CREDIT STRATEGY

Risk | Policy | Conduct

December 2016

THE BATTLE FOR EUROPE BEGINS

Why the continent's elite debt buyers are poised for more M&A

INTRODUCING CREDIT WEEK
The Credit Summit just got even bigger

THE CS INTERVIEW
Mark Thundercliffe
Group chief risk officer
Clydesdale and Yorkshire Banks

WAITING TO EXHALE
Bill for statutory breathing space gains momentum

Wherever you fit…

we're here to help at every stage of your career.

92%
of members are likely to recommend CICM to non-members

Membership benefits:

- Qualifications & training
- Resources & Industry updates
- Networking events
- Credit Management magazine

- Customer risk assessment & take-on
- Credit terms & funding
- Relationship-building & sales growth

- Sales transaction processing
- Invoicing & dispute resolution
- Collecting payment & cash allocation

- Debt recovery
- Litigation
- Insolvency

CICM
Chartered Institute of Credit Management
The Recognised Standard

Join online today at www.cicm.com or call 01780 722900

Skilled person reviews: Who's watching the watchmen?

Marcel Le Gouais
Editor

Many readers would have been aware how painfully expensive section 166 orders can be.

Motormile Finance, the recipient of such an order that was subjected to a skilled person review by the Financial Conduct Authroity (FCA), has recently completed the arduous process.

This resulted, as reported by *Credit Strategy,* in a redress package agreed with the regulator for more than 500,000 of Motormile's customers.

The redress will consist of £154,000 in cash payments to customers and the writing-off of £414m of debt, where the firm had been unable to provide evidence the outstanding debt balance was correct and owed by customers.

The debt purchaser, according to the FCA, had failed to conduct sufficient due diligence upon the purchase of a debt portfolio, to be satisfied that the sums due under customer loan agreements were correct.

But the FCA announcement didn't exactly tell the whole story of how skilled person reviews work and how they can seemingly back consumer credit firms into a corner.

Not always a pre-cursor to enforcement action, they are designed as a measure of independent assessment, to test if changes a business makes, or has made, will achieve the desired outcome.

"The level of work required, to demonstrate that an outcome has been achieved, can drive costs up to a six or seven figure sum"

But the level of co-operation and subsequent work required, to demonstrate that an outcome has been achieved, can drive costs up to a six or seven-figure sum.

And what choice does a business have but to pay these excessive costs? It has to co-operate, it seems, almost to breaking point for the business.

There doesn't seem to be an obvious check and balance over the regulator's conduct during this process, from the perspective of the business receiving the order.

That's not to cast any aspersions over the FCA's treatment of Motormile during the past couple of years. This is more about asking a series of questions: What options does a consumer credit business have when told it has to undergo such a costly endeavour?

Even if that company calls in help from an adviser who can help question the legitimacy of every bit of time and expense billed by the skilled person during the review, what else can the business do? Even if it wants to question broader elements, not just the expense, will those questions be listened to and taken seriously?

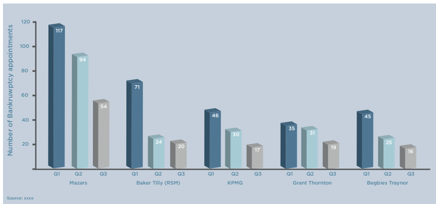
Then there are questions that remain unaddressed in the FCA's specific press release about Motormile.

Nothing was stated about the conduct of the seller of this particular portfolio to Motormile. What about the quality of information the seller passed on? Looking at it pragmatically outside specific confines of the rulebook, are there any further steps the creditor could have reasonably taken to help Motormile prevent consumer detriment?

Without clarity in the FCA's public announcement, it inevitably becomes subject to speculation. CS

Contents

07 | A vulnerability register



08 | IVAs rise 30 percent

Alastair Barter
Senior policy officer (business and industry), ICO (p19)

"Cyber security is not an IT issue. It is a boardroom issue. Its place at the heart of an organisation is being recognised"

Fred Crawley
Consulting editor, Credit Strategy (p15)

"Business words – if we're honest – aren't great for communicating. When it comes down to it, efficient communication means plain language, and straight answers"

20%
The year-on-year increase in personal insolvencies, from Q3 2016 to Q3 2015
See p8

CS COVER STORY

In its ninth annual analysis of the credit management and debt collection market in Europe, OC&C Strategy Consultants explores the real drivers of continental expansion. A mega merger among the elite is on the cards, explains Nigel Stirk and Mark Jannaway.

£4.2bn

The combined revenue of the 30 largest collection businesses in Europe

Source: OC&C Strategy Consultants

THE CS INTERVIEW

Mark Thundercliffe, chief risk officer at Clydesdale and Yorkshire Banks, explains why his switch from HSBC represents a move back to his heartland.

EDITORIAL
Editor
Marcel Le Gouais / 020 7940 4830
marcel@creditstrategy.co.uk

Consulting Editor
Fred Crawley / 020 7940 4813
fred@creditstrategy.co.uk

Content Writer
Amber-Ainsley Pritchard
020 7940 4816
amber-ainsley@creditstrategy.co.uk

CONTRIBUTORS
Christine Toner, freelance journalist

COLUMNISTS
Garreth Cameron, *group manager (business and industry), Information Commissioner's Office*
Mark Berrisford-Smith, *head of economics, HSBC UK Commercial Banking*
Robert Skinner, *chief executive, Lending Standards Board*
Stuart Howard, *chief executive, Dollar UK Financial Conduct Authority (various)*
Sophie Guibaud, *vice president of European Expansion, Fidor Bank*
Stuart Sykes, *group head of debt recovery, Myjar*

PRODUCTION
Designers
Anabela Abreu
aabreu@shardfinancialmedia.com

Barnaby Attwell
battwell@shardfinancialmedia.com

COMMERCIAL
Sales Director
Vicki Clubley
020 7940 4827
vicki@creditstrategy.co.uk

Business Development Director
Michael Stanton
020 7940 4812
michael@creditstrategy.co.uk

Business Development Director
Ben Miller / 020 7940 4803
ben.miller@creditstrategy.co.uk

Business Development Manager
Ella Garrick / 020 7940 4809
egarrick@creditstrategy.co.uk

Delegates Sales
Vyvy Nguyen / 020 7940 4821
vnguyen@shardmediagroup.com

Delegates Sales
Ajay Barot / 020 7940 4848
abarot@shardmediagroup.com

MARKETING
Head of Marketing
Lauren McWilliams / 020 7940 4836
lmcwilliams@shardfinancialmedia.com

Senior Marketing Executive
Lena Elhibir / 020 7940 4837
lelhibir@shardfinancialmedia.com

Marketing Assistant
Jonathan Simmons / 020 7940 4826
jsimmons@shardfinancialmedia.com

CONFERENCE PRODUCTION
Head of Conference Production
Mike Jeapes / 020 7940 4847
mike@creditstrategy.co.uk

Conference Producer
Andrew Tosh / 020 7940 4818
andrew@creditstrategy.co.uk

EVENTS OPERATIONS
Head of Events
Jenna Abbott / 020 7940 4833
jenna@creditstrategy.co.uk

Deputy Head of Events
Claire Davison / 020 7940 4824
claire.davison@creditstrategy.co.uk

Events Executive
Brenda Li Quadri / 020 7940 4829
bliquadri@shardfinancialmedia.com

Events Executive
Antonella De Cuia / 020 7940 4806
adecuia@shardfinancialmedia.com

DIGITAL
Sofia Homem / 020 7940 4825
shomem@shardfinancialmedia.com

Sam Eckett / 020 7940 4111
seckett@shardfinancialmedia.com

FINANCIAL
Financial Controller
Sam Singleton / 020 7940 4808
ssingleton@shardfinancialmedia.com

Office Manager
Sharon Dennis
020 7940 4807
sdennis@shardfinancialmedia.com

DIRECTORS
Chairman
Nick Miller

Managing Director
Luke Broadhurst

Publishing Director
Kamala Panday / 020 7940 4839
kamala@creditstrategy.co.uk

Finance Director
Douglas Wright

Subscriptions:
creditstrategy@circdata.com
01635 869868
Printed by: Stephens and George (S&G)

Credit Strategy is a subscription news magazine. Annual rates: (UK) £195 for one year (£351 for two years), (Overseas) £249 for one year (£448 for two years).

It is published monthly by Shard Financial Media.

ISSN 2399-1372.

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

Shard Financial Media
First Floor, Axe & Bottle Court
70 Newcomen Street, London SE1 1YT
Tel: 020 7940 4835
Fax: 020 7357 6969
creditstrategy.co.uk

SHARD FINANCIAL MEDIA

Dispatches

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

A six-week express deal: 1st Credit's sale to Intrum Justitia

The chairman and chief executive of 1st Credit have revealed that the UK debt purchaser's sale to Intrum Justitia, the European credit management firm, took just six weeks to complete.

Leith Robertson and Eddie Nott explained some of the details of the sale, by its current private equity owner Bridgepoint to Intrum, in an exclusive interview with *Credit Strategy*.

The acquisition, made for an enterprise value of £130m, is now subject only to approval from the Financial Conduct Authority – which is expected by the end of the year.

Now, with a low cost of funding, the UK debt buyer is poised to purchase more portfolios than it has done in the recent past.

1st Credit first engaged Intrum Justitia only in late September this year and explained why it was a good fit for the Sweden-based business. Intrum was left with supporting materials about 1st Credit at that initial meeting and subsequently requested an exclusivity period. From this point onwards the process moved rapidly.

Using extensive resource and manpower at accelerated speed, Intrum then probed into 1st Credit's business and by the time the acquisition was agreed, the entire process had taken just six weeks.

"It was pretty fast by market standards", Robertson explained, adding: "Now we want to build this business into one of the market leaders; we have all the ingredients to do that."

Robertson also emphasised that the UK business, which will effectively become a UK division of Intrum, will be allowed to develop with its own structure. Nott explained that two characteristics of 1st Credit which appealed to Intrum were the customer-focussed nature of its business and its cost efficiency.

He added: "It's a huge benefit to our new owners to be able to grow the business while retaining that cost efficiency."

Mikael Ericson, president and chief executive of Intrum, said: "By acquiring 1st Credit, we strengthen our ability to service clients in the financial industry and we take another important step towards accelerating the growth of Intrum Justitia."

1st Credit has more than 100,000 customers and arrangements of more than £300m. It was acquired in 2004 by Bridgepoint - which was advised by Travers Smith on the sale to Intrum.

Retail banks count £3bn of conduct costs

Four of the UK's major banks set aside close to £3bn to cover conduct costs and litigation in the third quarter.

The figures revealed in third quarterly reports published by banks found that packaged back accounts and payment protection insurance (PPI) are still forming the bulk of these pay outs.

Lloyds Banking Group said it will set aside £1bn to compensate customers who were mis-sold PPI. This brings its total provision of PPI compensation to £17bn since 2011. Lloyds has also set aside £150m to cover other conduct costs including £100m relating to packaged bank accounts.

In its third quarterly report RBS said it will set aside £425m to cover conduct and litigation. The bank also announced it will pay out about £400m outside of this to refund the SMEs that were referred to its Global Restructuring Group (GRG) back in 2011/2012.

Meanwhile Barclays reported that £741m has been set aside for conduct costs and litigation in the third quarter - a six percent increase from £699m in the same period last year.

Most of the £741m will provide redress to customers that were mis-sold PPI.

HSBC announced it has set aside around £354m for UK customer redress programmes as part of its retail banking and wealth management group.

Correction: Cabot Credit Management

In Credit Strategy's November issue, we published an article on complaints against financial services firms with data sourced from the FCA.

In this article Credit Strategy stated that Cabot Credit Management had the third highest number of complaints made about consumer credit opened against it, during the first half of 2016. We incorrectly stated that the number of consumer credit complaints recorded against Cabot by the FCA (3,646) represents one per every 100 customers.

However, these figures actually represent complaint levels of less than one per 1,000 of Cabot's customers, which compares favourably with other financial services firms.

THE VENT
Choice cuts from social media

Brexit will boost business failures

Last month we published an article online about a survey that found two thirds of the insolvency profession believe Brexit will increase the number of UK business failures during the next 12 months. It kicked off a debate on our Insolvencynews Linkedin group.

For more on this article and debate visit: http://bit.ly/2eVUPgP

A new vulnerability register for consumer credit

Vulnerability is at the heart of many creditors' agendas right now and in a timely fashion the Vulnerability Registration Service (VRS) has been created, with plans to launch in the new year.

Helen Lord, co-director of VRS, discussed how the platform will work at the Consumer Credit Trade Association's (CCTA) Going Forward conference in Nottingham this month.

The VRS is an independent private sector data processor with the purpose to protect consumers and provide organisations with a tool to help deal with vulnerable people.

It is run by seven co-directors who all have backgrounds in the consumer credit market.

Vulnerable customers will use the platform to record their personal circumstances when they are looking to protect themselves from further debt or related financial problems.

When vulnerable consumers fill in the register it can be as simple as only having to fill in their name, address and date of birth.

The system will automatically remind consumers they are on the register every three months. This means the consumer can update their personal situation or remove themselves from the list altogether.

Lenders and creditors will be able to subscribe to the platform and therefore access all of its data.

VRS said the platform could be used as a starting point when companies make decisions on customer engagement strategies such as arrears and collections.

Because the register is a data processor it does not need to be regulated by the Financial Conduct Authority (FCA).

However, VRS said it has had a "positive dialogue" with the regulator during the register's development.

Bruce Turnbull, co-director of VRS, said: "Data sharing between financial services and utilities and telecoms is unheard of but they all have vulnerable customers so could be using just one platform."

"In Kent we are being approached by several European companies to deal direct rather than through government trade deals"
John Walmsley
Scot Lift Systems and Mayburn International

"Two years plus of uncertainty and stunted investment that goes alongside that, with exchange rate-induced inflation can't be good for the majority of UK businesses"
Mariano Belinky
Santander InnoVentures

"Personally I believe in the long term the impact of Brexit will promote us to 4th in the world economy ratings, above Germany"
Gary Pettit
PBC Business Recovery & Insolvency

Linkedin

A WORD TO THE WISE

"Although the Financial Conduct Authority review into the historical operation of GRG continues, we believe that now is the right time to deal with the areas where we accept some customers were let down"
Ross McEwan
Chief executive, RBS, apologises for historic treatment of distressed SME customers

"Just because someone has a prescription to anti-depressants, it doesn't mean they're lacking mental capacity"
John Lamidey
Arminius Associates
On vulnerable customers at CCTA's conference

"We expect these products (packaged bank accounts) to be sold fairly and for customers to have the information they need to make an informed choice. Customers should not have to complain to the ombudsman to get a fair outcome if things go wrong"
Jonathan Davidson
Executive director of supervision of retail and authorisations
Financial Conduct Authority

"It seems the cyber criminals only took relatively small amounts from the Tesco accounts they hacked. Still, every little helps"
Ivor Baddiel
Writer and broadcaster

"The Tesco Bank breach looks more like Swiss cheese than Swiss bank security grade"
Pascal Bouvier
Venture Partner
Santander InnoVentures

IVAs surge 30 percent as personal insolvencies maintain upward trend

Personal insolvencies increased for five consecutive quarters up to the end of September, according to official statistics. MARCEL LE GOUAIS explores what might be fuelling the rise

Personal insolvencies in the third quarter of 2016 jumped nearly 20 percent, year-on-year.

This figure was not exposed to a great deal of public debate last month when the official statistics from the Insolvency Service were released.

The number marks an increase of six percent on the second quarter of 2016, but the news was submerged in the Brexit judgment furore and the Bank of England's more optimistic growth forecast for next year

A certain level of increase would have been reasonably expected, given the online adjudicator process for bankruptcies, fee rises for creditors and a change to the threshold for debt relief orders (DROs).

Paul Rouse

Partner, National Creditor Services, Mazars

"The increases in fees the official receiver charges, for every bankruptcy since the end of July, might deter more creditors seeking recovery through a bankruptcy petition"

But it's not clear if this explains completely a near 20 percent year annual rise in the third quarter, or indeed, five consecutive quarters of increases.

A total of 24,251 people become insolvent in the three months up to the end of September, a factor the Insolvency Service said was driven by a rise in individual voluntary arrangements (IVAs), which came out at 13,917. This more than was 10 percent higher on the previous three months and almost 30 percent more year-on-year.

Bankruptcies made on the petition or application of the debtor were also up, reaching 2,988 cases. This was 12 percent higher than the previous quarter.

The option of avoiding court and going through the bankruptcy process online, thereby removing the 'embarrassment factor', seems to have been a preferential one for debtors. The fact they can also pay the application costs in instalments, when petitioning for their own bankruptcy, has probably played a part too.

Paul Rouse is partner in the National Creditor Services division at Mazars, which has taken on the highest number of bankruptcy appointments this year, as the table opposite shows.

He said: "Access to bankruptcy by individuals seeking a solution has been facilitated by the online adjudicator process, which seems to be popular and working well, rather than having to petition for bankruptcy through the court, which was expensive and potentially daunting for the individual."

Rouse also explained that a different pattern may emerge in the number of creditors' petitions for bankruptcies.

Mark Sands

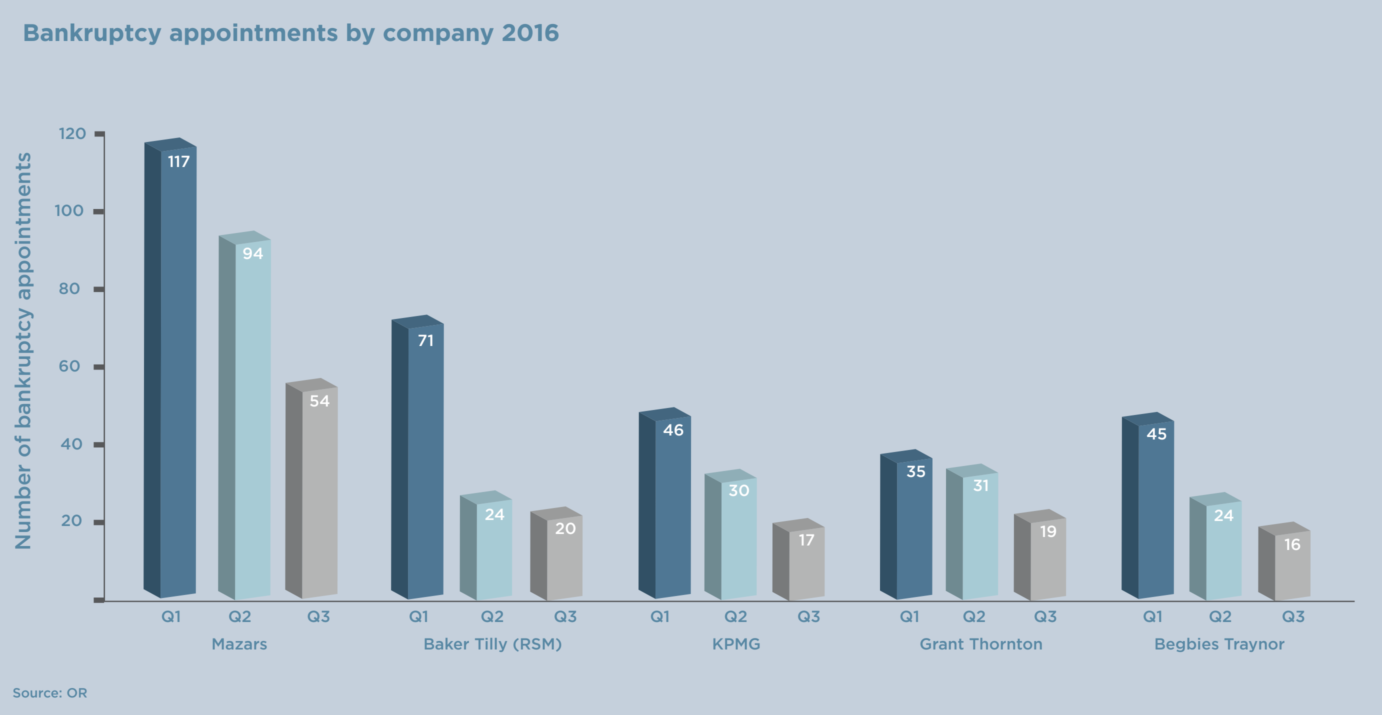
Personal insolvency partner, RSM

"As a result of an FCA clampdown on debt management plan providers, many consumers who may previously have been encouraged to enter these informal arrangements may now be being urged to enter formal IVAs"

"The increases in fees that the official receiver charges, for every bankruptcy since the end of July, might well deter more creditors seeking recovery through a bankruptcy petition.

"This, coupled with the decrease in creditor petitions, due to the inflated £5,000 threshold putting the process out of the reach of many creditors, will most likely see bankruptcy numbers remain flat at best."

There were 870 creditor petition



bankruptcies between July and September, which was 3.7 percent lower than the previous quarter and 22.6 percent lower year-on-year.

The Insolvency Service also said this recent drop is linked to a change in the minimum debt a creditor must be owed to make someone bankrupt, which increased from £750 to £5,000 in October 2015.

DROs

The difference in debt relief orders (DROs) didn't necessarily demonstrate a trend as clear as bankruptcies and IVAs. They decreased on the quarter but increased on the year.

There were 6,490 DROs in the third quarter, a 3.7 percent drop on the previous three months, but 15.3 percent higher year on year.

The Insolvency Service attributed this annual rise to a change to eligibility criteria, which took effect in October last year. About a quarter of DROs in the third quarter involved qualifying debts greater than the previous threshold of £15,000.

Sustainability

Mark Sands, personal insolvency partner at accountancy firm RSM, believes the general rise in insolvencies provably has more to do with developments in the insolvency market rather than the reality facing borrowers.

He added: "What the figures don't show is how many people are entering into informal debt management plans. We suspect that as a result of an FCA clampdown on debt management plan providers, many consumers who may previously have been encouraged to enter these informal arrangements may now be being urged to enter formal IVAs."

The prospect of consumers being 'flipped' into IVAs from debt management plans has become a concern for practitioners. Bev Budsworth, managing director of debt advice company The Debt Advisor, said: "A number of unregulated lead generators have also appeared on the market, packaging IVAs to insolvency practitioners after dubious advice for a fee. I am seriously concerned about customers being shoe horned into IVAs by unregulated lead generators."

Personal insolvencies 2016

Insolvency procedure	Second quarter 2016	Third quarter 2016	Q3 to Q2 change
IVAs	12,550	13,917	10.9 percent ▲
Bankruptcies	3,594	3,844	7 percent ▲
DROs	6,741	6,490	3.7 percent ▼
Total	22,884	24,251	6 percent ▲

Yet more new rules to revert a mortgage shortfall problem

The Financial Conduct Authority has found that around 750,000 customers have overpaid their mortgage due to the way lenders and administrators are calculating arrears repayments. AMBER-AINSLEY PRITCHARD reports on the regulator's remedial plans

Has the entire mortgage industry been inadvertently breaking the rules, when it comes to arrears repayment calculations?

The Financial Conduct Authority (FCA) seems to think so, and will now consult on new guidance for how customers with mortgage payment shortfalls are treated, after warning current practices may breach rules.

Some lenders and administrators, the regulator said, have automatically included customers' arrears balances within their contractual monthly instalments (CMI).

These payments are recalculated from time to time - for example when an interest rate changes.

The FCA said it considers this practice to be "automatic capitalisation" of payment shortfalls.

An announcement from the regulator explained that, effectively, because firms have not reduced the arrears to zero, they are collecting the arrears over the remaining mortgage term through a higher monthly payment.

Lenders and administrators are also continuing to pursue these arrears through their collections processes – treating them as immediately payable, the FCA added.

The regulator said the automatic inclusion of arrears balances in customers' payments "lacks transparency and can lead to harm".

It gave the example that it can take a customer longer to repay their arrears and may lead to "inappropriate fees being charged in relation to the arrears."

The FCA added: "When customers do meet the higher mortgage payments and separately clear their arrears, they are making overpayments to their mortgage account.

"This can result in them repaying their mortgage account more quickly than would otherwise be the case."

The FCA could not determine a solid figure of how many customers have been affected but estimated it is around 750,000.

This is based on the fact the regulator has worked with an industry group that represents around 66 percent of the market share based on outstanding mortgage balances.

Some banks were more open than others about how they're responding.

A spokesperson for Lloyds Banking Group said: "The FCA consultation relates to an industry mortgage issue. We are taking time to carefully consider this guidance and will formally respond to the consultation."

A spokesperson for Virgin Money said: "We have fully reviewed our customer base and, as a lender with some of the lowest levels of arrears in the industry, we are confident that only a very small number of our customers could be affected by this issue."

As for other lenders, including Nationwide Building Society, Tesco Bank and Metro Bank, the firms had little to say or declined to comment.

What next

New guidance from the FCA will cover remediation for customers with payment shortfalls who may have been affected by the way firms calculate these customers' monthly payments.

It has indicated that the financial impact on customers may have been relatively small and in the low hundreds of pounds per individual. The regulator has now begun consulting on new guidance on the treatment of customers with mortgage payment shortfalls.

The consultation will be completed by January 18 2017 and published at some point during the first quarter of next year.

The FCA has also proposed and developed a framework as an approach firms can use when providing remediation to affected customers. It has developed this alongside the industry to ensure the remediation is practical.

It says that no action is needed for closed mortgage accounts, where a one-off inclusion of a payment shortfall resulted in an additional payment of equal to or less than £10.

For open mortgage accounts with the above rule applied, a new CMI should be calculated excluding any outstanding payment shortfall balances.

For both open and closed mortgages, where the additional payment is greater than £10, the

Johnathan Davidson

Director of supervision, retail and authorisations, FCA

"Even if inadvertent, automatic capitalisation of arrears can lead to poor customer outcomes and firms need to put this right"

Paul Smee
Director general, CML

> ***"Lenders that used the arrears calculation methodology now identified as problematic did so in good faith"***

JOHN'S STORY: ANATOMY OF A MORTGAGE SHORTFALL PROBLEM

The FCA gave this example of 'John's story' about mortgage shortfall calculations:

John has a £200,000 mortgage at three percent and paid £1,109/month. He fell into £5,000 of arrears. Based on his income and expenditure, John could afford to pay an extra £208/month, on top of his monthly payment, to clear the arrears. In total, this meant £1,317/month.

John's three percent interest rate ended. He moved to the lender's standard variable rate, which was 3.25 percent. The change triggered the lender's system to automatically calculate John's new monthly repayment, to ensure his payments remained on track to repay his mortgage by the end of the term.

What happened:
The lender automatically included the arrears balance in the calculation, which meant a new monthly payment of £1,185 included an element to repay the arrears.

What the FCA says should have happened:
The lender should have calculated the new monthly payment excluding the arrears balance. This would have meant the monthly payment would only have increased to £1,155.

mortgage account should be returned to the position it would have been if payment shortfall balances had not been added.

The regulator said customers who have suffered a loss should have compensation credited to their mortgage account if it is still open, and if it is not still open it should be paid directly to the customer.

It has provided a list of questions it hopes to obtain responses on for a consultation. These focus on the £10 threshold and compensation.

Jonathan Davidson, director of supervision - retail and authorisations at the FCA, said: "Firms should start identifying affected customers immediately and not wait until the finalised guidance is published.

"To prevent similar issues to this one occurring in the future firms need to ensure that all systems are reviewed when considering the implications of a rule change."

The FCA said firms should notify customers who are in scope for remediation before the end of June 2017 and conclude plans of the remediation within 12 months of notification.

Davidson added: "Even if inadvertent, automatic capitalisation of arrears can lead to poor customer outcomes and firms need to put this right, and make sure the practice stops."

Responding this month, the Council of Mortgage Lenders (CML) said lenders are committed to working with the FCA to develop a consistent industry-wide approach for the future.

Paul Smee, director general of the CML, added: "Those lenders who used the arrears calculation methodology now identified as problematic did so in good faith believing that they complied with the rules."

For context, there is some highly relevant history here. In June 2010 the FCA's predecessor, the Financial Services Authority, introduced a rule that firms must not automatically capitalise a payment shortfall where the impact on the customer would be material. From this point on, firms have had to consider whether, given the customer's circumstances, it is appropriate to treat the payment shortfall as if it was part of the original amount. CS

How Tesco Mobile supercharged collections and slashed fraud

With a reduction in fraud, a drop in complaints and an increase in collections, AMBER-AINSLEY PRITCHARD looks at how Tesco Mobile picked up one of our Utilities and Telecoms Awards

As well as rewarding utilities and telecoms companies for best practice in collections, it's only right we explain why the winning teams are successful.

At the recent Utilities & Telecoms Awards in Solihull, we awarded two service providers that demonstrated how they made drastic improvements in operations and customer service.

Tesco Mobile and TalkTalk Business were joint winners of our Telecoms Team of the Year Award. The judging panel was asked to consider how teams had improved their own performance and contributed to the overall success of the business. Tesco Mobile demonsrated this emphatically, and elaborated on the success of their entry.

A 50 percent rise in collections

New and improved systems from Tesco Mobile appeared to drive intense positive results. With a 60 percent reduction in fraud and a 50 percent increase in collections during the past year, this was no mean feat for a provider supplying more than 4.5 million customers with telecoms services.

The new systems, implemented across what the provider called all stages of the customer lifecycle, included in-life affordability scoring, an automated identification verification (IDV) tool and many more elements.

The IDV was put in place as part of the sales application process in a bid to reduce the incidences of impersonation fraud. After it launched, the volume of fraud fell by 60 percent.

A new debt management system was also put in place to automate the collections process with multiple debt collection agencies (DCAs) while ensuring all customers were treated fairly.

The Telecoms Team of the Year trophy presented at the Utilities and Telecoms Awards

John Preston, head of billing, risk and assurance at Tesco Mobile, said the provider is using an extra collect portal from Qualco to strategically place collections better with recommended DCAs.

He said the DCAs are recommended by Qualco based upon its expertise. Tesco Mobile works with Moorcroft Debt Recovery, BPO Collections and Fredrickson International.

Bespoke offerings

As part of Tesco Mobile's strategy to treat all customers fairly, including those who are vulnerable, it offers bespoke settlements.

This means that some customers who cannot afford to pay what they have overspent just have to pay the cost of the handset and no further collections are made.

High-level complaints relating to billing have also reduced, by 71 percent year-on-year (2015 to 2016), and Preston believes this is due to the changes made to the debt management system.

Instead of stopping customers with arrears receiving and making outbound calls, as had previously been the case, Tesco Mobile now allows customers to receive calls and make calls only to the customer service team.

Preston added: "If the account was cut off altogether we would not be able to contact the customer. In this case they can keep their phone number and we can keep in touch easier regarding any debt repayments."

Another system which has proved to be a reason behind Tesco Mobile (jointly) winning the Telecoms Team of the Year is its implementation of affordability scoring.

Working with Equifax to assess customers' affordability scores, the provider is now able to be flexible when offering customers extra products or services.

Before it began using affordability scoring Tesco Mobile had no idea of its customers' repayment history and could not reliably offer any extra services to customers. CS

Waiting to exhale

A statutory breathing space scheme for debtors would bound all creditors, from financial services to local councils, by the same rules. MIKE O'CONNOR explains why consumers need it now

Mike O' Connor
Chief executive, StepChange Debt Charity

StepChange Debt Charity is calling for better protection in the form of a statutory 'breathing space' scheme.

This scheme would allow people who seek debt advice a period of six months to a year, in which interest and charges are frozen and enforcement action is halted, to give them time to recover their finances. Where people can repay their debts at an affordable rate and within a reasonable time, these protections should continue.

Such protections would only be accessible when recommended by a regulated debt advice agency. Our proposal would build on, but go further than, the protections already available to people in Scotland under the statutory debt arrangement scheme.

The difference that this scheme could make is huge, from a financial and mental health perspective. If you take the example of someone who has lost their job, their finances are in a fluid state and it may be that they can't afford an insolvency option, or they can't afford a repayment plan.

But a guaranteed freeze on interest and charges will stop their financial situation deteriorating. Without it our clients would face, on average, an extra £2,300 added to their accounts in default interest and charges.

That crucial guarantee of a freeze on interest, charges and enforcement action would encourage people to get advice earlier, and again this has a material difference. Our clients who sought advice within the first month of worrying about their debts owed an average of £5,000 less than those who waited over a year to get help.

> *"Without it (a freeze on interest and charges), our clients would face, on average, an extra £2,300 added to their accounts in default interest and charges"*

The need for such a scheme is clear. Everyone tackling problem debt needs support. For people in England, Wales and Northern Ireland there is no guarantee of protection from default interest and charges, or pressure to make unaffordable payments, or collection and enforcement action, unless you enter into an insolvency arrangement. Insolvency is only the right option for one in five of our clients.

People taking action to deal with their debts and repaying them through an arrangement like a debt management plan are not afforded these statutory protections.

It's not just good for the individual, it's good for creditors too. They potentially benefit from saving on the cost of recovering debt, more stable and sustainable repayments, reduced debt balances and enhanced consumer trust. Many creditors do offer borrowers forbearance but when they do not, recovery from debt can be much more difficult, if not impossible.

Under the breathing space scheme, all creditors, from financial services to local councils, would be bound by the same rules on halting enforcement action and freezing charges. This is crucial because it prevents a situation in which one firm can undermine the actions of others who are doing the right thing by showing forbearance, with the result that the borrower is left without a stable and affordable route towards financial recovery.

Parliamentary momentum

In March 2015 the government committed to reviewing the case for a breathing space scheme, stating the review would be completed by the end of that year. Since that original deadline passed, more than one million people have sought help from StepChange and our partners in the sector. The government reconfirmed its commitment to the review in this year's budget, but we are still waiting.

Momentum is however gathering behind a private member's bill, sponsored by Conservative MP Kelly Tolhurst and supported by The Children's Society and StepChange. Founder of moneysavingexpert.com Martin Lewis, has offered a full-throated endorsement, calling the scheme "a win for the individual, a win for the state and a win for creditors".

Breathing space is the missing piece of the puzzle when it comes to debt solutions. CS

The Watchman

Cargo cult copy

Jargon and buzzwords may give off the right appearance, says FRED CRAWLEY – but they're not going to summon in any business

Fred Crawley
Consulting editor, Credit Strategy

If you haven't heard of cargo cults, prepare to have your mind moderately blown.

Back during World War II, some Pacific island cultures were profoundly affected by contact with Japanese and allied forces.

People would arrive on their islands, go about building airstrips, radio masts and control towers, and then planes would arrive, laden with valuable cargo.

Following reasonable logic, the islanders took it that all this – the building of the airstrips, the waving of the signal sticks, the operation of the radios it was a complex ritual designed to summon planes and wealth.

When the war ended and the US Navy packed up and went home, a number of cults sprang up among island populations, aimed at bringing more cargo. Wooden control towers were built, and people sat in them with wooden headphones and coconut husk radios, waiting for the planes to come. They even built fake planes, in the hope they might attract others of their kind.

You might laugh at that, but I think many of us in business-to-business comms are guilty of the exact same sort of thinking.

For example, why do people say "individuals" rather than "people"? "Myself" instead of "me"? "Going forward" instead of "from now on"? Because they're not words you'd use with your friends or family. They're business words – the linguistic equivalent of a pinstripe suit.

Similarly, chief executives in press releases never react to anything with emotions apart from delight. They are always delighted to announce things. Why? Because that's how chief executives react to things in press releases, of course.

It's like marketing copy saying businesses are "passionate" - at some point it became the convention, and it stuck.

By using these conventions, we signify that we are being professional; we are doing business. Much like the man with the wooden headphones, we hope that if we don the right gear and perform the right gestures, the cargo – or the business – will come in.

But of course, coconut husk radios aren't great at actually contacting planes. And business words – if we're honest – aren't great for communicating.

When it comes down to it, efficient communication means plain language, and straight answers.

> *"Of course, coconut husk radios aren't great at actually contacting planes. And business words – if we're honest – aren't great for communicating"*

This month, I spent some time shortlisting our F5 Awards (December 13, Hilton London Bankside - you're welcome). The awards scheme is for fintech businesses, and some of their websites were about as easy to understand as the name of their sector.

My favourite bits were the "about us" and FAQ sections, since they never actually made it clear what the companies in question did. They were full of aspirational waft about "a new way to X" and "a revolution in Y", but constantly meandered around the actual product on offer.

Last year, looking at the technology categories for the Credit Awards, I was even more bewildered. More than once I read through thousands of words of copy from a software company (sorry, solutions provider), only to have to call them up and beg them to explain what their product was.

I'm sure the copywriters – like the cargo cultists – were merely adopting a certain style to present the requisite amount of cutting-edge fintech/solutions provider attitude. And in that regard they made themselves unmistakable. But that's not the same as good communication.

Maybe I'm wrong. Perhaps there are people who read cargo cult copy and rush to action, blown away by how professional it all sounds. But to me, there's nothing that grabs attention faster than a concept explained simply, plainly and directly.

If, as the old saying goes, people do business with people, then doesn't it make sense to talk like a person, rather than a business? CS

Education, knowledge and power

The revolving doors of power in parliament and across regulators means the CSA is constantly educating ministers and civil servants about the industry - and the impact of certain decisions. JOHN RICKETTS explains some notable successes

John Ricketts

Vice president, Credit Services Association (CSA)

Education and the upskilling of the labour force is a major government priority, and feature strongly in the rationale behind the re-organisation of the new Department for Business and the strengthening of the Department for Energy and Industrial Strategy Education.

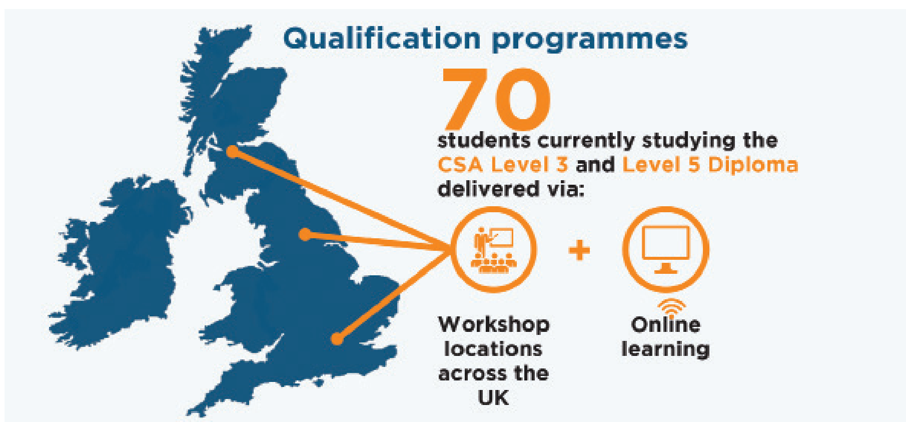
The concept of education takes many forms, not least in our own industry, and is not limited to classroom studies. The future success of our industry, and the strategies pursued, are similarly dependent on educating governments, legislators and regulators about what we do, how we do it, and the economic benefits we deliver.

It is about providing the information and insight needed to make intelligent, informed decisions, and highlighting the unintended consequences of actions that are almost always well-intentioned, but potentially damaging.

Ofcom plan

A good case in point is the plan by Ofcom to reduce and restrict the way debt collection agencies use diallers – a plan that is now rumoured to have been shelved, thanks in no small part to the work of the CSA in communicating our members' views and experiences.

Similarly, the Ministry of Justice (MoJ) was at one time marching headstrong into imposing a pre-action protocol for litigation, but has now paused to reflect. Information and education, enabling the MoJ to learn more about how such a protocol would impact our industry's ability to litigate, quite possibly to the detriment of the same people the ministry is trying to protect, have played a key role.



Within the UK alone there are countless examples of why a strong, professional trade association is not only desired but actually essential in giving voice to our industry's concerns to organisations such as the Lending Standards Board and the Treasury. In the case of the latter, we have been working with the Treasury in exploring the possibility of a statutory breathing space for customers and the viability of making fair-share contributions the method of choice when funding debt management

Cabinet ministers come and go, and new advisors have to be briefed. Building their knowledge and familiarising them with the industry and individual members is an ongoing challenge. A recent example is the publication of the *Due Diligence Guidance* that has enabled the Financial Conduct Authority (FCA) to form an opinion on what an 'appropriate' level of due diligence might look like when assessing a purchase portfolio. While there are never any cast-iron guarantees, and the FCA is unlikely ever to give a third party a formal seal of approval, the guidance will help to ease concerns that management and investors might express in the debt buyers' businesses.

Influencing the regulator

Influencing a regulator of the size and scale of the FCA is no mean feat. Some may even think it can't be done. But pursuing a strategy of positive engagement can lead to actual policy change, even if much of that work has to be done behind the scenes.

The FCA is very different to the Office of Fair Trading, and while nearly all those seeking FCA authorisation have now achieved it, our industry's engagement with the regulator must continue.

It is clear through the Common Misunderstandings work we are doing, our engagement on a proportional introduction of the Senior Managers and Certification Regime to the credit sector, and our drive to reduce periodic fees, that there is still much work to be done.

So too is there work to be done in the area of government debt. Since the FCA came into being, there has been considerable confusion over which debt is or is not regulated. The consumer has a right to be treated (and no doubt expects to be treated) in the same way whether he/she owes money to a debt collection agency (DCA) for an outstanding credit card debt or is seriously behind on council tax payments.

As we stand currently, however, there is no such guarantee and this too is requiring a considerable programme of education and information, helping the Cabinet Office to devise a fair collection strategy for government debt and supporting the Money Advice Service on the launch of the new Standard Financial Statement.

We continue to engage with all

"The consumer no doubt expects to be treated in the same way whether he/she owes money to a DCA for a credit card debt or is seriously behind on council tax payments"

stakeholders working toward a smooth transition of fee-charging debt management plans, and to support the efforts of the free sector in helping impacted customers and those who do not undertake annual reviews of their plans.

The role of education is not limited to these shores. Many within our industry would have followed, for example, the painful birth of the new General Data Protection Regulation (GDPR) from the European Parliament.

The regulation might have looked very different had not the CSA, as an integral part of the Federation of European National Collection Associations (FENCA), intervened to explain the unintended consequences of the MEPs' proposed plans. Now we are progressing a new code of conduct for GDPR and a pan-European code for collections. The principal purpose will be to promote common standards and hopefully forestall the EU Commission bringing forward regulation that is detrimental to our members.

A constant journey

Learning never stops, a factor of the dynamic world in which we operate. Some of the learning is formal; the Collector Accreditation Initiative (CAI), for example, launched five years ago, has been a particular success.

The figures speak for themselves. More than 6,100 tests were taken in the period of June 2015 to June 2016, and the number of tests taken and passed since CAI began is pushing 30,000. In the three months from July 1 2016 to September 30 2016 alone, 1,161 industry-wide collection agents have passed their CAI test.

It has become a symbol for how far our industry has come in a very short time, and with almost 100 companies now participating, it is an established part of the industry's learning curriculum. Our qualification programmes are also well respected. We currently have some 70 students studying for their Level 3 and Level 5 Diploma with the CSA both remotely and in London, Leeds and Glasgow.

Learning can also be informal, through conferences such as the CSA's annual UK Credit & Collections Conference (UKCCC), the regular compliance events and regulatory roundtables (which have attracted more than 300 delegates), or the creditor forums that pulled in more than 75 members.

When you add this to the 40 attendees at our half yearly debt buyers meetings and the 60 attendees at our 2016 DCA meetings, and CSA events have an audience reach of more than 1,000 attendees per year. The thirst for learning and knowledge is yet to be quenched.

The industry is virtually unrecognisable from what it was a decade or so ago, when the CSA's code of practice was perhaps the first real statement that the industry was serious about embracing best practice and change. Even now, the code remains relevant in terms of adding to CONC, and as the minimum benchmark for members, their clients, and indeed regulators both from inside and outside of our industry.

But the code represents only a fraction of what our industry has come to be. Today it is so much more. CS

Digitalisation in collections: What can we learn from other industries?

Collections firms are facing a future in which customers will expect round the clock access and interaction, explains NICK WALSH

Nick Walsh

Principal Consultant, Arum

I've been a collections and recoveries consultant for over a decade and have worked with numerous financial services and utilities organisations around the world. With regulation and customer care a given, a pressure for every organisation is always "how can we do more for less and still be as effective?"

To respond to that challenge every organisation introduced some types of alternative, low cost, contact channels. As far back as a couple of decades ago, organisations introduced SMS and outbound auto-voice capabilities, and today, these are still in place. The vendors may have been changed to reduce cost or increase capability, but essentially the same channels that have been kicking around for years are, in the main, still active in many organisations.

These contact channels have then been incorporated into quite a linear collections strategy that, depending on risk, might start with an SMS, then maybe outbound auto-voice before entering a predictive or manual dial phase.

Some solutions are more sophisticated with the ability to "self-serve" by making a payment or a promise to pay in the outbound auto-voice channel, for example, but that SMS is still trying to encourage the customer to contact a collections centre inside restricted opening hours with the end result still a manual intervention.

It is surprising that some organisations feel this is a "digital strategy".

When these channels were introduced way back when, the reason they became popular was because of the lower cost to serve and the ability to not necessarily require human agents. This meant the channels could invariably be invoked at any time. In those times regulation was not how it is now. Fast forward to the present day and even now the majority of organisations using these channels still choose the date and time of the channel that suits THEM and decide which channel THEY want to use.

As we all know, we are now in the age of the customer and customer expectations are vastly different to what they were when organisations adopted this lower cost technology and incorporated them into their collections strategies.

Don't get me wrong, there is a big appetite to improve digitisation in most organisations but this is often being led at an enterprise level with Collections usually the last to come on board. With collections departments facing lengthy delays to take advantage of enterprise-wide digital solutions, it is not surprising that other, more tactical, solutions are being introduced alongside the existing low cost channels.

And therein lies another problem. Not only are Collections departments completely reliant on old contact channels that have usually been provided by separate vendors, these newer solutions are also likely to be from another different vendor, meaning that all the digital channels are in their own silo. What does this mean? It means that the channels do not interact; there is no dynamic channel change based on the outcome of the previous one; data is in different formats; there is usually an inconsistent approach to uploading results to the collections system and there is absolutely no chance that the customer can move from one channel to another to suit their own requirements.

As I have stated, we are in a very different place now. Customers expect that they can interact with their suppliers whenever and however they want. Customer habits have changed. Customers want to interact at a certain time using a channel of their choosing. Recent research has shown most adults will service their commitments between 8pm and midnight, probably on a tablet. How does this fit into your digital collections strategy?

Collections organisations are generally still seeking solutions from the usual vendors. While we are still patting ourselves on the back for having a limited online I&E capability, the retail industry's digital capabilities are light years ahead. Look at Amazon. I can interact with them 24/7. I can easily self-serve (returns, for example) and I can interact with them however I choose – web chat, email, schedule a call back – all on any device, online or app.

What can we learn from the retail industry? Do we want to be like that?

Arum's view is that excellent collections and recoveries practices deliver positive outcomes for customers and creditors. Insight-led collections strategy and multiple channels enabling the customer to choose how to interact will be key to achieving excellence in the future. It is great working with organisations that share the same vision.

Every journey starts with an idea of a destination and then the first steps. Whilst the road will be challenging for many it is great to see so many businesses commencing a collections digitisation journey where the customer journey is a key driver. CS

"Cyber security is a boardroom issue"

Information security is more high profile than ever and GDPR will raise the stakes, says ALASTAIR BARTER

Alastair Barter

Senior policy officer (business and industry), ICO

The ICO recently issued its largest ever fine to TalkTalk for failing to protect customer data from a cyber attack.

The £400,000 fine was issued because TalkTalk failed to take basic steps necessary to keep customer data safe.

The fine was significant and reflected the severity of the breach, but we'll have greater fining powers from 2018 when new data protection rules come into force as part of GDPR.

TalkTalk's fine and the impending new rules should make organisations sit up, take note and take action.

Cyber security is not an IT issue. It is a boardroom issue. And its place at the heart of an organisation is being recognised. The government has stressed the importance of cyber security by announcing a £1.9bn investment in the National Cyber Security Strategy over the next five years.

A new National Cyber Security Centre has also been opened to keep the UK's cyberspace safe. Not only will better cyber security protect the wider economy, it will also help protect the privacy rights of individuals who should be able to trust organisations with their data.

In the digital economy, organisations that build a trustworthy reputation through good data handling can gain an advantage. The information commissioner, Elizabeth Denham, recently announced her aim to build a culture of data confidence in the UK.

An ICO survey found that 75 percent of individuals do not trust organisations with their personal data. Being one of the organisations that consumers do trust, has obvious benefits.

"Many of our investigations into data breaches – including TalkTalk – show that often it's an absence of simple measures that leads to breaches"

Privacy and innovation

An organisation's ability to keep data secure is a key area of consumer concern. With data becoming an ever more valuable asset, it pays to protect it appropriately.

But increasing privacy measures and information security does not have to lock down data and stifle innovation.

By taking a privacy by design approach and building in appropriate measures from the outset, privacy and innovation can work in tandem, giving consumers the products and services they want as well as confidence in the brands that provide them. It's not privacy or innovation, it's privacy and innovation.

As the TalkTalk case shows, cyber attacks tend to make the headlines and that means bad publicity for the affected organisation. Naturally, some sophisticated attacks by determined hackers are increasingly difficult to defend against and leave organisations as victims, as well as those whose personal data may have been compromised.

The ICO recognises this, but many of our investigations into data breaches – including TalkTalk – show that often it's an absence of simple measures that leads to breaches.

To be compliant with the DPA, organisations must ensure that appropriate measures are in place to protect the data they hold. A lack of basic measures, such as adequate penetration testing, poor password controls and inadequate encryption are commonplace and have resulted in regulatory action.

Our role is to ensure organisations protect personal data. We have the option of enforcement, but our aim is to help organisations comply and we do that through education and advice.

Lots of guidance is available on the ICO website, ico.org.uk. For the fundamentals see our Practical Guide to IT Security which is ideal for small businesses. We've also got guides about technical solutions and information such as: *Protecting personal data in online services: Learning from the mistakes of others*.

There is also a range of government guidance available and schemes such as Cyber Essentials can set organisations on the right path to achieving levels of information security that suit their requirements.

Information security has always been an important area of compliance, but GDPR will raise the stakes. Organisations should be reassessing information security measures now. Not only will this help to prepare for GDPR, it will help organisations comply with current requirements.

Importantly, it will also help to build a culture of confidence - andp that's always good for business. CS

We're revolutionising the FinTech industry

"Hito is here to shake up the industry"

Jamie Waller | Chief Executive, Hito

www.hito.co

Hito

OC&C Strategy Consultants

THE BATTLE FOR EUROPE STARTS HERE

In its ninth annual analysis of the credit management and debt collection market across Europe, OC&C Strategy Consultants explores the real drivers of continental expansion. A mega merger among the elite may be on the cards, claims NIGEL STIRK

OC&C Strategy Consultants

Each year since 2008, OC&C has offered an assessment of the health of the credit management and debt collection industry with its CMDC Index, which identifies not just the current leaders but the strategies likely to unlock future advantage.

The industry has changed enormously, partly reflecting seismic shifts in the global economy and partly as a result of increased scale and greater maturity.

Overall what we have observed has been a remarkable success story, with huge growth in revenue and profit, much smarter businesses, and a radically-improved level of compliance compared to the 1990s or early 2000s.

The businesses that we have ranked highly have all performed very strongly across financial, operational and strategic dimensions.

This year, we have chosen not to produce a ranking of the leading businesses in the way we have done previously. A combination of some very different accounting methods, some opaque reporting across multiple countries, and closer convergence of the strategies of the leaders, means that it would be very hard to distinguish fairly between the top few businesses.

Market context

The sector has now reached a fascinating point in its development.

The main waves of recessionary effects (funding shortages, vintages of debt that turned out to deliver super-normal profits, major interventions by regulators) have subsided, and the post-recession ripples, in particular the UK's release of warehoused debt, have also calmed down.

A simple comparison of 2015 to 2010 shows that the 30 largest businesses collectively achieved £4.2bn revenue (up 70 percent over five years) and more than £800m EBIT (more than 60 percent higher than 2010 in absolute terms). By any standards, this represents highly attractive operating margins.

Yet although the market seems calmer, better understood and more accepted than ever, two very different interpretations of the current situation are possible.

One is a bull case, in which there is plenty of debt created, from multiple industry verticals, with acceleration expected when interest rates rise, and where stockmarkets and private funders alike are now very comfortable backing debt collection businesses.

Market-related risk has reduced too: Creditors across Europe are now so committed to working with third parties to resolve debt, and in some cases totally dependent on them, that it is hard to construct a downside case as severe as when debt sale in the UK halved in a single year during the recession. The barriers to entry are extremely high, and creditors increasingly want close, multi-service long-term relationships with their partners.

Well-funded leaders can move increasingly easily into less mature countries, applying skills honed in more established markets to unlock very attractive returns.

The other is a bear case, in which tighter lending has choked debt creation to a structurally lower level than before, competition has squeezed profitability further and further down - a trend made worse by impatient investors wanting to see growth rates continue at the levels achievable in 2011 or 2012 - and governments and regulators turning the screw harder and harder on compliance. The latter has brought the industry to the point where even the largest businesses need to invest significantly to maintain the required standards.

In addition, there are fewer and fewer small players to acquire or win share from, and there is less and less scope for differentiation on the basis of scale or depth of data.

The super league

Across Europe, there is no single winner that stands out clearly as better than the rest. What can be seen is a super league of nine businesses, all achieving upwards of €100m in revenue, whose scale and performance set them apart from the rest of the field. Strictly in alphabetical order, they are:

- Arrow Global
- Arvato
- Cabot Credit Management
- GFKL Lowell
- Hoist

• Intrum Justitia
• Kruk
• Lindorff
• PRA Group / Aktiv

The majority of these already operate in multiple countries; Kruk is an interesting example of building enough scale in a single domestic market (Poland), to sustain a leadership position and, crucially for the longer term, to have the financial muscle to be able to contemplate challenging some of the others in new geographies should it choose to do that.

The quality of this group is extremely high, from Lowell, which historically has scored highest in this index more than anyone else, and which is now sharing its formidable skills with GFKL, to Arrow, which stood out for years based on the purity of its highly effective data-led model and was the first UK player to float. The super league also includes Lindorff, which led the way in BPO and has operated across geographies very effectively.

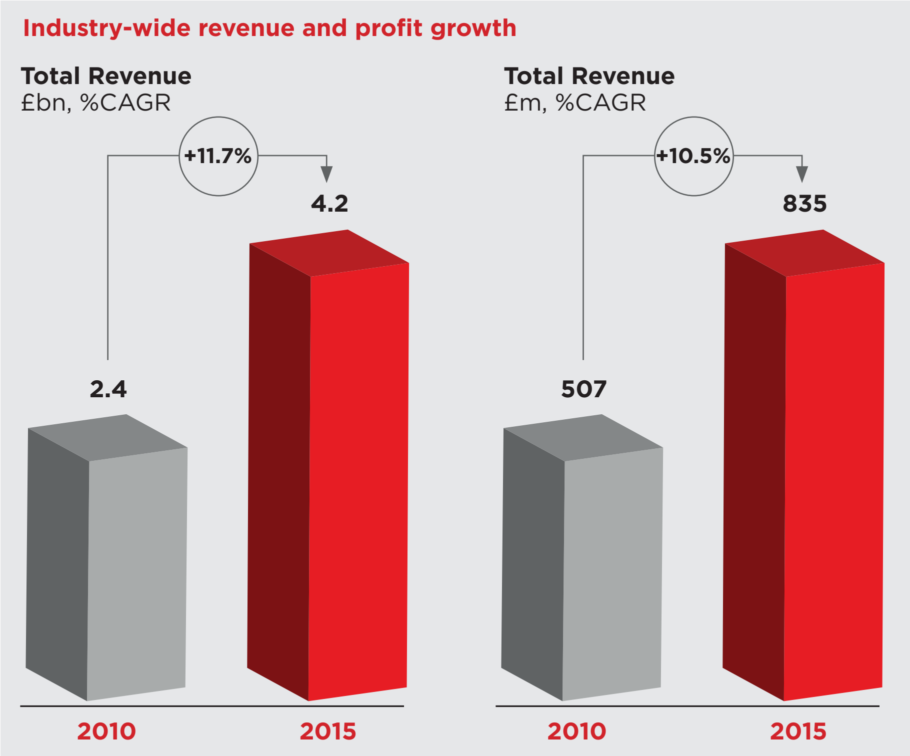
All of them continue to invest significantly in operational improvement and new proposition development.

In financial terms too, the performance of the super league has been head and shoulders above the rest of the market – their revenue growth has averaged 15 percent pa, roughly twice the level of the rest, and they achieve profit margins close to 30 percent (again, virtually double what others have managed).

Success in the super league has been achieved by following one of five main strategies:

• Internationalising and becoming a portfolio manager;

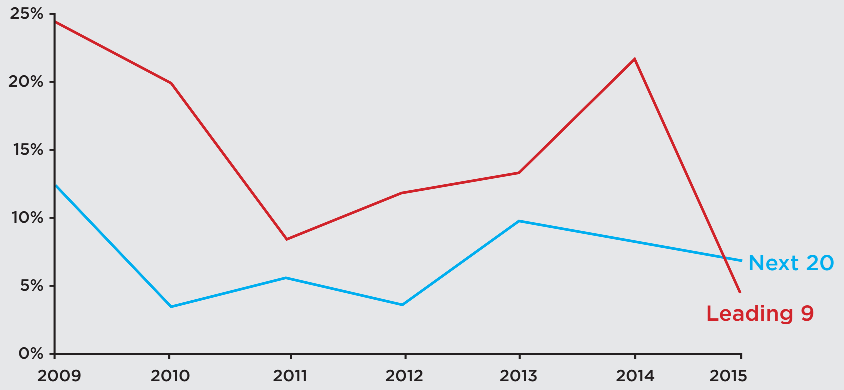
• Extending into BPO, offering services



OC&C Strategy Consultants

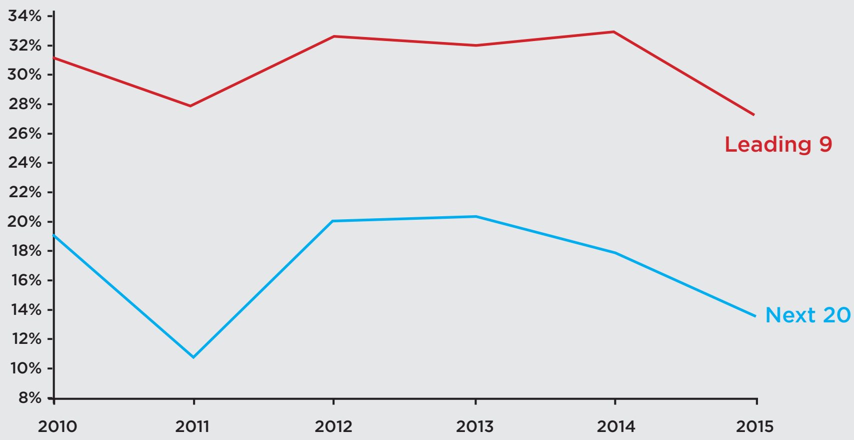
Revenue growth of leaders versus the rest

Weighted Average YOY revenue growth; Super League vs Top 30, 2009-15
%



Profitability of leaders versus the rest

Top 30 CMDC companies weighted average EBIT margin, 2010-15
%



upstream in accounts receivable management and beyond;

• Expanding across asset classes, such as secured as well as unsecured debt;

• Establishing differentiated data or analytics capabilities;

• In probably the least exploited strategy so far, rehabilitating debtors and offering business-to-consumer financial propositions.

Financial outlook

Looking closer at the headline financial evidence, we can detect a downward trend in top-line growth and the margins being extracted.

Since these are businesses that carry strong momentum from the performance of previous years' debt portfolios, to see a cohort of companies edging downwards is a worrying sign.

We can put that together with recent trading updates and reports from several geographies of less debt being available than was seen in previous years, of some fiercely competitive auctions and of money multiples closer to 1.7x being targeted where the goal used to be 2.0x and the best years offered 2.5x.

We should assume that this is temporary, since even those lower money multiples still offer attractive returns on investment, and competition continues to be fierce, with the shareholders of public and private companies alike expecting further expansion.

Even when economic conditions lead to more debt being created, prices paid and multiples achieved are unlikely to be very different given the scale of resource available to the leading players.

One reason for such intense competition is that where there used to be clear dividing lines, for example between debt purchase and debt collection agency, or focussing purely on bank debt or working more widely, at one level the leading group now looks more similar than ever before.

Each may have a different weighting between countries or debt types, and different tactics, but the overlap between them looks larger than ever, as businesses are effectively pursuing several of the five strategies listed earlier.

With these pieces of evidence mind, we have to ask whether some geographical expansion is driven by running away from problems rather than running towards new opportunities?

There are still reasons to be very positive about the long-term potential of the market across Europe as a whole. Three factors stand out:

• The scale of non-performing debt is huge, with large quantities in countries like Italy and Spain where the propositions of the in-house teams, DCAs and DPs that have operated there have not been nearly as sophisticated as those deployed in the UK or Scandinavia. Italy with €161bn and Spain with €105bn have the largest NPL stock volumes in Europe, and together they represent almost half of the European total. Acceptance of outsourcing is growing, and changes in the tax laws and data-sharing rules have recently made the environment much more favourable to CMDC models from northern Europe;

• Creditors still have numerous challenges that they are unable to rectify on their own, and increasingly they are open to longer-term relationships, in the form of BPO contracts or forward flow deals, or simply some form of partnering that shares data more freely or aligns risk and reward;

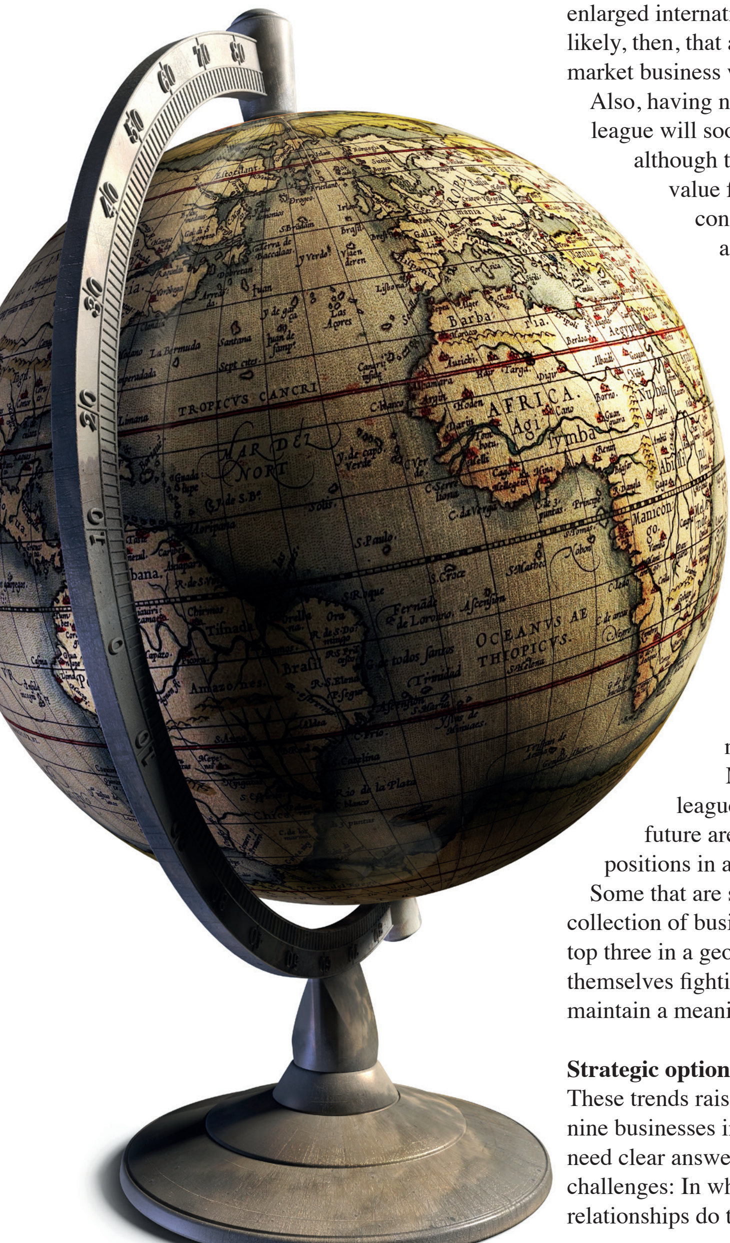
• The firepower available to invest and innovate is remarkable, either from the super league reinvesting more of their profits, or by tapping into the debt and equity markets that continue to look very favourably on this sector. Even if there are challenges looming, there is time to reinvent and enough money to experiment.

It is possible that higher interest rates, or Brexit-related economic problems, could trigger a higher level of debt creation that allows a new wave of growth without much need to rethink current approaches or to review strategy.

But that scenario would only delay what is likely to be the next phase of evolution of the market: The move to a market led by four to five fully European CMDC businesses, integrated across borders and behaving more like long-term outsourcing businesses than

OC&C Strategy Consultants

> "We have to ask whether some geographical expansion is driven by running away from problems rather than running towards new opportunities"



balance-sheet traders. It now looks unlikely for any of the businesses outside the super league to bridge the gap, at least not to compete head on. No doubt some niche positions will be defensible, but to out-compete the leaders in their core markets is a big ask. One reason for this is that even an M&A strategy that combined three or four of the smaller players would struggle to deliver the operational quality of the leaders.

We can expect continued very tough competition. It is hard to think of a European market of any scale where there are fewer than three or four major players contesting any large debt sale or new contract. Partly because of that, we expect consolidation at the top, as the leaders are still hungry for growth and organic methods will not provide them with a quick enough route to an enlarged international footprint. It is highly likely, then, that any high-quality single-market business will be an acquisition target.

Also, having nine members of a super league will soon start to feel crowded, and although the obstacles to delivering value from a mega-merger are considerable, pooling the data and knowledge of two of the leaders could be a way to vie for real dominance of the European stage.

If this does happen, it will need to be handled extremely skilfully, and with recognition that scale for its own sake will not be an enduring advantage – at the heart of any deal should be a very clear thesis about benefit delivered to the creditors or debtors touched by the new business.

Members of the super league best positioned for the future are those with real leadership positions in at least one major market.

Some that are successful, but with a collection of businesses that are outside the top three in a geography, are likely to find themselves fighting defensive actions to maintain a meaningful, profitable presence.

Strategic options

These trends raise several questions. The nine businesses in the super league will need clear answers to the following challenges: In which debt types or relationships do they have genuine sustainable competitive advantage?

What new propositions, eg in BPO for creditors or in B2C interactions with rehabilitated debtors, can they develop that fundamentally reposition their business rather than just adding complexity?

Just how much synergy can they gain from working in multiple countries?

What M&A strategies can they pursue to avoid being outflanked by two of the rival businesses partnering?

The stakes grow ever higher, which means a higher level of risk, so we should not rule out the potential for one of the current leaders to suffer a severe decline in performance.

For smaller businesses, there is a harsh reality of margins being lower than the leaders and a scale deficit. Their options appear to be limited, either to preparing themselves to be absorbed by one of the leaders, or establishing very clearly what market niche they address that could be defensible against the leviathans of the sector once they set their mind on winning there.

There are some very well-run, innovative businesses in this category, but the strategic question remains about how they can best compete with the much larger businesses. In areas like BPO, for example, there may still be space for some to carve out a role, but the window of opportunity appears to be closing given the number of players now trying to expand their propositions into earlier-stage work with creditors.

For investors too, there are questions to be answered, particularly about where they will get best return on investment.

Despite the revenue and profit growth of the last five years, shares in listed CMDC businesses, on both sides of the Atlantic, have offered quite disappointing rates of return. Too often the communication to the market puts the emphasis on scale and financial engineering, at the expense of clear strategy and differentiation.

Conclusion

OC&C continues to be optimistic about the market as a whole in Europe, particularly given the strength of capabilities held by the leading players, but we expect the number in the super league to shrink rather than grow.

Long-term winners are likely to be those who can identify and build a strategy on more than efficient collections or lowest cost of funding.

The 2016 CMDC Index was authored by Nigel Stirk and Mark Jannaway at OC&C, with assistance on the underlying analysis from Lorenzo Marion and Fay Sandford. CS

COMING HOME

MARK THUNDERCLIFFE raised a few eyebrows in his move from HSBC to Clydesdale and Yorkshire Banks (CYBG), to take up the role of group chief risk officer. The clue is in the name, he reveals to Marcel Le Gouais

MARK THUNDERCLIFFE: THE (TRUNCATED) CV

Group chief risk officer (CRO): CYBG PLC
September 2016 – Present

CRO, Retail Banking and Wealth Management, (Europe, middle east & Africa): HSBC
January 2012 – August 2016

Chief credit officer, Retail Banking & Wealth Management (UK):
HSBC
July 2009 – January 2012

President and chief executive, Asia (Hong Kong): Home Credit
May 2007 – April 2009

Executive director and business head, (Russia): Renaissance Credit
2005 – 2007

Chief executive, (Russia): CitiFinancial
2004 – 2005

CRO (UK and Ireland): Citi
2001 – 2004

MARK THUNDERCLIFFE

Group chief risk officer

CYBG

As the sun sets behind St Paul's Cathedral, forming an impressive backdrop to our meeting in the boardroom of Clydesdale and Yorkshire Banks (CYBG), Mark Thundercliffe is enthusing about "a home coming," through his new role.

With an autumnal sun-drenched City horizon behind him, Thundercliffe explains why he's now sitting in the group chief risk officer's (CRO) seat, at the lender his parents banked with for decades.

The switch caught many by surprise – not least his former bosses at HSBC, where he was stationed as CRO for the retail banking and wealth management business.

A stark difference in scale prompted that surprise – he was moving from a job that required responsibility over 18 markets and at one point, ultimate oversight over around 4,000 risk employees.

But as he describes to *Credit Strategy* editor Marcel Le Gouais, the lure of a business serving his own heartland makes perfect sense. In an interview covering collections, debt sale, credit cards and pragmatism between first and second line, he explained his rationale.

MLG: So why this job, why now?

MT: "A sequence of events led to the move. I had a great job at HSBC. I was there for just over seven years with a big remit across Europe, the middle east and Africa. I didn't envisage seeing my career out anywhere other than at HSBC. I didn't feel anything as exciting would come along.

"But then I got a call from CYBG towards the end of 2015. Two things struck me about that call. The first is it's in the name – Yorkshire Bank. I'm from Yorkshire. As simple as that sounds there was far more to that than people realised. I've travelled the world all my life; I lived in Russia for four years, China for two years and in India for two years. Vietnam also for a year.

"When you travel a lot for the job, to then get the opportunity to work for a bank my mother and father banked with for 40 years, was unique. It was literally down the road from where I live in Yorkshire. The opportunity to work for a brand so enormously well recognised in Yorkshire was huge. For the first time in a long time, it felt like I was coming home.

"The role is also multifaceted in nature. There are two brands, one of them being Clydesdale which in two years will celebrate 180 years of history. It prints money, has a long tradition and it's embedded in its communities. These two banks gave me a great feeling of offering something for the British economy, poised at the right moment. It resonated so well with me, so I started talking to them.

"It became increasingly evident when I was meeting the board members and the CEO David Duffy that they were looking for the chief risk officer of what was going to be a new plc. What gripped me was the prospect of joining a new plc."

MLG: Had you been in a senior role previously at a company – before and after a listing?

MT: "I've been the president and CEO of firms and banks in China, Hong Kong and around Asia; Russia as well. But to be the CRO of a listed firm here in the UK? That was a fantastic opportunity. The light went on in my mind."

MLG: So that's why you made the move, tell me about the role.

MT: "I'm responsible for the group risk function. That means the enterprise risk framework, how the bank manages its risk appetite, operational risk, financial crime compliance, fraud and regulatory compliance. It also means the credit function and the strategies within that, along with liquidity risk, and pension risk.

"So we're a second line of defence function. Part of the reason of taking this job is to manage all risk across the firm – previously I was responsible for retail risk.

"I've been to four customer events since I've been here - one was a chamber of commerce event in Yorkshire. Hearing about customers' access to funding to grow their businesses at particular moments in time was quite exhilarating.

"In the heartlands of Yorkshire and Scotland, these events help me understand what we can do in these communities."

MLG: Something that keeps cropping up at the moment is the relationship between first and second line. If we look at your responsibilities in relation to collections in the first line, how do you ensure pragmatism between both lines, to help the bank deliver the right customer outcomes?

MT: "In terms of pragmatism as it relates directly to customers, agents should show they are interested in what might be going on in customers' lives at that time. These can be more open discussions and you can get a lot more from that.

"But you do get customers who just don't want to pay you back. If they don't want to, it doesn't matter whether it's an inbound or outbound call.

"Having said that, the sophistication around segmentation and data strategies to reach customers at the right point, are areas where the industry can continue to do more. But that requires the right tone from the top, the right culture, to ensure good customer outcomes are delivered.

"So, as we do in credit management through the credit cycle, that's about ensuring you lend the right amount of money at the right point in time, but also ensuring collections and recoveries strategies are designed to recover money in the right moments, in the right way. Customers should be given the right amount of time, at that point in time.

"The sophistication of strategies for collections and recoveries should be equally calibrated with how sophisticated you can be at the front end."

MLG: But on this point about the relationship between first and second line, how do you ensure this works in a way that delivers the right outcomes?

MT: "The second line question, I have strong views on this. Collections should be done in the second line. I've seen it done in both, and there are pros and cons of both approaches. What cannot be done in the first line, is collections strategies. Strategy setting, risk appetite and where you set all your tools such as forbearance and policies, they should always be set in the second line."

MLG: What advantages does keeping together in the second line all those functions - underwriting, credit and collections - bring to the business?

MT: "The customer journey is one. When you start to separate collections into true first line, and move it way from the credit risk function and move it to the front line, you can disrupt customer journeys – but unintentionally. Not all customer activity has to happen in the first line. The sales process should, on-boarding, the first point of contact; these things should sit in first line.

"The hand off to a professional credit department to underwrite lending, starts the journey within a credit cycle. The design of that journey can be a lot easier if the journey doesn't keep jumping between first and second line. If it keeps jumping, amid an oversight model over both lines, that can be difficult to navigate depending on the skills and capability of the firm.

"The risk function is there to serve as an assurance of activities in the first line. But make no mistake, the front line or the first line own the risks. The risk function is not managing their risks for them.

"The risk function is there to assure the first line that the risks they are taking, are within the bank's appetite or not."

MLG: How does this bank try to reward the right kind of behaviours, in terms of conduct in collections, when it applies to in-house agents and when you're selling debt or outsourcing?

MT: "The team has developed more of a relationship-level of customer collections and counselling approach. There are two aspects to it, and this is where the difference is night and day compared with the past.

"If you go back eight or nine years before the crisis, the UK was predominantly doing debt sales, sold as seen, and just getting it off the balance sheet as fast as possible and selling it to anyone out there, without even having clauses in contracts precluding anyone from selling it on again, or even selling on again for a third time. This saw the lowest common denominator of practice in the industry.

"It's really good that the industry tidied itself up on that. I worked closely with regulators to ensure we got the right standard of approach around debt sale. We had some success with that.

"Another area the industry has made progress on, has been segmentation. Segmenting customer level information, to make sure that when you do sell it, you sell it to the right firm that is a specialist in treating the customer for a certain type of debt, is real progress.

"Selling it to the wrong firm can have wrong outcomes for the borrowers. So the level of due diligence and time that's required to ensure debt is sold to the right firm is key to the success of the strategy. It's important for me that we saw that progress in the debt sale market."

MLG: And how do you ensure you reward the right behaviours among staff here?

MT: "One of the most progressive things we've done in the industry is to move from monthly incentives, which can, and did, lead to wrong behaviours and wrong outcomes.

"Scorecards – if I look at a balanced scorecard in the context of how we manage it, the activity, people, governance, controls and culture of the firm, you're looking at different facets that make up the nature of things you want to reward. That's fine, but how do you test it to make sure it's working properly? The testing is important to me. I want examples that tell me – are the people who get the top rewards demonstrating balanced behaviours?

"Under the Senior Managers Regime (SMR), accountability is now critically important to firms. How do I exercise oversight? The visibility of leadership is so

important for me as is culture. Frankly, the SMR is a good change. It gets down to: Who is responsible for oversight here? Fellow CROs are paying attention to it and people know they're accountable – there's nothing grey and cloudy about it.

"I have seen already the impact the SMR has had, where people have decided to stay in the industry or move on. In the next five years there will be movements in management. In time, that will settle down, but the SMR has shaken the tree."

MLG: The SMR makes very clear the penalties of getting it wrong as a senior individual in a bank, so does that make it harder to recruit the top talent?

MT: "There are a number of ways to examine this dilemma. The first is that when higher standards are set via new regulation, it requires a certain calibre of person. That has narrowed the field.

"If we take it down to the entry point of financial services, whether that would be at a collection company, or a bank, you need to work out whether you want them to have degrees or digital capabilities. But also you need to consider: Why would they join a bank? Why would they want to be a collector? They could join an innovative start-up instead.

"So the question is, when the punishment for failure is serious, and the rewards are not as lucrative as they used to be, where will bankers of the future come from? It's a hurdle we've got to overcome."

MLG: And once you find them, how do you keep them?

MT: "Exactly. We need to get that message back of the role we play in society, and get it through to the next batch of bankers. The reason I find financial services so exciting is that you're helping the nation grow. You're helping businesses achieve growth and helping people own their first homes. You're involved with customers at critical points in their lives. That's what banking is all about."

MLG: As the SMR extends to other financial services firms, what advice would you give to senior management teams yet to implement it?

MT: "Know your stuff; the buck stops with you. Set the tone from the top, the right culture and deliver the right outcomes for a sustainable business model. These are vital."

MLG: Moving onto completely different territory, does brexit mean any change to your risk appetite?

MT: "The answer is no. For us, brexit has had no immediate impact. The 'watch out' for us, something we are acutely are of, is sentiment of the markets and property prices – in terms of home owners from foreign countries who have chosen to live here who might be reconsidering. I wouldn't underestimate the uncertainty of market sentiment around whether it will be a hard, soft or whatever form of Brexit it will be."

"If you go back eight or nine years, the UK was doing debt sales, sold as seen, and just getting it off the balance sheet as fast as possible; selling it to anyone out there without even having clauses in contracts precluding anyone from selling it on again. This saw the lowest common denominator of practice"

MLG: There is intense competition in the balance transfer credit card market. With a few big providers offering long-term interest free periods, how do you manage for risk in this instance?

MT: "I'm not a fan of balance transfers. It's a valid product but the churn on these profiles has been happening for a long time. They just keep turning themselves over and over. My worry, is that what you could have is a tail risk on this that is still unknown. Anything which seems too good to be true, you have to be very careful about. As for risk management, you have to be careful you don't have too big a concentration of balance transfer in your credit card portfolio." CS

VISIONblue business solutions

VISIONblue is a software package designed by insolvency experts for use by insolvency professionals.

VISIONblue is designed to deal with the intricate requirements of all corporate and personal appointments from start to finish.

the complete software solution for insolvency practitioners

- **NO** annual site licences
- **NO** costs per user
- **NO** limits on the amount of users
- **NO** annual fixed overheads

reasons to use VISIONblue

- Simple cost model that is charged per appointment and is recoverable from the case as a category 1 disbursement.
- Detailed Diary for all assignment types.
- Comprehensive letter packs and forms that can be customised.
- Post receipts and payments in the Banking Module.
- Enter quick and easy relevant details into the Creditors Module, Debtors Module and Employee Module.
- Manage high volumes easily using VISIONblue's different bulk functionalities.

VISIONblue SOLUTIONS

t: (UK) 0800 072 0092 t: (Intl.) +353 1 685 4128 f: +353 1 685 4042
w: www.visionbluesolutions.co.uk e: info@visionbluesolutions.co.uk

CREDIT WEEK

Introducing Credit Week: Our biggest event yet

How do you make the Credit Summit, the UK's largest credit conference, even bigger? By extending it to a week of international events. Head of conference production MIKE JEAPES introduces Credit Week – our major new project for 2017

In 2016 we witnessed the Credit Summit break new ground.

We played host to 600 attendees, curated five conferences streams, held industry masterclasses, unveiled the 2016 Credit 100 and put together the UK's biggest credit exhibition.

We received delegates from the major retail banks, traditional and non-traditional lenders, non-financial creditors and innovative emerging fintech lenders.

Our attendees travelled from countries including Italy, France, Ireland, South Africa and the US and our speakers ranged from TV personalities through to chief executives, chief risk officers (CROs) and those who implement policy. All in one day.

So how do you beat that?

It's simple: By creating a week of conferences, meetings, networking events and industry parties, the like of which our audience has never seen.

We're building a week-long series of events where the European credit industry will descend on Westminster for conferences, meetings, networking events and industry parties. There'll be two days of conferences and including an entire day of programming focussed on European credit issues for our European colleagues. We'll be engaging the industry powerbrokers such as c-level execs at major lenders, the regulators and ultimately, government.

We'll be hosting receptions and parties and it's likely that our industry colleagues will host their own events. We'll base ourselves in a few major hotels in Westminster to ensure there are further opportunities to make connections.

And of course, the Credit Summit will remain the focal point.

Moving upstream

Next year, in line with Credit Strategy's shift to reflect the customer journey more holistically and the setting of risk appetite, Credit Week will feature more content focussed on credit risk as well as collections.

We'll be sharing insight on how CROs create policy, the interactions of first and second line, how buying decisions are made and how this impacts front-line operations within credit risk, collections and compliance. This is all part of the wider discussion around strategy as well as collections operations.

That's not to say we're moving away from collections topics; collections technology, vulnerable customers, litigation and enforcement, debt advice, debt sale and outsourced collections remain central to discussions at the Summit. But by focussing our content on the CRO's concerns we're now taking a wider view of the factors that impact front-end sales and back-end collections as a whole.

The Credit Summit

Once again at the Credit Summit, we'll be joined by Evan Davis of BBC Newsnight and Dragon's Den fame. Speaking independently, Davis will be offering his unique insight on the economic and political

SPEAKERS CONFIRMED FOR CREDIT WEEK

Cyrille Salle de Chou
Chief risk officer
Ratesetter

Simona Fionda
Head of operational risk
Metro Bank

Mark Thundercliffe
Group chief risk officer
Clydesdale Bank and Yorkshire Bank

Evan Davis
Broadcaster

CREDIT WEEK: A DAY-BY-DAY GUIDE

PARLIAMENTARY RECEPTION

An invite-only networking reception between the biggest stakeholders in credit and governmental regulators. Shape the conversation around financial inclusion and customer treatment.
Tuesday March 28 (afternoon)

CDSP EUROPEAN NPL

Meet with the debt sellers and purchasers from across Europe to understand how M&A activity is shaping the market and the NPL opportunities across the continent.
Wednesday March 29 (daytime)

C-SUITE DINNE
EUROPEAN RIS

Gathering C-level executi
lenders to build personal
between peers in non-co
Wednesday March 29 (e

Supported by:

Chartered Institute of Credit Management

issues shaping the UK and European credit industry. Alongside the BBC broadcaster, we'll have a CRO and chief credit officer panel featuring insight from Santander, HSBC, Funding Circle, RateSetter and Clydesdale and Yorkshire Banks.

Rounding off our keynote discussions will be the Financial Conduct Authority, on hand to deliver an annual address on the regulatory results of the previous 12 months, and what we can expect over the next year.

You may have noticed or heard about our recent partnership with CICM.

We're proud to announce we'll be expanding the Credit Summit to re-introduce the Trade Credit stream alongside our partners at CICM. Our in-depth masterclasses and roundtables will allow attendees to immerse themselves in complex subjects to get the answers they need.

Further new features for the 2017 Credit Summit include the Credit Strategy Boardroom, which will bring together c-level representatives from the major lending firms. They will ruminate over three themes; market and product, funding and investment and regulation and operation.

Finally, we'll bookend the day with a networking breakfast for 2016 Credit 100 members and finishing with the gala dinner to welcome the 2017 Credit 100.

Uniting Europe

As the UK's biggest credit show, the Credit Summit already receives attendees from across Europe and beyond. With the levels of investment that London brings and a stringent regulation regime insisting on best practice, many international delegates visit London to understand the successes with the UK credit industry. The UK debt purchase industry is also forging closer ties with Europe. Credit Week will host a number of functions serving both sides. Wednesday will see London hosting CDSP: European NPL.

As transactions in non-performing loan (NPL) portfolios across Europe continue to boom, we'll be seeking to understand where opportunities lie, the regulatory requirements and the cultural differences that affect an NPL servicing deal.

Wednesday evening will see the c-level dinner: European Credit & Debt Risk. UK CROs, chief credit officers and board-level execs will be able to share war stories and learn from their European counterparts.

Both of these will be the day before the Credit Summit, meaning delegates in London for the week can get the best out of both events, with the Summit's content taking on more of an international flavour.

Recognising the Credit 100

Rounding off the week, we'll be hosting our black tie Credit 100 Gala Dinner. We'll be hosting the 2016 Credit 100 members as guests and inviting all of those who made Credit Week a success to join us.

We want to throw one final party and give those who have participated so fully in Credit Week the opportunity for one final celebration.

CREDIT WEEK AT A GLANCE

What is it? A week of networking events, industry parties and conferences including the Credit Summit, which will bring UK and European credit professionals to London.
Where is it? Various venues in London including the House of Commons and others TBC.
When is it? Starts Tuesday March 28, with a parliamentary reception at the House of Commons.
Who's coming? CROs at Europe's largest lenders, chief credit officers at UK retail banks, chief executives and directors from UK and European credit management companies.
How do I get involved? Visit creditweek.co.uk for more details, or call us on 0207 940 4835. Follow Twitter updates via #creditweek.

We'll also be unveiling the Credit 100 for 2017. As the 100 most influential people within the credit industry, the Credit 100 represents the pinnacle of the profession. So that's our plan for Credit Week. We'll be helping professionals from across the continent to forge new alliances. During an entire week, who knows what opportunities might emerge? CS

Visit creditweek.co.uk for more information on our major new project for 2017.

R
K

ives from UK and European
l networks and swap strategies
ompeting regions.
vening)

CREDIT SUMMIT

The UK's biggest credit show. Bringing together traditional and alternative lenders from across the major sectors (consumer finance, trade credit, U&T), products (car finance, mortgages, cards) and departments (credit risk, collections, compliance).
Thursday March 30 (daytime)

CREDIT 100 GALA DINNER

Join the 2016 Credit 100 and those looking to make the 2017 list at our black tie dinner, as we unveil the Credit 100 2017.
Thursday March 30 (evening)

45%

HIGH COLLECTION RATES

We collect one third of writs in the country and 45% of all payments in the market. We ensure our clients receive more when we collect the money.

EASE OF USE

24/7

We offer a streamlined process in collections, field and enforcement. We have an open, transparent and secure web portal, available 24/7.

YOU MATTER TO US

We are proud to be the largest High Court Enforcement company in the UK, and even prouder of our relationships with our clients.

LOW RISK

We are an ethically led business, meeting the highest standards in audit, compliance and governance. We have one of the industries lowest complaint levels of 0.2%.

0.2%

Contact us to see how we can help you

07809 086 908

E: david.lynch@marstonholdings.co.uk
W: www.marstonhighcourt.com

marston high court

Experian's UK boss makes switch to lead GB Group

Chris Clark
Chief executive
GB Group

GB Group (GBG) has announced the appointment of Chris Clark as its new chief executive, replacing Richard Law who is retiring from the board after 14 years.

Since early 2012, Clark has gained experience in similar markets to GBG as managing director, UK, Ireland and EMEA of Experian. Before this he spent 20 years at BT where he made an impact from a young age.

He joined BT from university and was identified early in his account management career as a rising star, benefitting from the company's management and senior executive programmes. He has been based in Washington, Brussels, Amsterdam, New York and Dublin as well as the UK and has significant international experience.

GBG said business culture and staff engagement featured highly in his leadership at BT, where he was in line to join the executive leadership team.

David Rasche, chairman of GBG, said: "Chris has very significant business experience and expertise in growing and improving international technology-based businesses, with an emphasis on partnering and customer relationships.

"He is a people and customer-centred individual with a strong history of creating highly engaged teams, which ideally suits him to GBG's strong culture.

Current chief executive Law said: "I am very proud of the progress and results that the GBG team has achieved during my time. Our team has created the foundations for a very substantial international business and I am very pleased that Chris is to join the business as my successor to take the group to its next stage of growth and advancement."

Clark added: "GBG is a fantastic business. With its deep pool of talent, strong customer base and robust balance sheet, I am really excited about the opportunity to lead the group into the next stage of its strategic development."

It is anticipated that Clark will join GBG on April 1 2017, allowing sufficient time to complete an orderly handover.

Debt recovery firm hires national BDM

Steve Munro
National business development manager
CRS Group

Debt recovery specialist and advisor to insolvency practitioners, CRS Group, has appointed Steve Munro as national business development manager.

With nearly 20 years working with insolvency practitioners, banks, brokers, accountants and asset based lenders, Munro is well known within his field across the north of England. Based at the CRS Sheffield head office, his role will involve driving finance and debt solutions opportunities from both his financial professional network and the SME market nationally.

Former Empingham owner joins DCA

Mark Bailey
Director of collections
J&P Credit Solutions

J&P Credit Solutions, the specialist debt recovery division of solicitors practice Judge & Priestley, has appointed Mark Bailey to the newly created role of director of collections.

Bailey will be responsible for growing J&P Credit Solutions' pre-litigation offering. He will also work to integrate pre-legal collections activity with the legal recoveries expertise available, to maximise recoverable amounts for clients. Bailey was previously chief executive and owner of the debt collection agency Empingham.

Adam Tyler
NACFB

The chief executive of the National Association of Commercial Finance Brokers (NACFB) is stepping down after 11 years.

Adam Tyler, who was seconded from NatWest in 2005 when the NACFB was in its infancy, will leave December 31.

When he arrived, the association was run from a small office in Exeter with one staff member looking after 400 members and 48 patrons. During the past 11 years Tyler has, with the input of a board of volunteer members, nurtured the association to its current position in the commercial finance arena. Today the NACFB has 14 staff representing 1,600 members across commercial finance.

The NACFB said that as it enters the next phase of regulatory activity, away from admissions and into supervision of members, Tyler and the board agreed that new leadership was needed to drive the association forward. Tyler has a new challenge on the horizon, the NACFB added, which will allow him to spend more time with his family.

Jeremy Edwards
Target Group

Target Group, the financial services outsourcing and software provider, has appointed Jeremy Edwards as chief client officer. Having held senior leadership positions at Accenture, Firstsource Solutions and Hinduja Global Services, Edwards brings experience in financial services, business process outsourcing (BPO) and client services. The new role brings together business development, client services, solutions and marketing into a single, outward-looking function. Edwards will join Target's executive committee and reports into co-group chief executive Ian Larkin.

Brian Morgan
Rimilia

Rimilia, the finance software company, has appointed Brian Morgan as operations director. Morgan will be responsible for delivering services to clients worldwide and will contribute to overall strategy and corporate partnerships. He has more than 20 years experience in managing credit departments including debt management, risk management, cash allocation and the full order to cash process.

Who to call in a business crisis: The TRI Award winners of 2016

This year the Credit Strategy editorial team, with the judges' help, revamped the Turnaround, Restructuring and Insolvency (TRI) Awards, sponsored by Capa, from its previous form. MARCEL LE GOUAIS reports on the winners

It's not always obvious from a name change how much work and consideration is behind it.

This might well apply to the Turnaround, Restructuring and Insolvency (TRI) Awards, sponsored by Capa, which for 2016 was held in its new incarnation for the first time.

Previously known as the Insolvency & Rescue Awards, the scheme was this year revamped and renamed to reflect the turnaround and restructuring work that had become so prevalent in recent times. In the nine years since the scheme had launched, the profession had moved on significantly. This year the new name and categories showed how the TRI team had moved with it.

Held last month at the London Hilton on Park Lane, the awards brought together more than 500 senior professionals in corporate turnaround, restructuring and insolvency.

As well as insolvency practitioners, turnaround practitioners and restructuring heads at the major banks, the event also united investors, lawyers, barristers, asset valuers and financiers who all actually provide a vital service to the economy.

They're often brought in when businesses of various size have hit rock bottom; they're salvaging the business from a crisis – often crises in fact. So their successful work deserves to be recognised. After collating data from the submissions of business recovery firms that entered this year, the editorial team discovered that collectively, the entrants' work had saved no less than 12,000 jobs.

As the editorial team emphasised on the night, the benefits this work provides for companies, communities and people's livelihoods cannot be underestimated.

The judging panel for the scheme itself is co-chaired by Bob Pinder, regional director for professional standards at the insolvency regulator, the ICAEW, alongside Stephen Allinson, consultant at the law firm Shoosmiths.

The other judges represent a range of banks, accountancy firms, regulators, law firms and for the first time this year, a retailer. Begbies Traynor, PwC, KPMG, HSBC, Moon Beever, RSM and Mazars all have partners on the panel.

At the event Pinder told guests: "All judges read the entries in detail which they take extremely seriously. There are some challenging conversations around the table but I can assure you the best person or firm will win on the day."

He added: "Four years' in (as co-chair) and the entries are getting better and better."

On the night, the profession awarded the Sabin Award for outstanding contribution to the industry to Dr Stephen Baister, chief bankruptcy registrar and president of the CICM. The award was presented by Frances Coulson, managing and client services partner at Moon Beever.

Throughout the evening attendees raised a remarkable £20,000 for our chosen benefactor, the Anthony Nolan charity, which helps save the lives of people with blood cancer who need a stem cell or bone marrow transplant.

So, as the scheme wraps for another year, it just remains for the TRI Award team to thank all sponsors, especially headline sponsor Capa whose owners have already signed up as overall sponsor – for the TRI Awards 2017. CS

Award category sponsors:

The Sabin Award for Outstanding Contribution to the Industry
Winner: Dr. Stephen Baister

Turnaround Practitioner of the Year
Winner: Andrew Cawkwell – Muckle

Turnaround of the Year (Business or Investment)
Winner: PwC – First Milk
Highly Commended: KPMG

Turnaround Firm of the Year
Sponsored by Metis Partners
Winner: ReSolve

Asset and Invoice Finance Provider of the Year
Winner: Aldermore

Asset Valuer/Auctioneer of the Year
Winner: John Pye Auctions

Corporate Restructuring IP of the Year
Winner: Joe O'Connor – EY

Corporate Restructuring Firm of the Year – Up to 10 licensed appointment taking Insolvency Practitioners
Winner: Herron Fisher

Corporate Restructuring Firm of the Year – 11 or more licensed appointment taking Insolvency Practitioners
Winner: PwC

Corporate Restructuring Lawyer of the Year
Winner: Amy Jacks – DLA Piper

Creditor Engagement Award
Winner: Mazars

Education/Training Provider of the Year
Winner: LexisNexis

Innovation and Technology Award
Winner: Encompass Corporation

Insolvency Barrister of the Year
Winner: Raquel Agnello QC – Erskine Chambers
Highly Commended: Joseph Curl – 9 Stone Buildings

Insolvency Litigation Funder of the Year
Winner: Manolete Partners

Insolvency Law Firm of the Year
Sponsored by Grant Thornton
Winner: DLA Piper
Highly Commended: Ferguson Financial Solicitors

Insolvency Team of the Year
Sponsored by John Pye Auctions
Winner: Insolvency Service (The) – SSI Redcar Steelworks (Official Receiver Ken Beasley and the Liquidation Team)

Insolvency Manager of the Year
Winner: Mark Cowley – Christians Against Poverty

International Firm of the Year
Sponsored by ICAEW
Winner: PwC
Highly Commended: DLA Piper

Personal Debt Solution Provider of the Year
Sponsored by Vision Blue Solutions
Winner: Debt Advisory Line

Rising Star Award
Sponsored by ICAEW
Winner: Laurie Murphy – Pinsent Masons
Highly Commended: Lindsay Grindall – PwC

Corporate Rescue of the Year (Medium)
Sponsored by Capa
Winner: Grant Thornton

Corporate Rescue of the Year (Large)
Sponsored by The M&A Advisor
Winner: PwC – CAPARO

From continental hotspots to the future of contingency

With the CDSP Conference and CCS Awards in Manchester approaching fast, MARCEL LE GOUAIS picks out highlights from a packed agenda

As OC&C Strategy Consultants point out in this month's issue (see p21), more M&A activity among Europe's super league of debt purchasers is on the cards in future.

What might also be a possibility is another strategic acquisition by a major player in a collections outfit in active countries, such as Italy, where advisors and lawyers are increasingly crystallising links with vendors and investors.

Spain has also been a hotspot for the past two years. Some pundits believe that total non-performing loan (NPL) transactions this year might surpass the €15bn of loan portfolios brought to market during the whole of 2015.

Bankia and Banco de Sabadell have been among the most active vendors in the Spanish market and BBVA brought its first secured portfolio to market – Project Liceo – last year.

Spain is probably perceived as lagging behind the UK and Ireland in its deleveraging journey, though further sales activity has been anticipated against a backdrop of a slightly improved macro-economic situation, despite there being no clear majority government this year.

Debt sale opportunities in Spain and across southern Europe will indeed be a key theme at our own Collections, Debt Sale and Purchase Conference (CDSP) this month, on November 24 at the Midland hotel, Manchester. The Collections & Customer Service Awards (CCS) will be held in the evening.

In the European NPL and Debt Sale stream at the event (UK Collections being the other of two streams), a southern European panel will feature:

- Konstantin Karchinov, investment director, Anacap Financial Partners;
- Antonine Dannaud, head of sales - operations department, BNP Paribas Personal Finance;
- Iñigo Velázquez, managing director – head of banking and portfolios, Bankia Spain;
- Massimo Famularo, member of board of directors, Frontis NPL.

This panel will focus on where future deals will be in southern Europe; the often fragmented regional regulatory landscape of these countries and cultural considerations for servicing debt within these markets.

UK collections

To bang a familiar drum here, the rationalisation of debt collection agency (DCA) panels and the variable appetite among creditors to evolve DCA commission structures, leaves questions over contingency collections on these shores.

To shed light on this, we'll be running a panel in the UK Collections stream at CDSP entitled: What is the future of contingency collections? This session will feature speakers such as:

- Paul Mason, executive director, repayment, fraud and commercial, Student Loans Company;
- Jennifer Baldwin, head of strategy, collections and recoveries, Barclays;
- Martin Parr, compliance BMW Group, BMW Financial Services.

The panellists will discuss how the industry is being shaped while panels reduce, along with reputation and forbearance. CS

NatWest finds capital in an alternative partnership

As the F5 Conference and Awards events approach – which both explore and champion the growth of alternative lending – MARCEL LE GOUAIS highlights a landmark partnership between banks and fintech firms

Is that the sound of capital-deprived business owner-managers cheering from the sidelines?

Maybe, maybe not, but NatWest's launch this month of a new partnership with alternative lenders will at least broaden SME customers' options.

All NatWest's business and commercial customers will now benefit from a new, expanded panel of alternative lenders to which they can be referred if their application for funding is declined by the bank. The panel, Capital Connections, builds on NatWest's existing partnerships to signpost SMEs to alternative lenders.

The initiative is now entering its final launch phase, following a pilot which introduced a wider panel of all five lenders to commercial customers with a turnover of up to £25m in south west England, Wales and Scotland earlier this year. Capital Connections includes two peer-to-peer platforms which are already working with NatWest to support businesses; Assetz Capital and Funding Circle - whose chief risk officer will be appearing at our F5 Conference next month.

Others on NatWest's panel include Iwoca, which offers funding to small businesses, RBS Social and Community Capital and Together, a secured lender. Providers have been selected to cover different funding products and include a mix of speciality finance and peer-to-peer lending. More partners will join Capital Connections in the coming months. Customers can choose to contact any of the funders directly or be referred to a provider on the panel by their relationship manager. There will be no commission paid as a result of any referrals.

Alison Rose, chief executive of commercial and private banking at NatWest, said: "We will now be able to formally refer all business and commercial scale businesses, across England and Wales, to a panel of experts and professionals with a wide range of lending appetites."

James Meekings, UK managing director and co-founder of Funding Circle, said: "Millions of pounds have already been lent to businesses through our partnership. By helping businesses access fast finance, the bank can retain or even win customers." CS

F5 SPEAKERS

Headline sponsor Experian

F5 CONFERENCE

GET INVOLVED

Visit f5.conference.co.uk for more details on our new event. Call Vyvy on 020 7940 4821 for bookings. For sponsorship queries call Ben on 020 7940 4803.

Compliance

Bill Flynn
Group General Counsel
WONGA

Nick Beal
Director of Legal & Compliance
AMIGO LOANS

Operations

Rahul Pakrashi
Chief Risk Officer
FUNDING CIRCLE

Jason Bates
Co-Founder
MONZO BANK

Investment

Giles Derry
Partner
DUNEDIN

Ricky Knox
Founder
TANDEM

F5 AWARDS

On the same day as Credit Strategy's inaugural F5 Conference on December 13, we'll be hosting the first ever F5 Awards. Reflecting the conference agenda, the awards will champion compliance and best practice across the various forms of alternative lending. Many of the sector's fastest growing lenders will be attending to see which firms are leading the pack.
The awards and conference are being held at the Hilton London Bankside.
Visit **f5awards.co.uk** for more details or call Vyvy on 020 7940 4821 for bookings. For sponsorship queries call Ben on 020 7940 4803.

Dates for your diary

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

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 WEEK

March 27-31 2017
London
creditweek.co.uk

CREDIT AWARDS 2017

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

CAR FINANCE CONFERENCE 2017

June 2017
carfinanceconference.co.uk

CAR FINANCE AWARDS 2017

June 2017
carfinanceawards.co.uk

THE CREDIT STRATEGY DIRECTORY

Maximise your ROI by taking a listing in our directory.
Contact our directory sales team on **020 7940 4835** for more details and to discuss available options, or email **sales@creditstrategy.co.uk**

Enforcement

Marston Holdings (Marston) is the UK's largest judicial services Group. We work on behalf of the government, courts and companies and individuals, to provide the fastest and most effective form of enforcement in the UK. Our strong overarching ethical framework brings consistency in terms of our five core values – respect, transparency, accountability, professionalism and innovation; values that are at the forefront of our business.

marston holdings
Tel: 0845 076 6263
Email: sales@marstongroup.co.uk
Website: marstonholdings.co.uk

Legal

Lovetts people are "professional, competent, dedicated and client-focused" says Lovetts' latest Quality accreditation report (Lexcel). Clients praise the transparency offered by 'CaseManager', Lovetts' simple easy to use online tool which enables them to instruct, view and monitor cases, documents, costs and reports 24/7. Expert, specialist, and successful, Lovetts is a niche debt recovery law firm, with a 30 year pedigree, focused exclusively on the recovery of business debt, commercial litigation, dispute resolution and overseas prelegal.

Visit **lovetts.co.uk** to find out more.

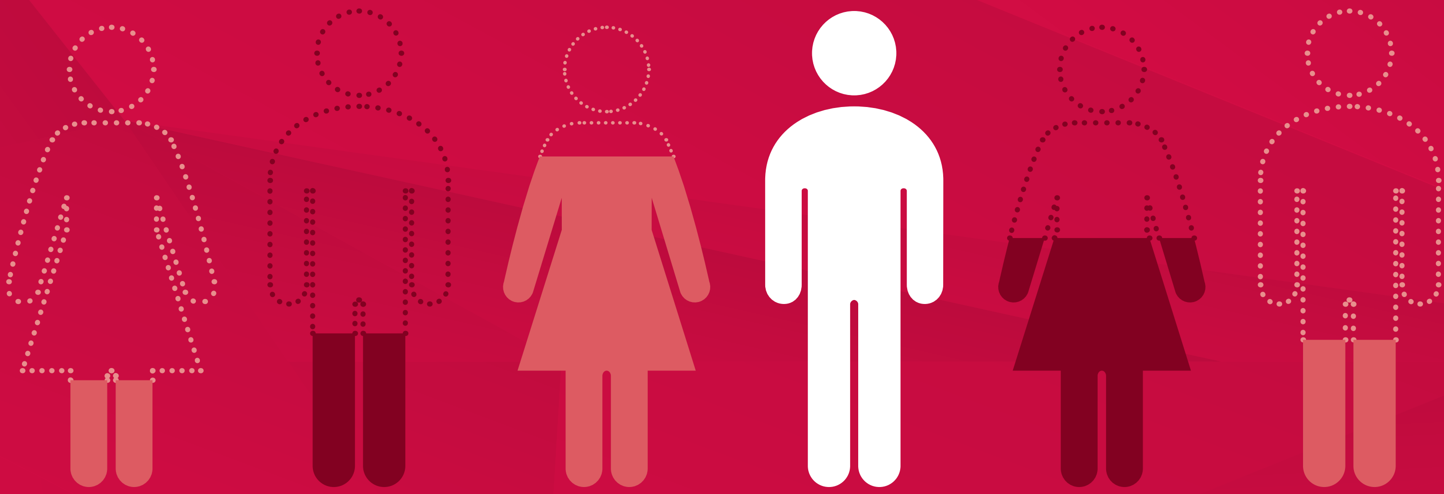
Lovetts Solicitors
Lovetts, Bramley House,
The Guildway, Old Portsmouth Road,
Guildford, Surrey, GU3 1LRH
Tel: 01483 457500
Email: info@lovetts.co.uk
Website: lovetts.co.uk

Commercial Debt Recovery and Litigation solicitors, Stripes, provide large and SME businesses with practical value for money and no-risk recovery solutions. We offer a range of products to include fixed fee and contingency recoveries. We recover debts whether for goods or services, asset hire, commercial rent arrears, forfeiture and possession proceedings, often recovering monies in days.

For more details visit
stripesdebtrecovery.co.uk

stripessolicitors
we earned ours

Stripes Solicitors
St George's House, Peter Street,
Manchester, M2 3NQ
Tel: 0161 832 5000
Email: enquiries@stripes.eu
Website: Stripesdebtrecovery.co.uk
Website: Stripes-solicitors.co.uk
Contact: David Gallagher



The Fifth Estate

Endangered animals

Emaciated pets or Star Wars bounty hunters: Can you name the fintech lender?

Here at *Credit Strategy* we take names seriously, OK? So seriously, in fact, that we spent most of the year's first half deciding what our own name was. These things are worth taking time over.

Which is why, frankly, we find ourselves despairing at some of the names businesses are given.

Recently, we held an internal quiz designed to check how well staff in all areas of the business understood the markets we work in.

One of the rounds saw our employees presented with a list of unusual names, and asked to identify which were the names of fintech businesses, and which were the names of minor characters from Star Wars.

They did terribly. But don't judge them – try it for yourself (you can see the answers at the end of this article):

FERRATUM - QUINT - BOSSK - LIBERIS - GREEDO - BARADA - LUFAX - 4-LOM - APPO - QUFENQI - KLARNA - CREDORAX - JANGO - DENGAR - KANATA.

Not easy, is it?

Now, making this a point of ridicule is hardly fair. The people who came up with those names were trying to conjure the impression of something fun, exotic and vaguely futuristic. The problem is, so were the founders of the fintech businesses in the list.

When your brand characteristics align with those of a pretend squid with a laser gun, you've got to ask yourself what you're doing. After all, the guys charged with inventing names for George Lucas' space pub muppets wouldn't then have to seek approval from the FCA for them to lend money, let alone gain the trust of UK borrowers. Names like The Ford Motor Company, Royal Bank of Scotland and General Electric may seem stuffy and antiquated, but they certainly leave the beholder in no doubt at all as to what their bearer provides.

Try saying the same of ThinCats (sorry ThinCats – you're a respectable and accomplished business, but we still don't know what peer-to-peer lending has to do with emaciated pets.)

Of course, it's possible to go too far in the other direction, and move from baffling abstraction to almost unbearable bluntness.

In researching this column, I had the pleasure of reading a report *Credit Strategy* put out in 2012 on the rise of short-term credit, and which included a directory of some 80 participants in the heyday of payday lending. Some of the names on that list left little to the imagination – for example:

> ***"When your brand characteristics align more with those of a pretend squid with a laser gun, you've got to ask what you're doing. After all, the guys charged with inventing names for space pub muppets wouldn't have to seek FCA approval"***

BONGA, CASH BOB, FANCY A PAYDAY, GET CASH TODAY, KWIK CASH, SPONDOOLIES.

Now, I'm not here to rip it out of payday lenders - that's pretty well-trodden ground and besides, some firms on that list don't even exist anymore.

Nevertheless, I can't help but wonder how long some of those names took to come up with. In many cases, I get the sensation a name was written on the back of a cigarette packet during a pub garden brainstorming session, then immediately rushed to a web designer in a flurry of "that'll do" hand-waving.

Also, I can't help but wonder if all those evocations of rapid cash-making were more appropriate to the financial prospects of opportunistic founders than to borrowers – but again, this is old territory.

Finally, one trend in payday lending that seems consigned fully to the past is the habit of naming a business by combining a type of animal, and a word for money that alliterated with it. I remember inventing a fictional lender called "Dog Dosh" to explain the limitations of APR to a colleague, only to be informed that there was a real lender called "Dosh Dog".

"Dosh Dog" is gone now, along with Cash Cat and many more of the high-cost, short-term menagerie. Certainly when it comes to creativity in naming, I won't mourn their extinction. CS

ANSWERS

Star Wars character, or fintech lender? Ferratum (F), Quint (F), Bossk (SW), Liberis (F), Greedo (SW), Barada (SW), Lufax (F), 4-LOM (SW), Appo (SW), Qufenqi (F), Klarna (F), Credorax (F), Jango (SW), Dengar (SW), Kanata (SW).


Building success together
GFKL and Lowell Group came together in October 2015 and one year on it's clear we have a winning formula.
The last 12 months have seen our Group continue to grow with three European acquisitions welcoming Tesch Inkasso, IS Inkasso and Apontas into the family - and the collective raising of over 230m Euros through a high-yield bond. With over 2,500 colleagues working together across Europe we're helping more clients and consumers take care of their finances than ever before.
GFKL Forderungsmanagement
Lowell. GROUP
TESCHINKASSO
is Inkasso Service
Apontas Die Forderungsmanager
a better way forward
Lowell. GROUP
www.lowellgroup.co.uk
INVESTORS IN PEOPLE
csa credit services association