formal investigation, which would lead to a conclusion with any serious, long-term implications for the collections industry.

CCJS ISSUED BY YEAR

Calendar year	CCJs
1989	928,526
1990	1,745,402
1991	2,214,645

Financial year	CCJs
2012/2013	647,638
2013/2014	711,274
2014/2015	865,855

The history

To recap on the first bullet point earlier, while the statistics show there has been an increase in the past three years in the issuance of CCJS, they are by no means at historical high levels. Far from it, in fact.

The table below left, sourced from the MoJ's response to the FOI request, shows an increase in recent years, but it's barely comparable to the early 1990s. There could be many underlying factors to this, not least the country's beleaguered economic position at the time, but also the fact that litigation has become so much more expensive in recent years.

When the historic numbers were put to the MOJ, along with further questions, a statement was received from courts minister Sir Oliver Heald, who said: "These are serious claims which will be looked at urgently. Our legal system is world-leading and we are determined to ensure that it is not open to abuse.

"We are already modernising the system by spending more than £700m to reform and digitise our courts to deliver swifter justice.

"Anyone deliberately providing false information to the courts faces prosecution."

Peter Wallwork, chief executive of the Credit Services Association (CSA), said: "The CSA is unaware of any incidents – and wholly rejects the accusation that a creditor would use litigation to deliberately 'wreck the finances of consumers' by intentionally having a judgment passed without their knowledge." CS

The Watchman

The blind leading the blind

Leading journalist FRED CRAWLEY explains why saturation of the description 'leading' in marketing copy has rendered the word meaningless

Fred Crawley
Consulting editor, Credit Strategy

Last month in this column, I laid into press releases which try to disguise marketing copy as "hot news".

I wasn't criticising businesses which seek to build their profile in the media. In fact, I think businesses with an appetite for this are capable of feeding into top-quality output; on p21 of this issue I've written a piece alongside veteran PR Sean Feast about exactly this. But I did make the point that an advert is an advert, no matter how many times someone calls an editor to tell them it's a "story".

Honesty, in short, is the best policy. And while I don't buy into a lot of the self-regard many journalists have for their profession, I do think we've got a fairly sound eye for bullshit deception.

Continuing last month's theme, therefore, I'd like to focus on a particular kind of deception – one that's quite often attempted with the best of intentions – and offer some advice on how to avoid it.

Here is that advice: Don't describe yourself as "leading".

If you are not the biggest, or at least the most instantly recognisable business in your market, you're probably not leading. And if you are the leader, you should be enough of a household name that people know it implicitly – so you shouldn't need to say it.

Yes, you can continue to subdivide your market until you've defined a niche which you do lead in, but if you're not careful this can get so longwinded as to look a bit silly. "The leading provider of cattle-specific agricultural process optimisation solutions in the southwest UK" sounds worse than "an agricultural software company".

And yes, you can protest that you mean 'leading' in terms of criteria other than the traditional sense of size or sales performance… but please don't count on anyone else to use the same definition.

But even putting these issues aside, is there much of an advantage to be had in using the phrase at all?

I see a lot of small businesses in particular use the L-word, in an attempt to seem larger than they are. And when it subsequently becomes clear how big the business actually is, the use of the term seems like a mark of insecurity.

But there's no reason a company should even need to disguise its real size to be noticed – if a small business has performed exceptionally or done something unique, it's interesting no matter the size of its turnover.

Another reason companies use 'leading' in press releases is in the hope that journalists, either lazy or time-poor, will copy-paste it straight into published copy, resulting in a free endorsement. In general, however, this is the first habit we beat out of new reporters. I even kick up a fuss when my own marketing team tries to call us a leading brand.

"If you are not the biggest, or at least the most instantly recognisable business in your market, you're probably not leading"

For whatever reason companies use the term, however, it's not a good idea. When I'm sent a release and 'leading' wafts up at my face from the first line, I know I'm dealing with a company that would rather tell me how impressive it is, rather than show me. Often, that will make me move on to the next email.

This may seem at best pedantic and at worst pompous, but I'd call it practical. I get sent well over 100 press releases every day, and only have a few seconds to spend scanning the body of each of them – the truth of the matter is, I've not got long to spot what's going to be relevant.

There are several other peculiar things companies do to obfuscate what they actually are (in another column, I'd love to talk about things such as "providers of solutions" and "experts"), but in general, the best terms a company can describe itself in are the simplest ones.

It's a journalist's job to represent information about companies to audiences in the simplest and most honest fashion. The more simplicity and honesty there is in the communications companies extend, therefore, the keener journalists will be to work with them. CS

What does Brexit mean? Capital spending cuts and a slowdown

Consumers might still be spending, but the scaling back of business investment and inflation acceleration could hit Britain's economic growth. In his first regular column for Credit Strategy, MARK BERRISFORD-SMITH explains how

Mark Berrisford-Smith
Head of economics, HSBC UK Commercial Banking

It's a statement of the obvious that the vote to leave the EU was a pivotal moment in Britain's modern political history.

But as Theresa May's new government starts to confront the array of policy choices that now have to be made, the impact on the economy has been minimal. Indeed, it's tempting to wonder what all the pre-referendum fuss was about.

Yet while the economy hasn't fallen off a cliff and isn't about to, it's still much too soon to assume that everything will continue to be just fine.

The decision to exit the EU means there will be uncertainties for businesses of all types and sizes that will not be resolved quickly.

The formal exit process, via the triggering of Article 50 of the Lisbon Treaty, as announced by the Prime Minister in recent weeks, will not get underway until some time in the first quarter of next year.

It therefore seems highly unlikely that we will know much before 2018; and it could take much longer than that to fill in all the gaps.

"A recession looks to be unlikely, but a noticeable slowdown is definitely on the cards for 2017"

In stasis?

The weeks immediately after the referendum saw the inevitable roller-coaster ride for equity and bond markets, a steep fall in the value of the pound, and some grim readings from surveys of consumer and business sentiment.

But the markets soon settled down, once they realised the Brexit vote was likely to delay still further the date at which the major central banks will start to tighten monetary policy.

Meanwhile, July's surveys turned out to be an expression of shock rather than an assessment of economic fundamentals, with the readings for August rebounding strongly. The combination of resurgent survey readings and strong hard data from just before the vote helped to stabilise Sterling, which has now traded in narrow ranges against the Dollar and the Euro since mid-July.

Currently, businesses are considering their plans for future capital investment. In some cases, this could mean that some projects are delayed or scaled back as firms chart a course through these uncertain times.

In contrast, there has been nothing at all amiss with the willingness of households to spend. Consumer sentiment may have plunged in July, but it turned out to be an extremely strong month for retail spending, with a monthly increase in the volume of purchases of 1.9 percent. This level of spending was more or less maintained during August, so that unless anything went seriously awry in September, the next batch of official figures, released later this month, is likely to show blistering growth of around 1.5 percent for the third quarter.

With households still in a buoyant mood, it is clear that the economy as a whole will register at least modest growth in the third quarter. The Office for National Statistics (ONS) will release its first estimate of GDP growth on October 27.

Far from the expectations of the Bank of England and other forecasters that growth would all but stall, instead it seems set to come in at a respectable 0.4 percent, and could possibly be stronger.

A chain reaction

Looking into next year, it's likely that the drag to growth from a downturn in capital expenditure by businesses will be augmented by a slowing in the pace of household spending growth.

Consumers are feeling fine now, but a chain reaction that starts with a lower pound, which feeds into a higher rate of inflation, and on to a squeeze on spending power could yet get under their skins.

The pound was already softening before the referendum, and HSBC expects it will depreciate further to finish the year at around USD/GBP1.20. This scenario is good news for exporters, but not so good for importers, who now face the challenge of passing their increased costs on to their customers.

The upshot is that the annual rate of consumer price inflation will accelerate more quickly than if the referendum produced a vote to remain.

With average earnings expanding at a subdued annual pace of not much more than two percent, it's quite possible that come this time next year inflation could again be running ahead of earnings growth, meaning that many people will be worse off in real terms.

Their incomes will still be expanding, but their spending power will be declining.

It's under those circumstances that consumers will start to pull in their horns again. With household expenditure contributing around two thirds of the UK's GDP, what happens to consumers will be critical in determining the severity of the post-Brexit slowdown.

So what will matter over the coming one to two years is the extent to which businesses cut back on capital spending, and the extent to which a depreciation of sterling and higher inflation prompts consumers to retrench.

A recession looks to be unlikely, but a noticeable slowdown is definitely on the cards for 2017.

Hopefully, it will be short lived, with the annual rate of inflation falling back again in 2018. What happens then, especially to business sentiment, will depend crucially on whether the process of exiting the EU has produced some certainties about the post-Brexit landscape. CS

A voice for SMEs sponsored by

In sickness and in health

Companies need a finance provider that can cope with the ups as well as the downs, explains MATT SMITH

Matt Smith

Risk and operations director, IGF

Every business goes through a lifecycle of highs and lows – and each has the potential to be extreme. As such, it makes sense to have a flexible funding source that can accommodate whatever challenges come their way.

Every finance provider will be familiar with the tell-tale signs of a business approaching a downward slope, most notably the deterioration of financial information through what is being reported, delays in submitting papers, or just going silent.

In these instances, a provider has to work hard and sensitively ask the right questions and extract the required information. Of course, building a strong relationship with customers through personal service and an in-depth understanding of the client's needs will help avoid these potential difficulties in the first place.

Businesses that have a trusted relationship with their finance provider are normally much more comfortable having difficult conversations and volunteering tough information. As such, companies should look for evidence that a provider will not just respond with a knee-jerk reaction, but instead listen to them carefully, consider their best interests and support them through the good times and the bad.

Ultimately, every business is on a winding road, and likely to encounter a few bumps and crashes along the way. However, for the most part, few companies experience a total write-off; a reliable finance partner should have the business acumen to understand this dynamic landscape and reflect it in their offering.

"A reliable finance partner should have the business acumen to understand this dynamic landscape and reflect it in their offering"

In some instances, finance providers will be able to spot signs of trouble before their client. At this point, the right provider can provide extraordinary value by sharing the information and expertise with their client in order to avoid any major business problems.

This flexible approach can also help a business to benefit from increased finance options as the company grows, such as an extension in facilities or even an introduction to mainstream finance, which may have previously been unobtainable.

Whatever stage in the business lifecycle a company may be, there are always financing options available.

However, these can best be identified when a finance provider understands the market and has fostered an open and honest line of communication with their client. CS

A little less conversation, more co-ordinated action please

At the CSA's conference last month, it took broadcaster Andrew Neil to point out a gaping hole in co-ordinated attempts to help indebted customers – particularly the most vulnerable. JOHN RICKETTS reports on a lively panel session

John Ricketts
Vice president, Credit Services Association (CSA)

'Too much game planning and not enough action' was the accusation levelled at experts at the UK Credit and Collections Conference (UKCCC) by the event host, Andrew Neil, last month.

Neil was specifically directing his comments to panellists taking part in one of two showpiece debates, examining how the three elements of vulnerability, mental health and debt collection fit together in today's compliance-focussed environment.

The experts, comprising senior executives from The Money and Mental Health Policy Institute, OFGEM, Joseph Rowntree Foundation, the Money Advice Trust, the CSA and The University of Bristol, were pressed on what progress they had made in addressing and overcoming the issue of managing the most vulnerable of customers in debt, including the very poor.

What became clear was that every one of the organisations represented had worked hard on the issue in isolation, but a clear lack of collaboration and co-ordination of those efforts was potentially hampering progress.

Indeed, when pressed further on suggestions that any "real progress" was being made at all, it took speakers from the floor to come to the experts' rescue.

They reported that recorded calls, call analyses, internal and external audits, and specialist teams were all contributing to identifying and supporting the most vulnerable customers, and delivering tangible, measurable results.

Everyone agreed that the stigma of debt, and the stigma of mental health, still needed to be addressed, and it needed to be recognised that some customers were refusing help, even when it was offered.

"The UK Regulators Network's role was explored, with Andrew Neil pointing out that in the two years since it was formed it had done little beyond issuing a leaflet which no one would have read"

One panellist argued that society still thinks that it's good to make people feel bad about being in debt, but that the problem was not insurmountable. All agreed that much wider stakeholder engagement (ie with health professionals, debt collection agencies, debt advisors, local authorities, and policy makers) was urgently required if the desired step-change was to be achieved.

Room for requirements

Part of the problem, and a theme that ran across both of the panel debates, was the lack of agreed best practice and regulation for all forms of debt collection.

Whereas the CSA could rightfully point to its code of practice, and the Financial Conduct Authority (FCA) could highlight its authorisation for agencies collecting financial services debt (i.e. debt that stemmed from a consumer credit agreement and previously regulated by the OFT), certain parts of the 'collections' world were not subject to the same levels of scrutiny.

This was especially true of local authorities and government debt – i.e. money owed to public sector organisations such as HMRC that appeared to be governed by different rules. In these cases, treatment of customers was, and still is, far from universal, and this was put to another panel to solve the conundrum of whether a single regulator for debt collection was a viable option.

Neil was again on form in drawing out the best from the experts, which on this occasion pitched representatives from Ofwat and Energy UK against a consumer champion and me.

While the essential service regulators insisted that they demanded the highest standards from either in-house or external collectors, it was only towards the end of the debate, and when pressed hard by Neil and another pertinent question from the floor, that they agreed that a more consistent approach was not only required but should be accelerated.

The role of the UK Regulators Network (UKRN) was explored, with Neil pointing out – somewhat witheringly – that in the two years since the network was formed it had done little beyond issuing a leaflet which he said, no-one would have read.

The panel agreed – perhaps for very different reasons – that the same principles and practices should apply to all debt and all consumers.

The hurdle, as I identified, was that it required a change in law, and I did not hold out much hope of a speedy resolution. The government, it seems, has other priorities. CS

The dynamic of trust and affordability

Payday lenders recently faced familiar criticisms over the quality of affordability checks. STUART HOWARD explains how the industry can build trust by serving specific needs responsibly

Stuart Howard
Chief executive, Dollar UK

One of the more serious charges levelled at the short-term credit industry is that affordability – the measures put in place to establish whether somebody can afford to repay the loan they are about to take out – has sometimes been cursory.

As with all things, the realities were more nuanced, but for those who had never had experience of a short-term lender, the idea that fast could also be rigorous was incomprehensible.

The algorithmic checks, credit scoring and cross-referencing should surely take time to be effective?

It was a view rooted in an old-fashioned understanding of financial services, one of hushed banking halls, letters and memos and a slow, steady, pre-technology financial world.

The attractions of that somewhat nostalgic view are clear but overlook the obvious point that the essence of short-term credit is speed and access.

Hard and fast demand

When people use services like ours, they tend to want the cash quickly, in response to unexpected need or circumstance. Systems, however flawed, served that need and there's often nothing more sinister than that.

But it must be conceded that between genuine rogue operators, the limitations of available technology, people's willingness to share information truthfully and, yes, sometimes commercial imperatives trumping judgement, affordability was not the industry's strong suit. The Financial Conduct Authority (FCA) acknowledged that explicitly in its review of the sector and it asked for change. This demand from the FCA seemed entirely reasonable. What we do is based on trust and our practices have to inspire a belief that we operate with the best interests of the customer at heart.

"We acknowledge that many - though by no means all - our customers lead lives where the solid and predictable regularity of a monthly pay cheque doesn't always apply"

What that meant practically was stepping back and looking again at the definition of affordability; the customer's ability to afford a loan rather than the company's credit risk in lending in the first place.

That places the onus on lenders to look carefully at an applicant's individual circumstances, assess their need and draw sensible conclusions about repayment.

Doing that relies on better data, particularly in relation to income, and we now place much greater emphasis on credit bureaux and third party information to validate what we are being told either online or at our stores.

We now bind in Office of National Statistics data to our decision making to ensure we cast the broadest net for relevant information.

Overlooked and under banked

We acknowledge that many - though by no means all - our customers lead lives where the solid and predictable regularity of a monthly pay cheque doesn't always apply.

Others simply find bank processes lengthy or in some way judgemental, even if a bank was able to offer expedient small sum loans rather than long-term finance. So when we lend we bear in mind one overarching affordability principle 'will this loan bring our customer peace of mind or a problem?'.

It addresses a simple point. Is taking out a loan needed and affordable not just immediately but several months further down the line? If there is anything that suggests that it is not, the loan may not be made.

That, I concede, is counter-intuitive. Businesses like ours exists in no small part to help people who are under banked, un-banked, suspicious of mainstream finance or outright unwilling to take on long-term liability. We are here to help in a way that is often overlooked in commentary but explicitly acknowledged in academic studies.

However, we do our customer base a disservice if that desire is confused with being irresponsible or encouraging irresponsibility. The sector must thrive. It is useful and it encourages financial inclusion - but it must do it right and be seen to do so if it is to be sufficiently trusted.

At the heart of that trust issue lies affordability.

The measures we have taken are the start not the end, but I have great confidence that they are a step forward. That has to be a good thing for customers. CS

The future of debt management plans

Some pragmatism is needed to re-establish stability in the debt management sector, says JOHN FAIRHURST

John Fairhurst
Managing director, Payplan

The last few years have seen a fundamental shift in the debt management sector.

The world today is one where PayPlan (at the time of writing) is one of only two debt management plan (DMP) providers authorised by the Financial Conduct Authority (FCA).

More than 150 firms have left the sector and few fee-charging firms are taking on new cases at any scale. It is an industry in disarray that needs stability.

While all eyes have been on the FCA the authorisation process is finally drawing to a conclusion. What the post-authorisation environment looks like will soon be clearer.

Some things seem probable; that free to consumer and fee-charging providers will continue to co-exist and funding models for both types of provider will remain an issue.

The FCA has helped to establish a baseline standard of advice, safeguard client funds and raise the bar of expectations. For those firms which make it through authorisation, it is time to shift attention from these areas to questioning whether the market is operating well enough for consumers and creditors.

Few would argue the current market and funding arrangements are even close to optimal and at Payplan, we continue making the case for more balance in the sector.

We've seen missed opportunities to bring about meaningful change. For example, implementation of debt management provisions in the Tribunal Courts and Enforcement Act 2007; work on the Insolvency Service-led DMP protocol between 2011 and 2013; and a BIS select committee enquiry into debt management.

None of these resolved fundamental tensions between fee versus free-to-consumer models, or the vulnerabilities inherent in fair-share funding models, and these issues continue to limit the service available to consumers.

"While it would be unreasonable to point the finger of blame at one organisation or constituency, our collective failure to find agreement does not reflect well on us as a sector"

No direction home

While almost all stakeholders are dissatisfied with the status quo we lack any clear consensus about the best way forward. Calls for a statutory debt management scheme, for example, have received a lacklustre reception with limited support for the principle, let alone the detail of a scheme.

The responsibility for this lack of consensus is a shared one. While it would be unreasonable to point the finger of blame at one organisation or constituency, our collective failure to find agreement does not reflect well on us as a sector. In the absence of reform we are left with a mixed economy where some consumers are charged fees and some receive a free service depending mainly upon where they access advice.

Despite the unsatisfactory operating environment, we believe DMPs remain a valuable option for many consumers. In the absence of significant sector change we believe the ability of fair-share providers to meet a significant rise in demand will be limited. The operation of a fee-charging model which requires regular signposting to free services will remain problematic.

Fixing the DMP model should be possible without asking fair-share supporters to pay more, or consumers to pay anything. This is about providing a level playing field where consumers can always access a free service, creditors can see an end to large fees deducted at source and fair-share supporters can see an end to the cross subsidies they provide to non-supporting peers. It includes allowing firms operating a fee-charging model the opportunity to move to a free model if that's their decision.

We are, of course, always mindful that fixing DMPs doesn't necessarily fix wider problems with debt advice services.

Funding remains challenging and there are solution gaps for many consumers whose circumstances don't fit the available solutions. These are broader issues that deserve wider discussion but time is against us and if we insist on waiting for a holistic solution we risk events overtaking us.

No-one can predict the next big surge in demand. There's a risk this will happen when the sector lacks the resilience and scalability to cope.

Pragmatically we need to resolve some of these difficult issues quickly. DMPs seem as good a place as any to start. CS

Can PR drive high quality editorial?

Last month, FRED CRAWLEY outlined failures in communication among PR agencies. Here he goes head to head on comms with SEAN FEAST, who manages PR for many organisations in the industry

Head to Head

Sean Feast
Director, Gravity London

Yes. A good PR is a match for any journalist, and just as good at identifying story ideas or trends that add genuine value to an editor's thinking.

A good PR working with a good client (ie one that actually values what you do) can provide a depth of knowledge and insight that delivers true thought leadership, and in doing so elevates the editorial content.

Certainly there are issues. Some journalists see PRs as a barrier to information, not a conduit to a better story, and that doesn't help. But the PR industry is also to blame for failing to grasp the importance of trade PR, which requires very specific skills and sector understanding, and deploying the wrong account teams accordingly. The prevalence of online media prepared to upload any and all content has also led to a further dumbing down and a belief that PR can be given to anyone in an office who 'likes to write a bit'.

Some firms have fallen into the trap of writing a release as though they are painting by numbers, but the best PRs present material in a way that a journalist might write up their story. It is most gratifying to see a piece you have written go into a national newspaper, virtually unchanged.

Poor quality is not, however, always the PR's fault; sometimes we too are confronted by the immovable force of compliance. Much as the CIPR wishes to present our occupation as a 'profession', how many communications directors have a seat on the main board?

The fact I am even having to ask such a question shows how much work the PR world still has to do.

Good PRs understand their clients, and the industry in which they work. They immerse themselves in it. They get to know the sector journalists well, and build a relationship based on trust and mutual respect. This allows them to discuss and explore ideas openly, and that in turn drives a higher quality of editorial output.

Fred Crawley
Consulting editor, Credit Strategy

Let's start by defining 'high quality editorial'.

I was taught that in business-to-business publishing, every article should give the reader information which will directly impact their ability to make a profit - whether that means giving them more insight into their customers, their competitors, or their trading environment.

Shakespeare himself could have written it, but unless a reader can pick it up and use it to inform their strategy, it's not providing return on investment.

With that in mind, let's construct a venn diagram.

On the left we've got "quality editorial" as I have described - eg content with potential to give readers a commercial edge.

On the right we've got PR - content which, by nature, has been produced to further the aims of businesses that commissioned it.

What can exist in the intersection of these two circles? Copy which serves the aims of a commissioning business, but which also contains information of commercial significance to potential competitors, partners and customers.

There is potential conflict here: as I said last month, the information the market most wants from a business is usually the information it is most reluctant to divulge. As such, producing copy in this crossover space requires a shrewd instinct for divulging just enough.

Give away too much commercially sensitive information and you risk undermining the point of producing PR in the first place. Give away too little, and you end up with anodyne fluff that nobody in their right mind would publish.

Getting this balance right - and I suspect this is where my opinion may converge with Sean's - depends on the skill and experience of your PR resource. They need a deep understanding not only of what you want to communicate, but of what your market wants to know. If they can align those objectives, you've cracked it.

IDENTITY THEFT

As identity theft soars nearly 50 percent year-on-year, large corporates are being warned about data security. Amid TalkTalk's fine for exposing customers to a cyber attack, and Yahoo's admission that 500 million accounts were hacked, there are questions around whether creditors truly know their exposure. AMBER-AINSLEY PRITCHARD investigates

Are creditors, from big banks to utilities and telecoms firms, doing enough to prevent identity fraud and reduce the exposure their customers face to cyber crime?

In a recent study Experian said around £10bn of identity fraud has been committed against individuals in the past year.

Research from Cifas, a not-for-profit company working to protect businesses, charities, public bodies and individuals from financial crime, also found that identity fraud cases soared to 170,000 cases in 2015 from 114,00 in 2014.

In stark terms, the Cifas figures show that cases of identity theft have increased by nearly 50 percent between 2014 and 2015.

After Yahoo's discovery that 500 million accounts had been hacked way back in 2014, the subsequent debate has focussed on why such a large corporation is only just finding out about a colossal cyber attack. With banks' systems failing quite openly to attacks in the past 18 months, is another similar, eye-watering discovery imminent?

Might several big creditors be oblivious to the scale of identity fraud now being committed against their customers? The notion is becoming less far fetched.

Yahoo's own investigation found that the accounts had been hacked by a "state-sponsored actor". The company said there is no evidence to imply the "state-sponsored actor" responsible is still in the network, but confirmed that it is still working closely with law enforcement agencies.

It added that the hacked accounts suggest no payment card data or bank details were stolen. However, names, email addresses, telephone numbers and passwords may have been pilfered.

In response to Yahoo's breach of data the information commissioner, Elizabeth Denham, says: "The vast number of people affected by this cyber-attack is staggering and demonstrates just how severe the consequences of a security hack can be."

She adds: "There is a sobering and important message here for companies that acquire and handle personal data."

Many readers may already know the techniques behind identity fraud, which typically involves fraudsters developing malware software and fake websites to

15

The frequency of seconds each day that an act of financial fraud is committed

Source:
Financial Fraud Action UK

create a veil of reality to trap consumers. Fraudsters then obtain personal data through the use of phishing and vishing attacks before selling on the information or using it to buy products and services, or obtain credit and debit cards. Phishing is an electronic technique used to obtain usernames, passwords and data whereas vishing does the same thing but by cold calling.

No room for complacency

Whatever techniques are deployed, perhaps another danger for creditors, particularly banks, is customers' complacency over being reimbursed if they become a victim.

More than 2,000 people were surveyed by a study carried out by YouGov at the beginning of this year.

The survey found that although many consumers feel they are vulnerable to having their accounts hacked or copied, they believe banks will reimburse them if they are tricked into giving out personal bank details.

Whether it's complacency or a plain lack of knowledge across vast numbers of consumers, there are studies that show some individuals are leaving themselves open to attack.

Comparethemarket.com recently commissioned a study by Populus, a research agency, which surveyed more than 2,000 people about the risks and frequency of fraud. The survey found that a quarter of people use the same pin and password for all cards and online accounts.

The study also discovered that one in every 10 people had been a victim of a cyber attack on their credit or debit card in the past year.

John Marsden, fraud and identity expert at Equifax, said: "There is a significant knowledge gap amongst customers in terms of identifying safe places to share confidential information.

"As consumers seek the convenience and speed offered by digital correspondence ➢

MORTGAGE FRAUD

Another growing concern linked to identity fraud, is mortgage fraud. A study from Experian found that mortgage fraud is at its highest level since 2012.

The credit reference agency used data from the financial services organisation National Hunter and found that the number of fraudulent applications of mortgages in the first quarter of this year was six percent, the highest recorded figure in the past four years.

It also said that for every 10,000 mortgage applications in this time period, 66 were fraudulent.

Experian added that there has been an increase of fraudsters applying for mortgages with stolen identities and the identities of people who have recently died.

➢ they expose themselves to fraudsters who are discovering new ways to obtain data to financially exploit individuals."

Online exposure

According to Cifas, out of the 170,000 cases of identity fraud recorded between 2014 and 2015, 86 percent of identity theft happened online. In this context, creditors face the challenge, as Experian puts it, that fraudsters are fast, inventive and adaptable. So fast in fact that research conducted in the first half of this year by Financial Fraud Action UK found there is a case of financial fraud happening in the UK every 15 seconds. This is a 53 percent increase compared to the same period in 2015.

Of course, it's also executed faster online than anywhere else, as consumers live their daily lives through smartphones.

Nick Mothershaw, director of fraud and identity solutions at Experian, says: "In our latest piece of research Experian found that the most prolific users of mobile and social technology made up almost a quarter of all identity fraud victims in 2015 – in spite of only accounting for seven percent of the population."

With new banks launching and offering a digital-only experience, and incumbents investing heavily to improve their digital offering, opportunities are growing for fraudsters. But John Cannon, commercial director of fraud and identity at Callcredit, says: "Identity fraud is an issue for all types of companies, not just banks.

"The behavioural characteristics of a normal customer today in some instances would compare well to a fraudster 15 years ago. This is a challenge for banks and any company offering a streamlined digital experience to customers."

He adds, however, that advances in technology are enabling new types of data to be verified about the person such as biometrics (facial recognition), behaviour or location.

Contactless

Another issue linked to identity theft is fraud committed by way of contactless cards.

Payments made using the contactless feature of many cards are often processed as 'offline' transactions; this means transactions are not directly processed with the bank, but at a later point. This enables fraudsters to make payments even after the card has been stolen because the bank is not immediately notified of these 'offline' transactions.

For the industry though, it seems the race to provide more convenience is paramount.

A spokesperson for HSBC says: "The contactless facility on bank cards is designed to approve transactions 'offline' without referring to the account provider for authorisation, for the speed and convenience of customers."

Contactless is probably largely regarded as a success story, but even so, how are creditors generally protecting their customers?

Understandably, the banks we approached for comment would not go on record on precise activities. Lloyds Banking Group says it takes its commitment to fraud prevention "seriously and invests heavily in detection systems", while Virgin Money says it uses "a range of sophisticated techniques to prevent and detect fraud."

However, a director of cyber security at a big four accountancy firm indicated that Barclays has invested a "significant amount" to educate its team on prevention.

A spokesperson for Nationwide Building Society says: "We believe combating fraud is a joint effort, between us and our customers. We also invest in customer awareness initiatives, for example the current Take 5 campaign, which aims to raise awareness and understanding, therefore enabling customers to avoid becoming victims of financial crime.

"Customers are protected against fraudulent transactions on their account by sophisticated monitoring systems and will be refunded for any unauthorised transactions, provided they haven't acted with gross negligence."

Outside banking, other firms were more forthcoming. Vicky Jones, senior manager of credit and fraud customer payments at energy firm First Utility, says it's difficult to identify the number of customers that have had identity fraud committed against them.

On the company's strategy to prevent fraud, she says: "At the point of registration, when new customers join, not only will we check the risk of affordability but we will also verify bank details to check they belong to the customer joining. I don't know many (utility) companies, other than ourselves and maybe two others, that have fraud prevention strategies in place."

Jones believes that fraud prevention must not interrupt the customer experience, so First Utility uses offline techniques to check data rather than asking customers for lots of paper-based proof. The offline technique means data is sort through to check if there are duplicate identities with either the same name and email address or contact numbers.

Jones says this helps to find out if there is any identity fraud being committed or even fraud rings. She adds: "Most people aren't committing identity fraud to pay for utilities but are doing so to obtain credit or debit cards. Although some fraudsters are using energy bills as a form of proof of identity to obtain mobile phones under other identities."

Education

Cifas has found there has been a 52 percent increase in the number of identity fraud victims under 30-years-old, comparing the years 2014 to 2015. Cifas believes the UK education system can play a role in reversing this trend, stating that there is no mention of teaching online identity protection in the financial education curriculum guidelines.

With fraud risks gathering in scale, education and awareness might be the industry's best weapons of prevention. CS

Benefit fraud: A £1.6bn problem for the government

Fraud hits the coffers of central government in often nebulous, complex ways. MARCEL LE GOUAIS takes a top line look at taxpayers' losses in various departments

Overpayments of benefits due to fraudulent claims amounted to an estimated £1.6bn in the 2015/16 financial year.

As a percentage of the Department of Work and Pensions' (DWP's) total expenditure (about 0.9 percent of £172bn), it's the highest proportion for a decade.

The figures were published in a DWP report – Fraud and Error in the Benefits System; preliminary data for 2015/16. While they're preliminary, they're robust in being based on a sizeable sample surveyed by the department.

As is often the case with central government, the report hides overpayments behind percentages – we've worked them out as actual figures.

Such reports are heavy weather but they do reveal top-line information on potential losses that ministers are facing in their respective departments.

They also give an indication of how fraud is being tackled. In the DWP's case, not all of the £1.6bn overpayments is lost because the department can recover some of it. In 2015/16, aided by the private sector, the department recovered £980m of overpayments, an increase of £50m since 2014/15.

The department also has a battle to fight in taking on fraudsters claiming employment support and allowance.

The same report shows the DWP paid out just under £250m of this benefit to fraudsters in the same financial year.

Pension credit is another area where levels are rising, though not quite to the same scale. Between the same period, overpayments of this benefit due to fraud increased to £155m. One of the main causes of this was what the DWP dubbed 'abroad fraud.'

This occurs when claimants who are normally resident in the UK fail to notify the department before leaving the country, and are abroad for a period longer than the allowable absence limit.

"Not all of the £1.6bn in benefits overpayments is lost because the department can recover some of it. In 2015/16, aided by the private sector, the department recovered £980m of overpayments"

Another area, where there has been improvements in slashing both the system's complexity and ease with which fraudsters can attack the system, is tax credits. In this regard, 'fraud and error', are often grouped together.

In 2014/15, the latest year for which statistics are available, error and fraud losses reached £1.37bn. This is effectively the total overpaid due to genuine mistakes or where the system has been played.

Universal credit

Still relatively new in the grand scheme of major government changes, universal credit will eventually replace several benefits with a single monthly payment. In time, things like jobseekers' allowance, child tax credit and housing benefit will be subsumed into it.

As the programme is still being rolled out to Britain, the figures are relatively low, with fraud overpayments to universal credit recipients totalling £27m during the financial year 2015/16.

So how is central government tackling such sensitive issues?

A National Audit Office (NAO) report put out earlier this year gives some indication. It focuses on aspects of fraud associated with central government expenditure including HMRC and the DWP.

The report says the exact scale of fraud within the government is unknown, but added that detected fraud was equivalent to only 0.02 percent of total expenditure. The NAO states in the report that departments which are focussed on fraud spend most of their time investigating fraud that has already happened, as opposed to prevention strategies. It added that efforts by central government to detect and measure fraud and error has focussed on asking departments to conduct random sampling of high-risk areas.

A key development will be departments sharing best practice, assets and resources under the Cabinet Office's supervision. Under this, the private sector will play a massive role. CS

BENEFIT OVERPAYMENTS DUE TO FRAUD

Benefit type	2015/16
Housing benefit	£730
Pension credit	£150m
Employment and support allowance	£250m
Jobseekers' allowance	£70m
Universal credit	£27m

ACCESS ALL AREAS

HUGH FITZPATRICK, chief risk officer at Shawbrook Bank, explains to Marcel Le Gouais why unfettered access to his chairman and chief executive is critical for managing risk

Shawbrook has often been described since its inception as a 'challenger bank,' a label given by those who lumped all newcomers into a catch-all category that didn't accurately describe any bank within that term.

Moreover, it's a bank trying to meet specific customer needs in areas that the more established players are broadly retreating from. Shawbrook is steadily growing its three main divisions - business finance, property finance and consumer. All signs show it's doing so from a position of strength. Its latest results for the first half of 2016 show a 14 percent year-on-year rise in underlying pre-tax profit to £38m. This factored in a one-off impairment charge of £9m in one office of its asset finance division. This was, however, an isolated incident and the results emphasise that the bank didn't extend its risk appetite during a more benign part of the cycle. Hugh Fitzpatrick explained how this risk appetite works in practice.

MLG: Tell me about your role and your responsibilities.

HF: "In the FCA handbook, under chapter 21 systems and controls, there's a good description of a CRO's responsibility. This is a good starting point for anyone to understand a little more about where the role is focussed and how it is performed.

"If I look at my role at Shawbrook and how that maps to regulatory guidance, the key thing is that I need unfettered access to the bank. I get that in three ways. The first is that I have an executive reporting line to the chief executive and I sit on the ex-co, so I have direct involvement in day-to-day conversations about the bank's strategic decisions.

"The second is that I have a reporting line to the chair of the board risk committee (BRC), which allows me to escalate to that committee anything I think is appropriate.

"Thirdly, I have unfettered access to the chairman. So if all else fails, I can go via the CEO or the chair of the risk committee, or the chairman. For me that's important because if I look at the CRO role, in some respects it's the conscience of the business. Sometimes, people don't always want to listen to their conscience, so it comes down to one of the attributes of a good CRO - you need good communication skills. I have to take people on a journey through facts or storytelling to help them understand why the stance I'm taking is at odds with the bank's.

"15 years ago, the CRO role was weighted much more to credit risk. But during the last five to 10 years that has shifted to being ➢

HUGH FITZPATRICK: THE CV

Chief risk officer: Shawbrook Bank
November 2015-present

Chief risk officer, UK: GE Capital,
April 2015-October 2015
Previously:
Head of enterprise risk, UK; chief credit officer

Structured Finance: Burdale Financial,
May 2002-May 2003

> "The Senior Managers Regime is about active participation in decision making while acting reasonably. So if you disagree with something – disagree with it. Get it recorded"

➢ much more around enterprise risk.

"I went to a seminar in about 2010 run by one of the big four and the message was 'if 100 percent of what you do today is about credit risk, it will be about 25 percent of your job in four or five years' time'. People said 'that will never happen', but it happened."

MLG: So which teams report into you?

HF: "I look after four or five teams inside the bank within the second line of defence. I've got a credit team of around 12 people who have oversight of the credit decisioning and portfolio performance. I then have around 12 people who provide group compliance and a conduct risk framework.

"I then have a team of what will be around 12 by the end of 2016, which oversees risk and portfolio analytics. They take the data from the systems, interrogate that and run stress tests.

"The remaining balance of my job is spread across operational risk; so looking at: Is the bank following its process? Are the systems working? Then there's a wider piece around governance of enterprise risk, so it's a holistic view of the bank.

"If you look at the CRO's span of responsibility, it's everything from checking policy adherence to 'is the bank funded properly?' It's also asking the question of whether the bank is managing its risk appropriately. It's very broad."

MLG: So if that's how the role has evolved until now, how will it evolve in future?

HF: "The CRO role today is very similar to a CEO role about 10 or 15 years ago, because you're so heavily involved in the business. I get to challenge strategic plans, the budgets of the entire business and check opportunities and risks.

"You're speaking to everyone in the organisation, so where could that role go? That's a difficult question because it's right across the bank. Being a CRO positions you well for being a future CEO should you want follow that direction, but the way the CRO role has changed in this regulatory landscape, is such that it's only going to become more and more important."

MLG: Other CROs have observed the growth of the commercial or 'enterprise risk' element of the role. Has that been the same for you?

HF: "Any bank should have three lines of defence. The first line is there to manage and own the risk, so it'll have the frontline sales process and might have some delegation to do underwriting and portfolio management.

"The team I have is the second line, which is there to challenge and control, so we will set the board's risk appetite. We will have oversight over performance of the first line. The third line is internal audit, which provides independent assurance. If you then say to the second line, 'you're now responsible for identifying opportunities for growth', then you dilute the challenge and control piece – you can contaminate that."

MLG: In 2018 the Senior Managers Regime (SMR) will be extended to encompass more of our audience. How did you overcome challenges in this area?

HF: "We wrapped a project around it with governance and identified everyone encapsulated by the SMR. The first challenge for any bank is to ensure a clear linkage between the job descriptions and prescribed responsibilities of those encapsulated by the regime. At Shawbrook, we sat down with those individuals and went through the statement of responsibilities with them, and created a governance map. From a process perspective, it was a positive experience. It allowed us to make sure everyone knew exactly what they were responsible for and how they were accountable.

"It became more difficult with the certified population, which is effectively the managers beneath, who probably would not have had that exposure before. Again, we had to ensure individuals understood whether they could cause significant harm to the bank.

"Inside the bank, I talk a lot about a paper from the Financial Stability Board which came out in April 2014. This was about what an effective risk culture looked like. It had four key pieces.

"The first was 'tone from the top', which was very clear that people at the top had to ensure they were giving the right messages around risk management. The second is about open communication and challenge. The SMR is about active participation in decision making while acting reasonably. So if you disagree with something – disagree with it. Get it recorded.

"The third piece is about remuneration. As part of the SMR, that means ensuring the right behaviours are rewarded. The final point is accountability - that's a core tenet of an

effective risk culture. It's also a core tenet of the SMR, so the SMR involves in some ways taking what should already exist and wrapping regulatory guidance around it."

MLG: Now that individuals in banks are on the hook personally, is it harder to attract talent to those senior positions?
HF: "For the broader (staff) population, I don't think we've not been able to recruit people because of the SMR, but it puts more onus on ensuring we recruit the right people. If you want to work in a bank, be a senior risk taker or you want to be a CRO, that's the price the pay. You've got to say to yourself 'I'm going to be responsible for the decisions I make.' Does it change the way I behave? Not directly, though I retain a lot more of the decision-making documentation."

MLG: So it has formalised an audit of how decisions are made?
HF: "Correct, and that's a good thing. In terms of committee structures and meetings, it also means that minutes should be read in the next meeting. They shouldn't be taken as read – they should be reviewed and everyone should agree them. That becomes the matter of record. So in three or four years' time when people ask why a decision was made, that's the document that shows why it was made at that time."

MLG: So that's how elements have evolved through the SMR, but how has credit risk and collections evolved?
HP: "In 2012, before I was here, the bank's group risk function was much smaller. It was just three people – a CRO, a head of operational risk and a credit analyst. As we transition through this year and next, we'll end up with about 48 people. So two things here: One – the bank is investing in group risk and two, group risk is seen as a function at the heart of Shawbrook.

"The collection and recovery piece sits inside the first line. We've just appointed a new collections and recoveries leader (Leighton Grew), for the whole bank to ensure we have consistency. Leighton has been promoted internally.

"My team provides the challenge and control. We ensure we're comfortable through both the impairment committee and day-to-day communication on strategies for portfolios.

"We ensure the first-line team is discharging its duties responsibly and that it's looking at vulnerable customers and forbearance. We sit above that (team) and write the credit stewardship policy. We pass that to the collections and recoveries team and ask them to implement it. My team writes the policies and undertakes gap analysis with the first line to check their procedures tie back into the policies.

"We ensure the first-line team is discharging its duties responsibly and that it's looking at vulnerable customers and forbearance"

"There are larger or more complex cases where we will be more involved. But it will tend to be more in an oversight and challenge capacity."

MLG: How important is debt sale to the bank?
HF: "We've done one debt sale so far, so we are relatively new to it and Leighton leads that process. The debt sale worked fine for us. One of the things I have set up is an enterprise risk management committee (ERMC). We had two committees before – a conduct and operational risk committee and a credit committee which were the two risk committees for management. I wanted a single committee because it does two things. One; it funnels everything related to risk into one committee and two; culturally, it tells everyone that if any risk needs to be discussed, there's one committee for that.

"So, when we discussed the debt sale, that all routed through the ERMC. We talked about it on that committee and the flow of information from a management perspective was pretty good - it was the first sale we conducted, the second one will be better. In terms of exchanging information with the buyer, I've not heard any negatives."

MLG: How do you try to maintain your impairments at low levels?
HF: "I think we do a very good job of managing our risk. We're very much on the manual underwriting side but you then can't ignore increased risk in the environment because of the EU vote. We haven't seen anything flowing through yet which causes us any concern as a result of the vote.

"There are debates around whether there will be a technical recession in future, but we've not seen any change in arrears levels, but we're keeping a close eye on customer behaviour and the external market."

MLG: One element some lenders admit is still a huge challenge, is the management of data throughout the customer journey, is it the same for you?
HF: "We benefit from having a relatively straightforward system infrastructure. We don't have complex, external-facing systems, we have what we need today. But we are prone to the same issue which is, you may have the best systems, but if the data inside them is not fit for purpose, then effectively you have the worst systems. We don't have a significantly automated front-end decisioning engine because that's not the model. We have some of that in consumer, but the model is understanding the customer need.

"The big banks have got legacy systems and some of those have failed quite openly, but they've got lots of historical data so they can map customer behaviour.

"I am building out my risk analytics team and will ultimately have 12 people who will manage our group risk data analytics, stress testing, reporting capabilities and ensure that our modelling of data is appropriate. We have, in certain asset classes, used a low-default portfolio model given our relative age and associated data limitations. We have also used external data to map into our models. Some processes are outsourced (to Target Group), and where this happens we ensure we have the appropriate governance and oversight to manage the data.

MLG: Where do you think industry-wide innovation will come from in future?
HF: "You could argue that having specialist and challenger banks is innovation by its nature. We have about 30 products to develop over the next four or five years. As we progress we may move into new areas, but we'll be careful we don't step away from a core value of the bank, which is understanding customer needs and engaging with them. One of the biggest pieces of innovation is that we're sitting in this room, and I'm employed by Shawbrook, a bank that didn't exist before 2011. There are others; that's innovation in itself." CS

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TSB poaches Nationwide's chief risk officer

Iain Laing
Chief risk officer
TSB

TSB has announced the appointment of Iain Laing as its new chief risk officer (CRO), following current CRO Neeta Atkar's decision to leave the business.

Laing, who joins from Nationwide Building Society where he has held the CRO position since 2011, is now on gardening leave and starts in March next year. Julia Dunn is now Nationwide's chief risk officer for the group.

Laing's responsibilities at TSB will include leading the bank's risk appetite, strategy and regulatory framework, and advising the board and executive on risk and regulatory matters. He will report to chief executive Paul Pester.

Pester said: "This is an important time to be joining TSB where Iain's strong experience in retail financial services will be essential in supporting the strategic development of TSB to provide better banking to all UK consumers, not least as we progress our IT migration plans.

Laing said: "I've been watching TSB's progress for a while now. I've been so impressed by what has been achieved, and I'm really looking forward to getting started."

Atkar has been TSB's CRO and member of the bank's executive committee since the bank launched in 2013. She played a key role in the build, launch, IPO and establishment of TSB as a challenger bank.

On Neeta's decision to leave, Pester said: "Neeta has made an outstanding contribution to TSB, where she has created and led a world-class risk function, and played a valuable role to the business in her capacity as member of the executive."

Atkar said: "I've thoroughly enjoyed my time at TSB. I'm proud that we have been able to build such a successful yet sustainable and controlled bank which gives customers the experience they deserve."

A spokesperson for Nationwide said: "Iain joined Nationwide five years ago. During his time at the society, he developed a strong, professional and respected risk function. We wish him well."

Shawbrook appoints recoveries director

Leighton Grew
Director for collections, recoveries and restructuring, Shawbrook Bank

Shawbrook Bank has announced that Leighton Grew has been promoted internally to the role of director for collections, recoveries and restructuring. Grew has extensive experience in collections and operations roles within major banks.

Previously, he was portfolio manager for personal loans and joint ventures at Lloyds Banking Group. He's now responsible for a consistent approach to collections, recoveries and restructuring across Shawbrook's property, business and consumer divisions.

LendInvest hires Amigo Loans director

Willem Wellinghoff
Vice president of compliance
LendInvest

LendInvest, the peer-to-peer platform for property lending and investing, has hired Willem Wellinghoff as vice president of compliance.

He joins from guarantor lender Amigo Loans, where he held the position of compliance and conduct risk director.

Still a special advisor to the board at the Credit Services Association, Wellinghoff is also the former head of legal and regulatory affairs, and group legal counsel, at Cabot Credit Management.

Kathryn Maclennan
Hill Dickinson

International law firm Hill Dickinson has strengthened its insolvency team with two new appointments. Kathryn Maclennan has joined as legal director while Richard Da Roza has been appointed as associate. Maclennan's arrival at Hill Dickinson takes the size of the insolvency team to seven.

Bringing expertise in contentious bankruptcy and complex IVA cases, Maclennan successfully represented the debtor in the landmark case of *Green v Wright* which is due to be heard in the Court of Appeal later this year. She will be based at the firm's Manchester office but will service clients nationally.

Da Roza qualified as a solicitor in May and will help the team on contentious matters.

Carol Price
Walker Love

Enforcement agency Walker Love has made three appointments as the business expands in Scotland. Carol Price, formerly operations senior supervisor and whose service with Walker Love spans more than 30 years, has been appointed change manager.

She will coordinate all aspects of major change in the business, as Walker Love creates a new service delivery centre in Paisley.

Andy Fraser, who has been with the company for six years and brings extensive collections call experience, will assume the role of training manager.

Lastly, following a 30-year career with HMRC, Moira Morrison also joins the business as compliance and oversight manager.

Andrew Casey
Ultimate Finance

Ultimate Finance has strengthened its asset finance division with the appointment of specialist lender Andrew Casey. Having worked at both Lloyds and NatWest in asset finance, he joined Close Brothers before moving to Paragon Bank.

Although Casey has specialist knowledge within the print sector, he has provided asset finance and refinancing solutions across all industry sectors. From his base in north Lincolnshire he will be covering the east of England from Newcastle down to Norwich.

In a league of their own

At the St John's Hotel in Solihull last month, guests from the water, energy, telecoms and debt collection industries came together for the Utilities & Telecoms Awards 2016. AMBER-AINSLEY PRITCHARD reports

Energy Team of the Year winner EDF Energy

The Utilities & Telecoms Awards remains the only event that champions best practice in credit risk and collections in both sectors.

At this year's event in Solihull, some of the big winners included EDF Energy, TalkTalk Business, Tesco Mobile, First Utility and The Sigma Financial Group.

The work that goes unsung in the credit and collections teams of such businesses would otherwise be overlooked, if it wasn't for our annual event that recognises those leading the pack when it comes to customer treatment.

But there's more to the night than trophies. This year the guests helped to raise more than £2,500 for the Anthony Nolan charity. They were also entertained by magician Spencer Wood and award-winning Irish comedian Rory O' Hanlon as host.

The awards scheme, sponsored by Court Enforcement Services, Lowell Group, Orbit, Marston Holdings and Moriarty Law, is now in its sixth year, so for 2016 the guests saw for the first time our new branding for utilities and telecoms. This comes shortly after the relaunch of *Credit Strategy* magazine and before our website relaunch later this year.

The night was preceded by the seventh Utilities & Telecoms Conference on the same day, in which speakers from OFWAT, OFGEM, British Gas and many more major firms debated regulatory scrutiny, fraud and occupier debt. See p10/11 for a full report on the conference. At the end of the conference the Utilities & Telecoms Top 50 was announced. The top 50 (see overleaf) recognises the senior professionals who've had the most positive impact on the credit and collections function, within the utilities and telecoms sectors, in the past year. CS

Winners Severn Trent - Care & Assistance Team

AWARD WINNERS FOR 2016

Best Use of Technology Award
Winner: Court Enforcement Services

Energy Team of the Year
Winner: EDF Energy
Sponsored by Orbit

Telecoms Team of the Year
Joint winners: TalkTalk Business and Tesco Mobile
Sponsored by Lowell Group

Water Team of the Year
Winner: Thames Water – Bill to Cash Team
Sponsored by Marston Holdings

Best Outsourcing Initiative of the Year
Winner: Scottish Power and The Sigma Financial Group

Innovation of the Year
Winner: British Gas
Sponsored by Court Enforcement Services

Best Joint Customer Service Initiative of the Year
Winner: First Utility and The Sigma Financial Group

Best Vulnerable Customer Support Team
Winner: Severn Trent – Care & Assistance Team
Sponsored by Moriarty Law

Awards sponsors:

They've got the power: The U&T Top 50

Championing the key influencers on credit risk and collections practice in both sectors, Credit Strategy announced the second annual U&T Top 50 after the Utilities & Telecoms Conference. Here's who made the final list

The second Utilities and Telecoms Top 50 recognises and celebrates the leading professionals who, within the last 12 months, have had a positive impact on the credit and collections industry.

Nominated in part by credit and collections professionals themselves, the list includes a wide range of well-known names from across the water, energy, telecoms and debt collection sectors.

Below is the final list in full. CS

U&T TOP 50

Zoe Ackland
Head of Credit Risk, Debt and Fraud
TALKTALK

Fiona Bailey
Head of Income
UNITED UTILITIES

Dr Tony Ballance
Director of Strategy and Regulation
SEVERN TRENT WATER

Steve Banks
Head of Domestic Credit Risk
RWE NPOWER

Adrian Betts
Senior Risk Strategy and Credit Outsource Manager
VODAFONE UK

Lisa Connell
Customer Manager (Debt Recovery)
NORTHUMBRIAN WATER

Mark Carroll
Head of Credit Risk
EIR

Joel Chapman
Head of Regulation and Compliance
BES UTILITIES

Zuned Choudhury
Corporate Credit and Collections Operations Manager
VODAFONE UK

Anne Curran
Head of Contact Management / Consumer Collections
VIRGIN MEDIA

Mike Elliot
Director of Customer Operations
H3G

Jo Frisby
Specialist Recoveries Manager / Head of Specialist Recoveries
BRITISH GAS

Max Griffiths
Director of Credit and Collections
CENTRICA

Andrew Hancock
Head of Customer Services and Revenue Management
EDF ENERGY

Annette Hardcastle
Head of BGR Debt Operations and Operational Support
BRITISH GAS

Luke Harrison
Agency Relationship Manager
OPUS ENERGY

John Hegarty
Credit Risk Manager
SSE

Sarah Henry
Agency Manager Domestic Debt Operations
SCOTTISH POWER

Spencer Hough
Head of Billing and Collections
ANGLIAN WATER

Geraldine Iwin
Head of Billing Revenue and Collections
NORTHERN IRELAND WATER

Brian Jackson
Director of Credit and Collections
BRITISH GAS

Leyton Jones
Industry Operations Director
OVO ENERGY

Vicky Jones
Credit Risk Manager – Customer Payments
FIRST UTILITY

Emmanuel Laffont
Head of Credit Risk
EVERYTHING EVERYWHERE

Mike Latta
Head of Credit Management
CORONA ENERGY

Sue Lindsay
Head of Consumer Affairs
WESSEX WATER

Allan Machesney
Customer Debt Solutions – Field Operations
E-ON

Andrew MacRae
DTH Collections Manager
BSKYB

Simon Markall
Head of Public Affairs
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SCOTTISH AND SOUTHERN ENERGY

How to solve Italy's impasse on NPL pricing

At the fifth annual International NPL Meeting in Venice last month, investors, Italian banks, investment funds and servicers debated the pricing gap hampering portfolio sales. The country's banks have some bitter pills to swallow, writes MARCEL LE GOUAIS

Marcel Le Gouais
Editor, Credit Strategy

During the summer months there were several speculative, albeit informed pronouncements on whether Italy's non-performing loan (NPL) problem was about to erupt.

As *Credit Strategy* reported in its March issue, all the ingredients are bubbling under the surface, starting with €340bn-€360bn of NPLs sitting on the balance sheets of Italy's biggest banks.

Italy's NPL levels are three times the EU average, and this fragile position has formed against a backdrop of an economy showing a weak growth rate and a prolonged fall in house prices.

But so far, an eruption worthy of Mount Vesuvius is hardly evident. More generally the signs as yet show that if anything, Italy's NPL market will slowly but surely gather momentum.

There are of course many reasons why, with the cumbersome court processes in Italy being just one. Repossessions can take up to a decade and according to research by European consultancy firm Ecorys, Italian bankruptcy proceedings last an average of 7.8 years, compared to an average of about two years for the rest of Europe.

Another vital point of impasse is a gap in expectations over pricing. This was one of the themes that emerged at the International NPL Meeting in Venice on September 16, organised by Italian bank Banca IFIS – which itself buys and sells NPL portfolios.

More than 500 people from investment funds, banks (Unicredit and Intesa Sanpaolo), servicers and other firms debated measures that could help accelerate the level of NPL transactions in Italy, and improve the management of NPLs.

Among the speakers was Roberto Nicastro, president of the four 'good banks' in Italy, along with a strong British-based contingent including Arrow Global's founder Zach Lewy and Nick Ollard, director of global asset sale services at TDX Group. Hoist Finance, PRA, Kruk and Lindorff also took part in roundtable discussions.

One of the presentations, using figures sourced from the Bank of Italy, demonstrated the colossal scale of NPL challenges Italy's banks have to solve.

It showed that in 2008, Italy's banks were holding onto a gross stock of €87bn of NPLs. This total increased 287 percent to reach €337bn in 2015. This means that overall, the banks' NPL ratio increased from 4.9 percent in 2008 to 18 percent in 2015.

So that's the extent of the problem, but interest and indeed activity from investors has not yet yielded a so-called eruption.

At the event Giovanni Bossi, chief executive of Banca IFIS, said: "The response from investors is not to be taken for granted. Even if deals were to increase five-fold between now and 2017, the volumes would still not be sufficient enough to solve the problem of Italian banks' NPLs.

"What is needed is a quantum leap in the management of impaired assets. The financial capacity already exists; investors' interest is connected to institutes' willingness to render their assets transparent and to not be intransigent about prices."

Addressing how to close the pricing gap, panellists drew out the following remedies:

- Investments in skills to manage banks' NPLs effectively;
- Better quality of documentation and portfolio segmentation;
- Shorter credit recovery times;
- Improved technology for credit recovery;
- Creation of joint ventures between banks and specialised structures;
- A revival of Italy's property market.

Banca IFIS remains a key player in bringing together investors, servicers and banks. The head of its NPL division, Andrea Clamer, will be speaking at our CDSP Conference in Manchester this November. CS

The dark horse of car finance

The largest non-manufacturer car finance provider in the UK, Black Horse recently posted a 30 percent increase in lending for the first half of 2016. In a Q&A with its MD, FRED CRAWLEY gauged the mood at the Lloyds subsidiary

Q&A

Richard Jones

Managing director, Black Horse

FC: You've just done your first year at Black Horse - what were you doing beforehand, and how did that prepare you?

RJ: "Most recently I was with Scottish Widows, where I had spent nearly 15 years. The businesses I worked with there, like pensions and life insurance, are very heavily regulated - that gave me a good grounding for moving into a market with increasing regulation."

FC: What have you found surprising or new about the market Black Horse works in?

RJ: "Black Horse is quite unique even in a group with the breadth of Lloyds Banking Group – it really is a business in its own right. A huge aspect of that is the dealer culture. I've worked in other intermediated markets, but here I've really enjoyed interactions with the trade. It's full of people who are down to earth, firm and fair."

FC: How do you feel Black Horse fits in the ongoing debate of offering finance directly to consumers?

RJ: "Our identity is very clear – we are an intermediary lender. Lloyds may lend directly to consumers, but that isn't a Black Horse thing. My focus on digital is around the dealer journey, and on the customer experience. At the moment more than 80 percent of car finance is sold through dealers, and I don't see that changing so long as dealers keep their offering totally relevant to how customers want to buy cars."

FC: How do you feel that regulation around commissions disclosure is changing life for dealers?

RJ: "I've worked in markets where it's been the standard for a long time - and I think if it came in it wouldn't make a difference to this industry. After all, customers expect dealers to be paid for finance sales.

"We do customer monitoring on behalf of our dealers; in the last year we've spoken to 4,500 customers, and we feed back what we hear to our partners.

"One of the things we asked customers is whether they were told by dealers that commission was present in the deal. The results were good – the vast majority were told. For those customers who weren't, we asked if they would have reconsidered the deal if they had known we paid the dealer. Only one customer said yes. I think it's possible we could get unduly concerned about something customers just don't mind."

FC: Do you have any concerns around commissions disclosure?

RJ: "In the long run, whether we introduce it mandatorily or voluntarily, we will need a level playing field on how it's done - for example, so people don't find ways to hide commission elsewhere in a deal.

"There has also been a valid point raised by the industry, that we need to be careful not to make commission so prominent that customers don't see the total value of deal.

"Although I'm relaxed based on what I have seen in insurance, I still know there could be unintended consequences. It's something we need to discuss more as an industry, and having recently joined the Finance and Leasing Association's board, it's a discussion I'm keen to develop.

"You have to keep moving the agenda forward - regulation is necessary, but in and of itself is never sufficient for change. We all need to work together, so we can be done with it.

FC: Black Horse has got a lot of attention over the last year for technological and process innovation - how does that mesh with the business being the size it is?

RJ: "We have a real focus on agility. While we're big, we always try to act like we're not when it comes to changing things. For example, with the implementation of Consumer Contract Regulations, we moved quickly to an APR-led model. That said, we've still got a big infrastructure and it can take time to get things done – so it's as much about forward thinking as persistence" CS

Leading the pack in collections and customer service

This month Credit Strategy revealed the full shortlist for the Collections and Customer Service Awards, which this year features the public sector more prominently than ever

Some 45 finalists are in the running this year in 12 categories for the Collections & Customer Service Awards.

In its 10th year, the scheme has seen an influx of entries across a diverse range of existing and new categories. In particular, categories such as Vulnerable Customer Support Initiative, which has been split into two sub-categories of 'creditor' and 'non-creditor' features some of the UK's largest financial services and utilities firms.

This year it includes Barclaycard and British Gas as well as debt purchasers, debt counselling firms and peer-to-peer companies, such as Zopa, Cabot Credit Management and StepChange Debt Charity.

The public sector is well represented with entries from local and central government. The line-up for Public Sector Collections Team of the Year includes HMRC's Accelerated Payments Team - a new standalone operation dedicated to recovering debts incurred by the use of tax avoidance schemes.

Meanwhile, the Cabinet Office has nominated Indesser – the joint venture between the government and TDX Group which works with the DwP, Home Office, HMRC and Student Loans Company to optimise debt recovery for central departments. North Warwickshire Borough Council has also made the shortlist with an innovative approach to financial inclusion.

Kamala Panday, publishing director at *Credit Strategy*, said: "After a decade symbolising best practice in a sector marked by change, from the creation of the UK debt sale sector, to the end of self-regulation and resulting overhaul in approaches to customer conduct, it is perhaps no surprise that this scheme has reinvented itself several times both in name and in terms of categories on offer."

She added: "This year is no exception, and we are delighted to see entries in abundance from the largest creditor, the government, whose departments last year stepped up their use of the private sector to help solve the multi-billion pound debt problem."

In keeping with previous years, the 2016 judging panel features Britain's biggest banks such as RBS, HSBC and Santander, along with MBNA, National Australia Group, Tesco Bank, Vanquis Bank and the Credit Services Association.

Other new categories include awards that recognise those operating within contact centres. They and all finalists will discover who takes home the trophies in front of hundreds of guests at the Midland Hotel, Manchester, on November 24.

Once again, the awards night follows the Collections, Debt Sale & Purchase Conference during the day at the same venue.

This year the conference has more than 30 speakers and features a UK as well as a European debt sale and purchase stream, reflecting the continuing trend of UK debt purchasers becoming more pan European. Speakers reflect both UK creditors such as Scottish Power and Yorkshire Bank as well as European lenders such as BNP Paribas, Deutsche Bank and Banca IFIS. CS

CCS Awards 2016: The finalists

Agent of the Year
James McShane, HM Revenue & Customs – Debt Management Telephone Centre
Laura McLean, HM Revenue & Customs – Debt Management Telephone Centre (DMTC) Livingston
Liz Bann, British Gas

Best Conduct & Compliance Culture Sponsored by Lowell Group
1st Credit
GM Financial
Idem Capital

Best Customer Service
1st Credit
Credit Management Group UK
GM Financial
MMF Debt Purchase
Phoenix Commercial Collections
The Keith Jones Partnership
Zopa

Best Legal / Judicial Services Provider
drydensfairfax solicitors
Lowell Solicitors
Marston Holdings
Mortimer Clarke Solicitors, part of Cabot
Credit Management Group
The Keith Jones Partnership

Best Technology
Cashpundit
Microsoft
Themis Global
IWOCA
Zinc Group – powered by Enghouse Interactive technology

Charitable Initiative of the Year Sponsored by Marston Group
Dollar UK
Shop Direct

Contact Centre Team of the Year
HMRC Debt Management Telephone Centre, Livingston
HMRC Liverpool Debt Technical Office – Tax Credits
HMRC Liverpool Debt Technical Office – Team 3G
South West London Law Centres

Debt Advice Provider of the Year
Debt Advisory Line
Money Advice Trust
South West London Law Centres

CCS AWARDS 2016

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International NPL Expetise – Company
PRA Group
Arrow Global

Public Sector Collections Team of the Year in Association with LACEF
Debt Market Integrator Programme Team, Cabinet Office and Indesser
HMRC Accelerated Payments Team
North Warwickshire Borough Council

Vulnerable Customer Support Initiative – Creditor Sponsored by Phillips & Cohen Associates UK
Barclaycard
British Gas
MYJAR
Zopa

Vulnerable Customer Support Initiative – Non-creditor
Cabot Credit Management (Cabot)
Debt Advisory Line
Idem Capital
StepChange Debt Charity

CCTA CONFERENCE 2016

STRONGER **TOGETHER** GOING FORWARD

2016 has brought unprecedented change to the United Kingdom. In effect, the vote to exit Europe, and consequential 'musical chair parliament', threw all regulatory cards in the air, and has provided a truly unique opportunity to influence how, and where they land. When the dust has settled and equilibrium returns, as it must, if we have embraced the inevitable change, and risen to the challenges that will bring, we will stand stronger together, going forward.

Our industry has endured an extremely difficult three years of broken communication and turmoil. Our collective voice of experience and caution appears to have been unheard in the corridors of power, but now is our chance to re-write the story.

Collaboration is key. At CCTA we intend to draw a line under the chapter, and lead from the front the quest for a robust, fair and dynamic market.

With the FCA authorisation gateway closed we have already targeted a strong public affairs programme. Following BREXIT, that programme will be further enhanced to protect our members and our industry. We will be working to ensure politicians and the regulator recognises business models of all shapes and sizes, serving specialist needs. Our heart, and conference, lies in protecting the consumer whilst safeguarding firms, jobs and the future viability of an arena striving to provide modern and innovative consumer credit products.

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	MEMBER	NON-MEMBER
PRICES		
2 November day one conference	£210	£260
2 November buffet dinner & drinks reception	£90	£112
3 November day two conference	£210	£260
3 November gala dinner & champagne	£145	£180
ACCOMMODATION		
standard double room, per night	£120	£120
PACKAGES		
day one package - 10% saving 2 Nov conference, buffet dinner & accommodation	£378	£443
day two package 10% saving 3 Nov conference, gala dinner & accommodation	£428	£504
full event package 15% saving 2/3 Nov conferences, dinners & accommodation	£761	£894

NOTE: all prices excluding VAT

ccta
CONSUMER CREDIT TRADE ASSOCIATION

It's Berlin vs London for the fintech champion title

After the starting gun was fired for Brexit, can London retain its locus as Europe's fintech capital? Ahead of Credit Strategy's F5 Conference, MARCEL LE GOUAIS asks if passporting issues may decide the winner in a battle with Berlin

Marcel Le Gouais
Editor, Credit Strategy

The moment Prime Minister Theresa May triggers Article 50 early next year, will it also sound the death knell for London as Europe's fintech capital?

Some German-based companies such as payments platform Traxpay have said as much, claiming earlier this year that London had "committed suicide as a leading fintech centre."

A deliberately baiting view, yes, but not an isolated one.

Stefan Franzke, chief executive of Berlin Partner for Business and Technology which promotes investment in the city, told *Credit Strategy*: "Fintech firms looking for an alternative location after Brexit have Berlin at the top of their list, as the city provides ample opportunity to reimagine banking.

"Since the referendum, we have been contacted by about 25 companies from Britain, most of them start-ups from the financial sector. We have already supported three of them to relocate to Berlin."

It's a stark, admittedly self-serving point, though it's not necessarily exaggerated.

So far the apocalyptic forecasts haven't come true for the UK economy, but nevertheless the referendum vote is impacting fintech.

There was a consensus shortly after the referendum vote that a stasis in investment decisions would be incurred, along with a problem for companies that had hitherto depended on passporting to EU member states for access to new markets. For fintech firms that had been relying on passporting, and were looking for fresh investment in spring/summer, the 'No' vote dealt a double blow. One of those firms was Youpass. A fintech firm authorised by the Financial Conduct Authority (FCA) to provide mobile payment services for online games and gift cards, Youpass has real concerns about its future. The group has locations in France, UK and Ireland, and at the FCA's annual meeting this year, it pressed the regulator's chief executive about the UK's ability to cultivate conditions for growth for fintech companies, post Brexit.

Tatiana Rozoum, a director at Youpass, said: "Passporting across all EEA members for a company like Youpass is a fantastic opportunity to expand on the legal security base. It's possible today because the FCA is one of the most innovation-friendly regulators in the EU."

Rozoum explained however that the passporting authorisation, which forms her company's power and nature, is "essential to carry on cross-border services while benefiting from the law harmonisation, made possible with access to the single market."

Post Brexit, London might also be affected by the trend of Europe's country-specific financial regulators competing. Rozoum added that the French regulators AMF and ACPR have announced measures to help new financial companies obtain authorisation, by providing a simplified process, and English-speaking specialists to assist applicants. CS

Stefan Franzke will speak in a panel session on the impact of Brexit on fintech at Credit Strategy's F5 Conference in December.

The livelihoods of 12,000 people saved by TRI Award entrants

With 12,000 jobs saved by the business recovery firms that entered this year's TRI Awards, AMBER-AINSLEY PRITCHARD examines where pre-packs fit into the rescue culture

Amber-Ainsley Pritchard

Content writer, Credit Strategy

More than 12,000 jobs have been saved by the business recovery firms that entered this year's Turnaround, Restructuring and Insolvency (TRI) Awards, sponsored by Capa.

Credit Strategy collated information from all this year's entries which provided figures on how many jobs were saved during a business rescue process.

It was discovered that a staggeringly high number of people's livelihoods were saved in a range of businesses, from those with a turnover of up to £20m, up to those with a revenue of £21m or more.

Formerly the Insolvency & Rescue (I&R) Awards, the renamed, refreshed TRI Awards scheme is now in its ninth year.

One of the methods used by several of this year's entrants, that saved thousands of jobs, is a pre-pack administration.

A controversial tool since its inception, the government issued a report with recommendations on how to reform this process in 2014.

As a result of that report, the pre-pack pool came into practice in November 2015. This is a panel of independent experts who review applications for pre-pack insolvencies. Applications are made to the pool through a secure, online portal.

A reviewer from the panel then issues one of three opinions: The pre-pack is not unreasonable; the case is not unreasonable but there are minor limitations in the evidence provided; or the case for a pre-pack has not been made.

While the panel member can offer an opinion on whether there are reasonable grounds for a pre-pack to take place, this person cannot prohibit it from happening.

Along with the pre-pack pool, the 2014 report's changes ensured that insolvency practitioners are now subject to more strict codes of practice issued by the government, under the amended statement of insolvency practice (SIP) 16. The Insolvency Service said SIP 16 will mean creditors have better access to information about the new owners of a troubled business, providing them with greater clarity about administrations.

Co-director of the Pre-Pack Pool, Stuart Hopewell, said: "Whilst we got off to a slow start the pace of referrals is now increasing, we have had 38 cases referred of which five received a negative response.

"We await full statistics from the regulatory bodies but we believe that about one third of connected party pre-packs are being referred."

Hopewell said the value of the transactions is high with the largest having been £65m and the "average deal" size in excess of £500,000.

Steve Allinson is co-chairman of the TRI Award judging panel and a consultant at the law firm Shoosmiths. He said: "One insolvency practitioner told me that referring to the pre-pack pool had made the acceptance of the administration by the creditors a lot easier. This is a good testament but a voluntary scheme will always be fraught with uncertainty. It's important to remember that there is provision in the SME Act 2015 for the government to create compulsory legislation around pre-packs by 2020.

"If this pool isn't successful on a voluntary basis it's possible that a formal compulsory regime will be invoked for pre-packs, or they could be outlawed completely."

Aside from pre-packs, David Chubb, partner at PwC and a judge for the TRI Awards, said that funding solutions are an increasingly important aspect of the restructuring toolkit, adding: "Restructuring practices can continue to save jobs as long as there are jobs to save." CS

TRI AWARDS 2016

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The TRI Awards took place on **October 19** at the **London Hilton Park Lane**. The full winners list will be announced in the December issue of Credit Strategy and on our website: **triawards.co.uk**

Dates for your diary

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

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The Midland Hotel, Manchester
cdspconference.co.uk

COLLECTIONS & CUSTOMER SERVICE AWARDS 2016

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

F5: THE FUTURE OF FINANCE CONFERENCE

13 Dec 2016
Hilton London Bankside
f5conference.com

F5: THE FUTURE OF FINANCE AWARDS

13 Dec 2016
Hilton London Bankside
f5awards.com

CREDIT SUMMIT 2017

30 Mar 2017
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creditsummit.co.uk

CREDIT AWARDS 2017

11 May 2017
The Grosvenor House Hotel, London
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The Fifth Estate

An insider's solution to fund free advice

Rows over funding for the free debt advice sector have been prevalent of late. Privately, some question if 'fairshare' contributions live up to the name. Here, one industry insider explains why

I cannot help but notice that an increasing number of organisations offering free advice are becoming rather vocal about their funding (or lack of it).

This involves them requesting donations or putting pressure on each and every creditor to pay 'fairshare'.

But is 'fairshare' really that fair?

The first thing to consider is whether each and every person seeking advice is really unable to pay something towards the cost. So, are all those in debt really destitute or near destitute?

Apparently not, as those in the advice sector have enough confidence to put customers into very lengthy repayment plans of frequently five to 10 years in duration, or more, rather than a debt relief order (DRO), bankruptcy or downsizing.

Let us also remember that 'fairshare' is not a levy on creditors for the provision of the initial advice. It is an ongoing monthly levy – often for a decade or more – to collect and distribute money.

Is each and every person in debt really unable to set up a few direct debits to repay creditors? The answer is of course, no.

"It's easy to complain about interest rates and fees, but having a two or three-year loan turned into a 10-year interest free loan is, to say the least, rather generous"

Another thing rarely mentioned is that the vast majority of these people (on debt management plans) are not being charged any interest.

It's easy to complain about interest rates and fees, but having a two or three-year loan turned into a 10-year interest free loan is, to say the least, rather generous. Those who do pay on time are not granted this luxury. In summary, why should people who are both financially stable and capable be entitled to free advice and a decade or so of using debt management plans to distribute their money for free?

You don't expect to get a plumber or gardener's services for free.

There is of course a simple solution to the free advice sector's funding issues; obtain a fair payment paid by the person in debt based upon their income/assets.

A final thought: A number of well-known debt charities do not simply offer advice and distribute funds for those in debt.

They take it upon themselves to employ individuals to conduct industry research with the aim of pressuring regulators and the government. And that research is arguably flawed and/or biased.

Is that a fair use of 'fairshare' funds? CS

That sinking feeling when someone hasn't checked properly

The mind boggles as to the level of due diligence undertaken, or perhaps wasn't in this case, by Ocean Finance when obtaining names and phone numbers of individuals - to spam with seven million texts.

The Manchester-based lender was fined £130,000 by the Information Commissioner's Office (ICO) for not getting sufficient consent from the individuals concerned to send out the texts

And so it was that an attempt to flog a new credit card by means of a scatter gun approach became an expensive lesson in being shamed publically.

Ocean Finance, the trading name of Intelligent Lending (a slightly unmerited name in this instance), believed it was complying with the law.

This was because, as the ICO described it, "the third party firm it obtained names and phone numbers from claimed it had people's consent to send texts."

In an age where data protection and concerns over data sharing are soaring in the collective consciousness, Ocean Finance's conduct begs a question. When ministers deploy this topic to hoist their own agenda in front of the public eye, did it not occur to the right people that this third party should be scrutinised within an inch of its own life? CS

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