CREDIT STRATEGY

Risk | Policy | Conduct

May 2017

HUMAN CONDITIONS

How to help agents cope with multiple forms of vulnerability

NO ANSWER ON SILENT CALLS
Confusion over Ofcom's nuisance call crackdown

CREDIT SUMMIT CRO PANEL
Why cyber attacks pose a lethal threat

EUROPE'S HOUSE OF CARDS
Politics starts to move the NPL market

Appetite for disruption

Marcel Le Gouais
Editor

There were several provocative, practical themes that emerged during our inaugural Credit Week.

Picking the 'most important' doesn't serve justice to the constructive participation of those who attended the conferences, debates, dinners and a parliamentary reception (see p25-42).

But a recurring thread was the prevalence of an appetite across various companies, of their own volition, to improve the customer experience. And I'm not talking here about soundbites that merely played to the audience.

Ideas were frequently tabled about how practices which have been the standard for several years could be altered to lead customers through a better, more coherent, more complete journey.

> ***"Senior directors were volunteering new ways of customer engagement without even a vague prompt by the regulator"***

Crucially, senior directors were volunteering new ways of customer engagement without even a vague prompt by the regulator. No one was being told to do it.

Positively disruptive measures were offered up that would benefit both creditors and customers – without a regulator in earshot forcing the issue. The fact it occurred several times says something about the evolving dispositions of many financial services providers, though inevitably, many outside the industry may disagree.

Preconceptions aside, this propensity for improvement was evident in a keynote panel at the Credit Summit, where chief risk officers and a senior director in credit risk discussed their most pressing concerns (see p28). During this debate Andrena Saripo, head of retail credit at Clydesdale & Yorkshire Banking Group, took a question on how lenders can communicate to consumers why they have been refused a loan application, without giving away their entire credit risk modelling and decision process.

She told delegates: "We're pointing consumers to the credit reference agencies when, actually, the issue could be that the consumer hasn't been able to prove affordability. That's somewhere where we could do better."

Her comments came without any prompt by anyone from *Credit Strategy* on our own Credit Awareness Week campaign (see p36), which among other objectives, is seeking to encourage lenders to provide more clarity to consumers when they're refused credit.

Saripo's remarks at least acknowledged a gap that needed to be filled, and the need to offer an enlightened experience and outcome than an ill-informed dead-end.

Scores of other issues emerged during Credit Week debates that might act as catalysts for change. One of which was the treatment of vulnerability, highlighted in a new report: *Vulnerability: A Guide for Debt Collectors* (see p20).

In the past the collections profession had become so accustomed to negative reports about conduct that it had become second nature to dismiss them as either based exclusively on anecdotal evidence, or furnishing an age-old, anti-debt collection industry agenda.

Instead, this report praises the wilful attempt by collections firms to change their entire approach to vulnerability in recent years. The report's recommendations were discussed at the Credit Summit (see p25), where many points raised may well lead to practical changes among collections agents.

Ultimately, during a week of events that also included our first CDSP: European NPL conference (see p38) and the launch of new regulatory standards, it's inevitable that embryonic conversations unfolded around enhancing actual process. As these develop and manifest themselves in the subsequent months, we will report them, but not for our own self aggrandisement.

Moreover, it's to emphasise that the most senior individuals in credit risk and collections are willing to enhance the customer journey themselves, because that's the expression of a new culture. Sometimes people don't need to be told. CS

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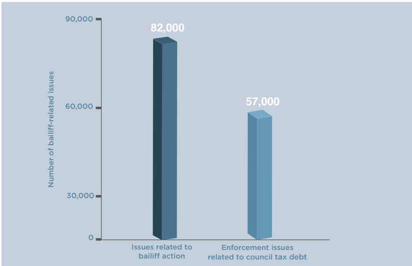


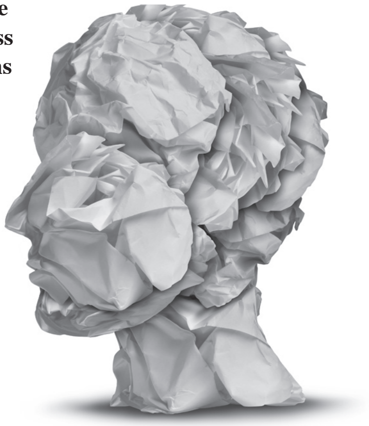
Duncan Turner
Chief operating officer, Dollar UK, (p15)

"People have been sounding the death knell of the high street for the last 10 years, and some journalists make town centres sound like boarded-up racetracks for tumbleweed"

Mike O'Connor
Chief executive, StepChange Debt Charity, (p16)

"Bailiff legislation is extremely complex and fragmented and much of it dates back centuries"

€32bn euro
The face value of portfolio sales in Italy last year
See CDSP: European NPL
See p38
Source: PwC



Across a 12-month period, 1,250 conversations were held between specialist collections staff and customers believed to be at serious risk of suicide

Source: Vulnerability: A Guide for Debt Collectors

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Dispatches

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THE VENT | KEYNOTE UPDATES

Credit card interest could be waived for debtors

The Financial Conduct Authority (FCA) is proposing new rules to help more than three million customers repay their credit card debt – and it could mean companies waive any interest or charges in some cases.

This follows the regulator's study of the UK credit card market, which found significant concerns about the scale, extent and nature of problem credit card debt. It estimates around 3.3 million people are in persistent debt, with over half (1.8 million) in this situation for two consecutive periods of 18 months.

Under the FCA's definition, credit card customers are in persistent debt if they have paid more in interest and charges than they have repaid of their borrowing, over an 18-month period.

The proposals require firms to prompt customers to make faster payments if they can afford to, or for firms to propose a repayment plan. For those who ignore or decline these options the firm can suspend the credit card.

If a customer cannot afford to repay debts as proposed, firms must take further action to help this such as reduce, waive or cancel any interest or charges.

Andrew Bailey, chief executive of the FCA, said: "Persistent debt can be very expensive – costing customers on average around £2.50 for every £1 repaid – and can obscure underlying financial problems.

"Because these customers remain profitable, firms have few incentives to intervene. We want to change this situation so that firms and customers will deal with outstanding debt more quickly, and avoid persistent debt in the first place."

Bailey expects the proposals to reduce the number of customers in problem credit card debt, as well as putting customers in greater control of their borrowing.

The FCA hopes the faster repayment of credit card debt will lead to customer savings and it expects these savings could reach up to £13bn by 2030.

Mike O'Connor, chief executive of StepChange Debt Charity, said credit card debt remains the biggest single category of problem debt for its clients, with average debts of more than £8,000.

He asked: "How will these proposals help prevent people from falling into persistent debt?"

Regulators have "more to do" to support vulnerable customers

Regulators have improved their understanding of vulnerability but none have yet translated their aims into detailed objectives, according to the National Audit Office (NAO).

A report from the NAO, *Vulnerable consumers in regulated industries*, calls for regulators and government to work closer together to improve support for vulnerable consumers. The report says regulators in the water, energy, telecommunications and financial services sectors could do more to support the increasing number of these consumers. It said regulators' duties to protect vulnerable consumers can conflict with other measures designed to benefit consumers in general, and regulatory interventions alone can be insufficient to protect all vulnerable consumer groups.

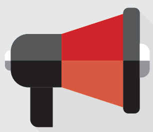
Amyas Morse, head of the NAO, said regulators and the government need to work closer together to clarifytheir respective responsibilities if overall support for vulnerable consumers is to be value for money.

See p20 for the CS cover story on a major new report on vulnerability.

Vital Statistics

37%

The proportion of professionals at the Credit Summit who believe Brexit will adversely impact the ability of their business to grow and innovate in the next two years



THE VENT
Choice cuts from social media

Credit concerns

Following an article published by StepChange Debt Charity, about the new credit card proposals by the Financial Conduct Authority, the following question was posed: "Have the FCA gone far enough with persistent credit card debt?" Find the discussion here: http://bit.ly/2oZc8TQ

Largest debt buyers spend £1.5bn on portfolios in 2016

Cabot Credit Management, Arrow Global and Lowell collectively spent £1.5bn on loan portfolio purchases for the full year of 2016, their annual results reveal.

Lowell acquired a total of £306m of non-performing loans (NPL) across the group in 2016, while Arrow Global spent £258.4m on portfolios in 2016.

Cabot spent the most of all three debt purchasers last year, increasing its spend across the group from £879.7m in 2015 to £944.6m in 2016.

Lowell's group cash EBITDA increased by 20 percent to £254m, from 2015 to 2016, which it said was driven by an increase in NPL cash collections and third party collections income.

Cabot's adjusted EBITDA increased to £247.8m in 2016. It's chief financial officer, Craig Buick, said the non-paying portfolio market results in higher returns, with Cabot deploying 55 percent of its UK capital in non-paying portfolios last year.

Lowell's results also showed that across the group, a total of 336 portfolios were acquired in 2016. Nearly half, 45 percent, were acquisitions in financial services, 32 percent from retail and 18 percent from communications clients.

Of Arrow's total portfolios purchased in 2016, more than half, 51.7 percent, were invested in secured financial services, and another 48.5 percent in unsecured financial services. The remaining percentage was split between investments in telecoms (1.5 percent) and retail (one percent).

A WORD TO THE WISE

"Water is probably the canary in the coalmine for utility and public debt"

Chris Goulden
The deputy director of policy and research at Joseph Rowntree Foundation reflects on the water market at the Credit Summit

"UK companies could take advantage of a suppressed pound sterling value to showcase their businesses and attract acquirers and investors from abroad"

Stephen Robertson
Founder of Metis Partners queries if the devalued pound is an opportunity for IP-rich M&A

"People with mental health problems are three times as likely to be in problem debt; subscription retail is making this worse"

Polly Mackenzie
Director of the Money and Mental Health Policy Institute backs the government's planned crackdown on subscription retailers who "trap" vulnerable consumers

"There is an inherent flaw in the current 'protect', 'detect', 'react' model"

Dan Panesar
The vice president at Certes Networks, a specialist in encryption technology, believes the latest attack on Wonga highlights faults in data protection approaches

"The FCA's recommendations could, a creditor friend tells me, make credit card debt cheaper, but make access to relatively affordable, flexible, rolling credit rather trickier"

Andrew Smith
Executive council member, MALG

"I am concerned to see credit card being sold on the basis that if you make minimum payments it will improve your credit rating.

"We review all credit applications and see a huge rise in sub-prime credit cards used by lower income households where it simply isn't affordable to them to repay, if they use the limit on the card, and they are just repaying interest ongoing."

Angela Clements
Chief executive, Fair For You

"I think these FCA proposals will help just that kind of household Angela. Hopefully!"

Andrew Smith
Executive council member, MALG

Do enforcement firms need a new regulator?

Citizens Advice handled more than 80,000 enforcement-related problems last year, according to a damning new report on bailiffs' behaviour. As advice charities call for a new enforcement regulator, AMBER-AINSLEY PRITCHARD asks if it might ever become a reality

Bailiffs are still using "intimidating behaviour" and "unfairly causing distress" to debtors, according to a new report launched in parliament by several charities last month.

The report casts doubt over reforms introduced in April 2014 to the Tribunals, Courts and Enforcement (TCE) Act 2007, which enforcement agents must comply with.

The reforms aimed to strengthen the protections against "rogue bailiffs" and the "unsound, unsafe or unfair methods" they use.

But for many in the advice sector dealing with bailiff-related problems day in day out, the reforms haven't gone far enough.

For the first time, they have made joint calls for a new independent regulator covering all bailiffs in England and Wales. Those demanding this change are AdviceUK, Christians Against Poverty, Citizens Advice, Money Advice Trust, StepChange Debt Charity, The Children's Society and Z2K.

The *Taking Control* report emerged last month just as the government approached a promised three-year review of the 2014 reforms. The report claims bailiffs are "failing" to accept affordable payment offers and "failing" to take account of vulnerable clients.

When approached by *Credit strategy* for comment, a spokesperson for the HM Courts and Tribunals Service did not say who it thought could fill the proposed position of regulator, but agreed that "aggressive" enforcement action is not acceptable.

The spokesperson added: "Protecting the rights of the public is our top priority, which is why we've introduced robust rules on what goods an enforcement agent can or cannot take, how and when they can enter premises and what fees they can charge.

"We intend to publish a review of the 2014 bailiff reforms on how enforcement agents operate and the fees they charge."

Non-compliance

Research conducted as part of the *Taking Control* report surveyed 1,400 people who had been visited by a bailiff in the last six months.

Nearly a quarter had tried to arrange repayment over the phone but found the bailiff insisted on visiting anyway and nearly a fifth said they were not contacted by the bailiff before they visited.

Both of these are examples of non-compliance within the 2014 regulations, the charities said.

Some of StepChange Debt Charity's clients admitted they felt forced to take out more credit to deal with bailiffs' demands.

Gillian Guy, chief executive of Citizens Advice, said: "Harsh tactics by bailiffs can cause severe distress and push people even further into debt. Last year, Citizens Advice helped people with over 80,000 bailiff problems – with the majority related to enforcement action on council tax debts.

"Local authorities have a key role to play in stamping out bad practices – by treating people in arrears fairly and ensuring bailiffs are only ever used as a last resort."

Research from the Money Advice Trust, the charity that runs National Debtline, found local authorities in England and Wales passed more than two million debts to bailiffs in the space of just 12 months in 2014/2015. This represented a rise of 16 percent on two years previously.

The charities have also written to justice secretary Liz Truss to make the case for what they call a "fundamental reform" of bailiff law. Further recommendations for reform include the restructuring of bailiff fees to incentivise good practice and a simple procedure to suspend action by bailiffs.

The advice organisations also want a free, clear, transparent and accessible complaints procedure and the creation of a prescribed and consistent framework for agreeing affordable repayments. The report also made reference to the possible use of the Standard Financial Statement (SFS).

A final recommendation was to reform procedures to identify vulnerable people and protect them from enforcement action.

James Bond

General secretary, Certificated Enforcement Agents Association (CEAA)

"The case studies are, as always in this type of report, purely anecdotal and completely biased against the enforcement industry"

The bailiff fee structure

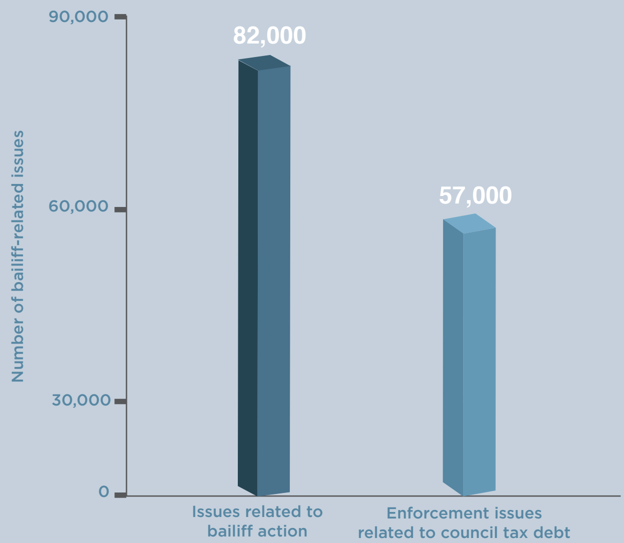
For bailiffs not acting under a high court writ of control, there are three stages of the process with a fixed fee that can be charged at each level.

- **Compliance stage**: Being instructed by the creditor, carrying out intial checks and investigations, receiving payments

- **Enforcement stage**: Where the bailiff visits and enters the home and takes control of the goods (an additional 7.5 percent of the amount owing over £1,500 can be charged if the debt is large enough)

- **Sale stage**: Where the bailiff removes and sells goods that were taken control of at the enforcement stage (an additional 7.5 percent of the amount owing over £1,500)

Bailiff issues handled by Citizens Advice (12 months)



Source: Citizens Advice

A few weeks prior to the report launch, a trade body that represents private sector enforcement agencies, the Civil Enforcement Association (CIVEA), carried out a survey of 104 local authorities that use private enforcement agents. This aimed to find out if the 2014 reforms had had any impact.

The survey found that 96 percent of respondents believed the new regulatory regime had improved standards and professionalism. It also found almost all, 99 percent, of authorities felt the reforms have simplified the enforcement process, making it easier to understand for debtors.

However, studies from within the *Taking Control* report, and a website set up for debtors to share their bailiff experiences, spoke differently.

Anecdotal or systemic?

One comment on the above website, shared by a caller to StepChange, described how a bailiff had text them saying they were coming to remove goods and to “get home now if you want to watch your goods being removed”.

Another case study, this time from the paper, included a report from “Ayesha”, a client of StepChange, that described how a bailiff stuck his foot in the way of her door when she opened it and forced his way past her, despite not having the legal right to enter.

The bailiff told her she should repay her debt to him by not paying her rent and borrowing money from her employer or landlord. The bailiff then sat Ayesha at her computer and tried to make her apply for a payday loan to repay the debt.

Joanna Elson, chief executive of the Money Advice Trust, the charity that runs National Debtline, said: “Unfortunately, changes to the law in 2014 have failed to protect people in debt from poor practice, and we continue to see widespread problems with the behaviour of bailiffs and bailiff firms.”

James Bond, general secretary of the Certificated Enforcement Agents Association (CEAA), said the association was disappointed by the report’s “one-sided” approach and the lack of input from those who knock on debtor’s doors.

“The case studies are, as always in this type of report, purely anecdotal and completely biased against the enforcement industry,” he added.

Two sides

Bond is sceptical as to whether the case studies in the report are all true; he said the CEAA finds debt advice agencies always believe the debtor’s story no matter how far-fetched they seem.

Both the CEAA and CIVEA are in conversation with the charities involved to discuss where practice can be improved.

Although Bond does agree with some aspects of the report, he believes there is a need for an independent regulator, and suggested the possible candidate of the Financial Ombudsman, as well as the need for a stricter certification process.

Amir Ali, chairman of the Civil Court Users Association (CCUA), said the report claims to present evidence of continuing problems, but they appear to be based on unverified events.

Ali said: “There is no suggestion that any of the enforcement agents have been approached for their side of the story. The CCUA believes that any debate needs to steer clear of entrenched, partisan positions where emotive, real-life situations can be weaponised to support a pre-conceived agenda.”

Vernon Phillips, director general of the Civil Enforcement Association (CIVEA), said: “It’s clear from the most recent local authority survey evidence that the system is working better than before the new regulations came into force, but we are keen to ensure any continuing concerns are tackled effectively.” **CS**

Politics poses a threat to NPL sales

At PwC's annual conference on European bank restructuring last month, experts debated the risks and trends in European NPL sales. Politics is increasingly impacting the flow of deals, finds MARCEL LE GOUAIS

As the first signs of retrenchment from globalisation emerge in some countries, banks and advisers are seeing increasing political influence on non-performing loan (NPL) and M&A transactions in Europe.

This was one of the themes at PwC's 2017 European Bank Restructuring Conference, held in London last month.

Political influence is being seen where vast numbers of homegrown jobs might be at stake and incumbent governments have set out agendas to protect jobs – particularly when it comes to large-scale transactions. In this context, closer attention from regulators in different European countries on individual deals might become more common.

Aside from political interference, the day's sessions focussed broadly on impediments to an acceleration of portfolio sales around the continent, particularly in Italy where there were €32.5bn of portfolio sales last year, according to PwC's own research.

One panel session on southern Europe, which covered both Italy and Greece, featured Gianluca Garbi, chief executive at the commercial bank Banca Sistema, and Guido Lombardo, head of banking at Credito Fondario, an independent bank that buys and services performing and non-performing loans.

It was highlighted on this and other sessions during the day that an impediment to NPL transactions in Italy is that, not only is more capital being demanded upfront, but more guaranteed capital upfront is being required.

Panellists also discussed Italy's continually slow-moving justice

system. One speaker noted that while a system might have a very effective act of law, if it takes three years to 10 years to get to the end of the judicial process, to realise assets through litigation, it can become "impossible" to collect the NPL. As with other countries in both southern and western Europe, politicians in Italy are becoming more focussed on protecting the debtor. Delegates heard that one political party in Italy has put forward proposals to change the rules around mortgages – specifically how many payments need to be missed before the creditor can take recovery action.

One panellist said if this wider problem around consumer protection is not fixed in Europe it will remain "very difficult to get rid of NPLs."

During the debate on southern Europe it was also mentioned that the unsecured NPL market in Italy is "overcrowded with investors" and that a pricing issue still needs to be resolved. Some said they don't want to see pricing at certain levels in the next two years, followed by a tail left to future generations as a problem.

One of the most challenging aspects of the dynamic in Italy, according to the panellists, is now how to increase the revenues and profitability of Italian banks generally. One remarked that if a lender starts to cut costs and sell assets including NPLs, it no longer has products to provide to distribution networks.

One speaker also floated the idea that the huge pool of savings held by consumers across Italy may have a part to play yet, though this will depend on what the regulator allows.

The theme that earlier and more coherent regulatory action was needed regularly came up during the day. At one point the regulator's actions were described as "too little, too late" for Italian banks to help themselves and start solving their NPL problems. The concept of a NAMA-style bad bank remains a possibility, but there also appeared to be uncertainty on the extent to which Italian banks will manage and service NPLs internally.

One speaker mentioned that, for a bank, in-house NPL servicing might be counter productive because of the time it could take to create a suitable platform.

Where will divestments occur?

Beyond Italy, one trend in European NPL transactions that looks set to continue is the divestments of business operations, where the major retail banks lack scale, but also experience and skill sets among staff to drive market share for the group.

One panellist remarked that where a bank's business lines are sub-scale and no longer profitable, the finance industry can expect further deleveraging in the next two years.

See p38 for a report on Credit Strategy's CDSP: European NPL conference. CS

Open Water: Are suppliers ready?

After the non-residential water market opened up to competition, providers are considering preparations for the same event for residential customers. AMBER-AINSLEY PRITCHARD reports on a roundtable, hosted by Capita and *Credit Strategy*, that established how firms need to gear up for change

As *Credit Strategy* reported in the April issue, it is now a pivotal moment for the water industry. A set of regulatory, operational and cultural changes are aligning to create unprecedented challenges at board level for water companies.

The first big change has already occurred. On April 1, businesses in the English water market were allowed for the first time to choose their own water provider. This came about under the Open Water programme, which is designed to create competition in this market. More than 1.2 million businesses and other non-household customers in England are now eligible to choose their supplier of water and waste water retail services.

Prior to April 1, Capita and *Credit Strategy* hosted a roundtable with expert advisers and service providers to the industry to discuss the implications this recent change could have on collections and the treatment of vulnerable customers.

Participants said that retention and customer service would remain a focus in collections for the non-household market, but they also emphasised that affordability and vulnerability in the household market will always be under close scrutiny by regulators.

Water providers will now begin to observe competition in the non-household market to understand how it might work in the residential market, but those in the debate said suppliers will focus on the SME market, rather than larger firms, as this will apply more to the usage of homes.

Richard Laikin, partner at PwC, said that within the next couple of years suppliers need to try to balance out how much they will spend on "resilience", compared to improving their legitimacy in areas such as affordability checks.

Although introducing competition to the household market has been in discussion for a long period, and is still subject to talks, the government has deferred plans for now. Industry professionals believe it may not happen until the mid 2020s because suppliers don't have mature models for working with financially vulnerable customers.

Chris Goulden, deputy director of policy and research at the Joseph Rowntree Foundation, a think tank, said: "It feels like there is an opportunity now to think how services are designed and how functions can be made to protect and service people on low incomes."

The attendees said this time will give the breathing space needed to consider what is needed to be put in place to protect vulnerable customers.

The Institute of Fiscal studies, an independent research organisation, found that vulnerability levels will increase in the coming years. Participants at Capita's roundtable said the market's response to this should be to learn what else, other than current practice, can be done to prevent them from getting to such a stage.

Mark Turner, partner at EY, said the challenge companies face is how to spot a vulnerable customer, and how to do so before they stop paying their water bill and how staff should intervene.

Karen Clements, chief executive of the legal, financial and regulatory services business within Capita, said there almost needs to be a "completely connected" world so that consumers can set a budget and tell their supplier who can then help them manage how much they are spending.

Another point emphasised was that if customers would simply switch from drinking bottled water to tap water, they would save money without having to swap suppliers on more generic water bills.

Clements added: "In the next few years there needs to be greater focus on debt prevention and I think that means thinking about consumers as customers." CS

The Watchman

PCP: The sky is falling

Rising media attention on concerns around PCP in the car finance market have left many wondering what action the regulator may take, explains FRED CRAWLEY

Fred Crawley
Consulting editor, Credit Strategy

I've used this column to take a broad – some might even say simplistic – view of how businesses communicate with each other, and with the public.

This time, I'm looking at how a specific story has played out in the car finance market. And yes, this is a plug, as I'm hosting the Car Finance Conference in Nottingham on June 8.

The story is, ostensibly, a looming crisis in car finance. The heavy use of low-cost PCP products to drive up UK car retail volumes, the logic goes, has created a house of cards which will fall when interest rates rise and/or used car prices drop, causing grief for companies and customers alike.

There's much more to it, but that's what it boils down to; a basic concern that PCP-driven growth is unsustainable and stacking up problems for the near future.

The issue emerged in a BoE 'Bank Underground' blog late last year, entitled Car finance – is the industry speeding?, which argued that manufacturer finance strategy was leaving OEMs vulnerable to macro-economic shocks, and was in itself exacerbating the cyclicality of new car sales.

The issue got more discussion over winter: at our f5 event in December, a contact at a consumer finance trade body told me they expected this would be a big story in 2017, and they were right.

In January, Andrew Evans at Schroders blogged about the issue. Crucially, he also raised separate concerns about risks he felt were being taken on by the sub-prime end of the market, a world away from the big captive PCP providers. This distinction did not make it through to the Guardian when it picked up the thread in February. The story it published was a general shout of alarm, intermingling discussion of PCP and subprime lending.

> *"Yes, there are some players with more exposure, but there doesn't seem to be any looming doomsday scenario"*

Now the FT has weighed in with a feature entitled Are the wheels about to fall off car finance? Despite the headline (car metaphors are mandatory when the mainstream press covers car finance), it does a pretty good job of bringing the discourse back in line with what people are saying within the industry.

And what are people saying? Quite simply, that while PCP has the potential to bruise some balance sheets in the face of certain macro-economic triggers, it's no surprise, and is something most providers are geared in recognition of. Yes, there are some players with more exposure, but there doesn't seem to be any looming doomsday scenario.

Unfortunately, this will not help the headlines. Every financial journalist wants to be the person who predicts the next crash, and more people will read an article with a headline about car crashes and flashing lights than one about conservative setting of guaranteed final values. And if that kind of headline appears often enough, regulators tend to take notice. Just after the FT article, Jonathan Davidson, director of supervision for retail and authorisations at the FCA, spoke at our own Credit Summit (see p26). Here's an extract of what he said:

"Our analysis showed that changes to the car financing model have played a major role in the rapid growth in lending figures. The biggest of these has been the shift towards Personal Contract Plans (PCPs), and the lower monthly payments required by these plans have acted as a significant driver of growth in car sales and financing volumes.

"Relevant here is not just the question of affordability, but also whether consumers are able to compare and choose effectively between financing options.

"There is a lot to think about in assessing whether consumers are achieving good outcomes in the car finance sector."

To me, this seems reasonable – 'we have gathered there may be an issue here. We're not certain what it is, however, so you have a good head start to fix it'.

The FCA has yet to put much of a focus onto the car finance market. It will be interesting to see, given how vital a role manufacturer finance plays in UK auto retail, what approach the FCA will take.

If that's something you'd be interested in discussing, there's a conference you may want to attend. CS

Defining effective portfolio management

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The various USPs that can unlock the key to effective portfolio management start with a data-driven approach, explains IAN CARR

Ian Carr

Portfolio servicing director, Computershare Loan Services

How do you define effective portfolio management? This was a question which came up throughout the recent CDSP European NPL Conference during Credit Week.

There are around €2trn of non-core and non-performing assets still on the books of European banks, so it's clear that many portfolio owners will no doubt be asking this question on a daily basis to ensure they have the right strategies in place.

The answer to defining effective portfolio management will depend on what, as an asset owner, your objectives for your portfolio might be. Do you require a long-term strategy that puts borrower engagement at the centre of everything you do, or is your purpose in the mortgage market to extract value from assets quickly and effectively, while treating borrowers fairly?

At Computershare Loan Services (CLS), we manage around £67bn of assets for clients ranging from asset purchasers to high-street lenders. If we were a lender ourselves, this would place us as the seventh largest lender within the UK. This all-encompassing view of the market means we are experienced in extracting value from a wide variety of portfolios, particularly non-performing loans (NPLs).

Data

There are several USPs which turn a portfolio management strategy into an exceptional one; and the first of these is data. Without data, it is impossible to work through NPLs and deploy a targeted portfolio servicing strategy that is tailored to borrowers' individual circumstances, while meeting the asset owner's objectives for the portfolio.

Advanced analytics should be used with credit reference agency data to ensure those who are most able to repay their mortgage debt are contacted first, and borrowers who unable or unwilling to pay are subject to measures appropriate to their specific circumstances. This data-driven approach also means vulnerable customers are not inappropriately contacted.

Our business intelligence mortgage data pool covers more than three million mortgage accounts and we believe this is the richest source of transactional mortgage data available in the UK. It also puts us in the strong position of having a comprehensive view of customer and account payment behaviour for a variety of asset classes.

Segmentation

The second USP that is central to effective portfolio management is segmentation. Borrowers can be profiled and segmented using the data gathered, which ensures a suitable collections strategy is adopted that will result in the most appropriate outcomes for both mortgage portfolio owners and borrowers.

Collection strategies are then devised using our bespoke behavioural scorecards and/or system-generated management information (MI)-based on payment and contact recency. Examples may include consecutive underpayments, sporadic payments, proportion paid last month and non-payers.

Review

Of course, even the strongest of portfolio management strategies need to be regularly reviewed to ensure whether the objectives of the portfolio holder have been achieved. Using granular data to advise on the effectiveness of strategies results in efficient decision-making, whether on a daily, weekly or monthly basis. Our MI feeds back into our Analyse process, allowing us to assign a new risk status, if necessary, to an account. This allows us to make any changes that are required to drive improved performance.

Skillset

However, even the most comprehensive of MI cannot achieve true value unless mortgage servicing experts with the right skillset are deployed. CLS has around 2,600 mortgage servicing professionals in the UK as part of a multi-site strategy. It is this combination of portfolio management driven by skilled staff that has seen the right outcomes for borrowers and improved portfolio value for clients.

A targeted and segmented approach achieved success for a client with a €750m portfolio of 2,000 loans. The percentage of the portfolio making payment in the 12 months post-transfer versus the 12 months prior to transfer was up proportionally by 12 percent. Overall cash received versus the contracted monthly sum increased by 40 percent across the book.

It is clear that if strategies such as this are replicated across NPLs, headway can be made into the €2trn of non-core and non-performing assets still placing a burden upon European banks. CS

Death of the high street store? There's life in retail yet

Technology fatigue and the consumer's need to speak to an actual person means there's value in getting retail right, explains DUNCAN TURNER

Duncan Turner

Chief operating officer, Dollar UK

There's a common conception across all sectors that the world is moving online.

People have been sounding the death knell of the high street for the last 10 years, and some journalists make town centres sound more like boarded-up racetracks for tumbleweed than bustling shopping districts.

Consumer retail, fashion and supermarkets are most often tarred with this brush, but the credit sector is no different. Indeed, with the growth of online shopping and banking, there has also been a growth in the provision of high-cost short-term credit online. This has been matched by a decline in retail lending, with companies leaving the high street and exiting the market altogether, or trading exclusively online. And it can't be denied that coming under Financial Conduct Authority (FCA) regulation in recent years has sped up this trend.

However, our experience at Dollar UK has been contrary, and many of our brands are doing well on the high street. Our experience has been that there is continued demand for retail stores, and I think there is definitely space in the market to get retail right.

A lot of strength in our retail offer stems from how the brand is positioned. Our focus has not been on quick cash, which is often seen on the high street, but rather offering a broad range of products and services that fit neatly under The Money Shop brand, and bring in a wide range of customers.

Providing foreign exchange at excellent rates and Western Union money transfers all contributes to the trustworthiness of the brand on the high street, and its wide appeal.

Brand loyalty

A large part of getting it right is also about acting as a classic retailer. Many of our stores have longevity, and have been known to customers for a long time, with well-paid employees who have a long length of service in the store – not dissimilar to what you might find in M&S. There is a strong focus on career development for our staff, good benefits, and opportunities to move into managerial roles. This all translates into a strong focus on customer service, which creates solid brand loyalties. You will find, with retail customers, that they like to come back to the same store and deal with the same agents who take pride in their jobs.

In our experience, getting retail right has also been about strategic planning and intelligent growth. Over the last couple of years we 'right-sized' the company and halved the number of stores, and we're increasingly using in-depth geo-spacial analysis to plan where our stores are best located. Despite reducing the number of stores, there has been a growth of overall revenue from them during this period, and naturally like-for-like, they have seen an incredible increase in performance.

The key to this performance is that demand for our products remains, and in our experience there is a strong customer base that sees advantages to dealing with an individual rather than going online. With loans specifically, individuals who might have been rejected online enjoy the opportunity to come in store, where some can explain their financial situation better, or provide further evidence that then allows them to be approved.

Or, where they are still rejected, they can get an explanation – which can be very valuable in saving them from continually applying online unsuccessfully, risking damage to their credit record. We find that customers genuinely get 'technology fatigue' and are delighted for the opportunity to apply for loans in-store.

And it is not just a function of age; this feedback also comes from younger customers. We have run a pilot programme, 'Clicks to Bricks', that specifically looks at assisting customers in store who we have not been able to approve via the online application process.

While only a small pilot, it has shown success at helping certain customers get loans – and we may look at extending the trial in the future.

For us, retail is primarily about providing somewhere customers feel comfortable, where they can get easy access to the mix of products they want. CS

"We find that customers genuinely get 'technology fatigue' and are delighted for the opportunity to apply for loans in-store"

A chance for ministers to take charge of enforcement

Evidence from all organisations involved in a report on bailiff behaviour is clear; rules are regularly broken and ministers need to act, argues MIKE O'CONNOR

Mike O'Connor

Chief executive, StepChange Debt Charity

Although sometimes portrayed as villains of the piece, bailiffs can play a valuable and legitimate role in debt collection, but there has been bad practice.

Therefore, in 2014, the government brought in reforms primarily to protect people from rogue bailiffs who used intimidating practices causing unnecessary harm and distress to people struggling with debt. The reality is that these reforms have only had a limited impact.

Some bailiffs are still acting aggressively and displaying threatening behaviour, misrepresenting their powers, failing to accept attempts by borrowers to make affordable repayments and turning up at people's homes without prior warning.

For those of us in the debt advice sector, poor bailiff practice has been a perennial problem which successive reforms have failed to fix. The limited success of the 2014 reforms and the ongoing evidence of poor bailiff practice is the driving force behind the Taking Control campaign. This campaign has seen an unprecedented coalition of debt advice and other charities coming together to make the case for concerted action and effective reform.

Bailiff legislation is extremely complex and fragmented and much of it dates back centuries. For anyone who finds themselves in the unfortunate position of trying to deal with a bailiff, the stress and anxiety it can cause is compounded by the fact that the system is almost impossible to navigate.

Firstly, you face the problem of trying to work out which of the numerous types of bailiff you're dealing with. Once bailiffs have been instructed, it can be very difficult, sometimes impossible, to stop. If you do want to complain, you need to establish which of the many potential paths is the right one to follow.

> *"Not only have the 2014 reforms failed to address many of the problems we have seen for so many years, they have created new ones"*

The 2014 reforms did deliver some benefits. There is a greater degree of transparency and clearer guidance on when bailiffs can enter premises and what goods they can take. However, the evidence from all the organisations involved in this campaign is clear; these rules are regularly being contravened in practice.

Not only have the 2014 reforms failed to address many of the problems we have seen for so many years, they have created new ones. The fee structure is badly designed and creates all the wrong incentives. By allowing bailiffs to add hundreds of pounds in fees just for visiting someone's home, there is little incentive for them to help people come to affordable repayment arrangements over the phone. Bailiffs know that the chance to knock on someone's door means a chance to rack up more money in fees.

In order to deliver meaningful reform, independent regulation of the bailiff industry is essential, as is an independent complaints procedure, a universal process to apply for the suspension of bailiff action, reform of the fee structure and ensuring bailiffs adhere to a consistent framework on agreeing affordable repayments.

Our recent research on the treatment of people in debt shows they had a much more negative view of bailiffs and government departments, where oversight is comparatively weak, compared to their view of consumer credit firms, which are regulated by the Financial Conduct Authority.

Bailiffs need to adhere to a consistent framework for agreeing affordable repayments and the use of the newly launched Standard Financial Statement (SFS) is the obvious route to achieving this. The use of the SFS should be adopted by the government, local authorities and other public sector bodies, and by bailiffs themselves. It's good to see a number of MPs in favour of the motion in parliament supporting the adoption of the SFS across government (see p37).

The benefits of reform are numerous for both people in debt and creditors. Evidence shows that by supporting clients and not resorting to bailiffs, creditors will recover more money and benefit from an improved reputation with customers.

With the Ministry of Justice due to conduct a three-year review of the 2014 reforms, there is a genuine opportunity for ministers to finally take control of the bailiff problem.

See p8 for more about the charities' report: *Taking Control*. CS

Banks should relish the prospect of fintech allies

High-street lenders can establish mutually beneficial relationships with fintech companies by offering cutting edge services, as a 'bank in a box.' SOPHIE GUIBAUD explains the concept

Sophie Guibaud

Vice president, European expansion, Fidor Bank

London is an exciting place to be if you work at the intersection of financial services and technology.

Despite the uncertainty of Brexit, London's position as the banking capital of the world combined with its burgeoning technology scene means that new fintech companies are emerging all the time.

With the forthcoming changes to regulation coming into force in January 2018, in the shape of PSD2, there are also many new possibilities for fintech start-ups to exploit, making the landscape even more fertile.

This is because banks will be forced to open up their customer data and share it with any other third party that has permission to use it. But rather than worry that their business model is about to be severely disrupted, established banks should be licking their lips at the possibilities a growing fintech scene provides them in return.

While there has been a lot of media attention on the innovative new services springing up and how customers can benefit from them, there is a lot more going on behind the scenes than you might think. The world of finance is highly regulated and bringing fintech services to market isn't as straightforward as it would be in other sectors such as ad-tech or consumer tech.

> *"The 'bank in a box' could include legal services, compliance and other elements such as marketing and customer service"*

Bank in a box

Banking licences are not easy to earn; there's a lot of due diligence and paperwork required. For your average fintech startup, meeting these requirements is a long, arduous process. This is not to mention the challenges that running a bank represent, including complying with minimum capital requirements. Fortunately for them, help is at hand.

Established banks, which already have banking licences and relationships with all the necessary third parties to be able to bring services to market, can effectively white label their platform and offer it to new fintech companies.

To do this, the bank needs to build open application programming interfaces (APIs) that these fintech providers can plug their services into. Historically, several traditional banks have already loaned their banking licence or white-labelled their platforms to help launch new banking propositions. For example, there was a joint venture from HSBC and M&S to create M&S Bank. But now the 'bank in a box' concept is going beyond the banking licence and relationships on offer.

The 'bank in a box' could also include legal services, compliance and a whole host of other elements such as marketing and customer service. The concept of the bank in a box means that the fintech or organisation with a large audience such as a retailer can launch its service into a market in a fully-compliant and scalable way.

There are many benefits to this. While the bank would be able to create a new revenue stream by offering access to the APIs, it can also monetise the banking expertise of its different departments and establish relationships with innovative fintech providers.

The model would evolve into two parts. On one side, the focus would be on offering the most relevant services to target segments in retail and business under its own brand and, on the other side, reach out to other target segments indirectly by enabling other organisations to address them through its banking in a box services. These services help firms get to market quickly and overcome the difficulties of earning a banking licence, running a bank and meeting compliance criteria.

Developing APIs beyond PSD2 and offering 'bank in a box' services represent the best way for established banks to handle the threat of increased competition, that will be sparked by PSD2's introduction. To do this, they need to be ready to offer not just the basic APIs required by PSD2 but APIs that will enable fintech providers to plug into their platform.

The result will benefit customers, who will be able to access services quickly and easily all in one place, while banks mitigate the risk of losing customers by offering cutting-edge services. Fintech providers also benefit from access to everything they need to grow – banking licences, access to large numbers of potential customers and so on.

If this is the approach the banks take, the financial service industry's outlook is a bright one. CS

2020 and the future of online courts

Plans to digitalise courts are in motion and in no more than three years, individuals may never have to set foot in a courtroom again to settle a dispute. AMBER-AINSLEY PRITCHARD reports

"The revolution in technology will characterise tomorrow's justice system."

This was the prominent statement in the government's *Transforming Our Justice System* report, published in September 2016, which outlined plans to modernise and upgrade the justice system with investments of nearly £1bn.

The report was created by the lord chancellor Elizabeth Truss, the lord chief justice John Thomas and the senior president of tribunals, Sir Ernest Ryder.

The document outlines the aim to digitalise courts by developing a single online system for starting and managing cases across the criminal, civil, family and tribunal jurisdictions.

These aims form a core part of the courts and tribunals modernisation programme that is highlighted in *The Lord Chief Justice's Report 2016* published in November last year.

The modernisation programme is intended to achieve three main elements. These are to digitalise all procedures and hearings, simplify all processes and procedures involved and modernise the use of court buildings.

Digital law

Recommendations for an online court were published in a separate report by Lord Justice Briggs, entitled the *Civil Courts Structure Review*, in July 2016.

"The systems and processes that will need to be developed will be extensive and expensive and as we all know, nothing happens quickly in the legal world"

Philip Holden
Executive chairman
DRYDENSFAIRFAX

The online court is provisioned to be implemented by 2020 with aims to make the process quicker, easier to understand and less expensive. First trials proposed for the online court are dispute cases with a monetary value of up to £25,000.

Briggs has recommended three stages for the automating of court claims.

The first stage would request litigants to submit answers to simple questions about their case before being given online advice about their rights and the options available. This advice would not be given by a lawyer but by advice agents, who could then suggest the person involved seeks a lawyer's advice if necessary.

The advice agents would use a system based upon knowledge engineering which is a form of artificial intelligence, used in this case to create a legal-based knowledge system.

Litigants would then upload key documents and evidence, before stage two when a court case officer would carry out conciliation and case management by email or telephone.

The final stage would be determination of the case by a district or deputy district judge at a hearing either by telephone, video or in person.

Philip Holden, executive chairman of law firm drydensfairfax, described the effects digitalisation could have on lawyers.

He said: “In any business it’s very easy for us to hear about digitalisation and panic. We automatically associate it with the loss of jobs, a lack of face-to-face assistance and, ultimately, poor service as a result.”

Holden said the evolution of digital courts will have an impact on some legal firms, in particular junior firms and those firms that rely on low value work, but he imagines it will be a long time before digital courts come to fruition.

He said: “The systems and processes that will need to be developed will be extensive and expensive and as we all know, nothing happens quickly in the legal world.”

Briggs has a similar view to Holden’s about the development of online courts; he says in the report that online courts’ success will depend on the “painstakingly careful” design, development and testing of the stage one process.

He adds in the report: “Without it, it will offer no real benefits to court users without lawyers on a full retainer, beyond those inadequately provided by current practice and procedure.

“The success of the online court will also be critically dependent upon digital assistance for all those challenged by the use of computers, and upon continuing improvement in public legal education.” **CS**

“The consequences of a flawed system could be severe”

Matt Wightman, partner at UK debt recovery specialists Aberdein Considine, casts his opinion on the possible risks of an online court

An online court could bring with it the advantage of simple pre-action requirements and a quicker overall process allowing litigants to obtain a final decision sooner, with the convenience of access through a laptop and perhaps even a smart phone.

It remains to be seen whether the knowledge engineering process could be sophisticated enough to ensure that litigants do not go without bespoke legal advice and/or receive incorrect guidance on legal options during the first stages.

Consequences of a flawed system could be severe.

However, Lord Justice Briggs firmly supports built-in opportunities to obtain bespoke legal advice from a lawyer and recommends that the costs of such advice be “an element of fixed recoverable costs”.

The system will be designed to shut down disputes early, however there remains the issue of the determined but hopeless litigants’ claims.

There is also the important question of ‘what about those who are not IT literate or do not have broadband?’ The recommendation is that there will be no parallel paper version of the court and that it would be left to advice agencies to assist.

Briggs recommends a new ‘litigant in person engagement group’ to identify and design the best form of assistance. It remains to be seen whether assistance will work in practical terms and there is an argument that the millions of pounds required to developing an online court would be better spent on legal aid.

He also recommends that some claims be exempt from the online court. Interestingly, Briggs recommends that claims for possession of homes be exempt from the online court system “at least initially”.

The proposal is for the new system to focus on money claims and some claims for damages, but given time the system may pave the way for online court claims of a greater spectrum and without the limitations on value or remedy.

HUMAN

CONDITIONS

A new report demonstrates the progress made by collections firms in their treatment of vulnerable customers. It also includes practical steps to help borrowers in various forms of distress. AMBER-AINSLEY PRITCHARD reports on what will be a new toolkit for collections teams

V*ulnerability; A Guide for Debt Collection*, reveals the importance and cachet with which the collections industry now places on the compassionate, fair treatment of vulnerable customers.

The report, funded by the Finance and Leasing Association (FLA) and The UK Cards Association, was carried out by research fellow Chris Fitch and his team at the University of Bristol's Personal Finance Research Centre.

It notes the way retail lenders in particular are tackling the vulnerability agenda including what is working, how governance is changing and what further improvements are needed. It provides new data, insight and recommendations on elements such as scorecards, call recording and data management.

Researchers surveyed around 1,600 frontline collections and specialist staff from 27 UK lenders and debt collection firms. What they discovered has been used to develop 21 practical, commercially realistic steps to be shared across the credit profession. These steps aim to benefit customers, but have also been adapted for use in sectors such as utilities, telecoms, retail and government.

The report describes strategies to help staff deal with specific types of vulnerability, such as serious or terminal illness, bereavement, addiction, suicide and mental health issues.

At an event to launch the report, Liz Barclay, chair of the Money Advice Liaison Group (MALG), said: "It's a non-judgemental report; there are no admonishments of companies. It's practical and extremely easy to follow and understand."

Stephen Sklaroff, director general of the FLA, said: "*Vulnerability: A Guide for Debt Collection* will be a great resource for firms, and will benefit customers by helping ensure prompt and practical help when they need it most."

Fitch was keen to emphasise that the report makes recommendations that are commercially realistic: "It's important to understand that in collections, recoveries has two meanings; the recovery of what's owed and the recovery of the individual – in terms of their health and wellbeing, personal finances and situation."

He said the organisations hoping to address or improve their vulnerability procedures can use the guide to benchmark their current situation against the guidelines set out and then review them in time to come. One of the report's many other recommendations is to encourage businesses to share their best practice and experiences, with vulnerable customers, to other businesses which could prove beneficial to the wider collections industry.

This latest research is the most recent in a sequence of events showing how seriously the vulnerability challenge is being taken. This latest report follows another, separate publication on the same issue last year by the British Bankers' Association (BBA). The BBA's Vulnerability Taskforce published a

> "Nearly 40 percent of the frontline collections staff involved in this research believe they haven't received sufficient training on dealing with suicidal customers"
>
> Vulnerability; A Guide for Debt Collectors

report of principles and recommendations which have been endorsed and implemented across firms.

The taskforce is a collaboration between the BBA, its member banks, regulators and consumer groups, focussing on raising standards and helping customers in the areas of bereavement, third party access, mental capacity and financial abuse.

Joanna Elson OBE, chief executive of the Money Advice Trust who served as chair of the BBA's Taskforce, said: "Vulnerability, of course, goes far beyond mental health, and the new research from Chris Fitch throws a welcome spotlight on the full range of vulnerable circumstances that people face."

Banks are also already running various programmes around vulnerability. A spokesperson for Lloyds Banking Group said it is working with charity Mental Health UK to support vulnerable customers with their banking needs. The group added that it is providing staff with dementia awareness training, making meeting rooms available for longer periods of time for customers who need it and is offering power of attorney access to third parties to administer a customer's account on their behalf.

The findings

Each year there is an estimated 216,000 disclosures of mental health, physical illness and bereavement issues made to a team of 500 frontline staff within a 12-month period, according to the report.

It also found frontline and specialist staff were dealing with situations where customers had issues with addiction, terminal illness and language barriers, every or most days.

On average frontline staff will receive 15 calls a month from a customer with mental health problems and 15 disclosures from someone with a serious physical illness. Across a 12-month period, 1,250 conversations were held between specialist staff and customers believed to be at serious risk of suicide.

The report considered these findings at scale over a single year and the number of suicide disclosures, believed to be serious, were:

- Two to three in a frontline collections team of 10;
- 13 in a frontline collections department of 50;
- 63 in a large call centre of 250 frontline collections staff;
- 125 in a multi-site firm of 500 frontline collections staff.

While the outcome of these conversations is unknown, the difficulties staff have in responding are evident. Nearly 40 percent of the frontline collections staff involved in this research believe they haven't received sufficient training on dealing with suicidal customers. Around a quarter report being unsure of what to do in these situations and are unable to give out details of organisations that could help.

Besides dealing with suicidal calls, frontline staff said they found it hardest dealing with customers with addiction. The report found the reasons behind this was because there is no particular policy on what actions to take when dealing with such a call and staff don't know the potential reaction they may have when discussing addiction issues.

"One member of staff who took part in the research aspect of the report explained how they have ended up crying on a call with a customer who was also crying about their financial situation"

Vulnerability;
A Guide for Debt Collectors

Among the key findings of the report, it found debt increases the risk of poor mental health and can make the recovery of health and finances much harder.

It states that those with terminal illnesses face a reduction in income, alongside an increase in costs – such as higher heating bills for being at home more, or paying for new clothes because of weight loss. Macmillan Cancer said most people diagnosed with cancer are £570 worse off a month following diagnosis.

Over the 12-month period in which research was conducted, each frontline agent received five calls from someone with a terminal illness, and specialist staff received 20. These figures translate into 78 percent of all frontline staff receiving a disclosure of terminal health, and a staggering 94 percent of all specialist staff.

What's the industry doing?

As part of the report several examples and case studies of best practice from the UK's largest retail banks and building societies were included.

In one example NatWest explains it has two in-house employees from Citizens Advice Southend in its debt management operation that provide its specialist team with independent advice on how to deal with vulnerability. It said this has encouraged customers to act at an early stage to gain access to Citizens Advice.

Barclays has also benefitted from the use of Manchester Social Services, to create and run a pilot project which is being considered for a country-wide roll out. The project aims to raise awareness about where staff can refer vulnerable customers to. It has also informed staff on how to make effective and timely referrals to emergency services and health professionals.

Vanquis Bank also offers a case study of where it helped a customer with a serious illness. It gave an example of its post room analytics, where any written letters are received and scanned for potential words or phrases that identify vulnerability. The example here is of one debtor who had recently made contact to explain he had been diagnosed with cancer and would eventually be pursuing benefits.

Vanquis staff made contact to explain the various options of closing the account, or not, based on his situation. The staff said it was best not to "skirt" around the issue of illness or make any assumptions because some customers still want to continue paying their debts when in this situation. The eventual outcome in this case was that the customer became more ill and advised Vanquis he would no longer be able to pay his arrears – the staff then closed the account and had the debt written off.

Santander also provides the case of a customer, Joanna, who suddenly fell into arrears after becoming addicted to shopping; this stemmed from her issues with chronic depression and bereavement. The bank noticed this rapid decline in funds and dedicated a case manager to offer one-to-one support with all her accounts. Her overdraft facility was removed and an arrangement made to being the account into credit with a view to opening a basic account, allowing her to make direct debt payments. Joanna was also recommended to speak to her GP to see what help was available. Eventually, she used funds from applying for equity release on her property from another lender, and placed £7,000 in savings.

Even after Joanna's account came out of the collections function, the case manager continued to review her accounts and once more noticed her spiral in to debt. Joanna could not be reached and Santander believes she turned to another bank. Santander says in the case study that "every effort was made to support Joanna" but adds that "sometimes, initial success can't be maintained." It says that these moments of disappointment are tempered by the large number of vulnerable customers the bank successfully supports.

Practical steps

The report makes various suggestions of practical processes for a vulnerability scorecard. The key to them all is that they've been drawn up with a commercially realistic perspective.

Suggestions are made of items to be included in this scorecard such as the disclosure of a vulnerable situation, a colleague's understanding of a situation and the appropriate methods to carry out the identification of a vulnerable customer. It recommends the following to be included:

Support: This refers to when a colleague was able to determine what support could be given to the customer, with an appropriate consideration of financial and non-financial elements. Where appropriate, this support was given to the customer during the call, or (where appropriate) it was transferred to the specialist team.

Carer: This pinpoints when a colleague used the report's 'CARERS' tool appropriately but only when a third-party or carer call was taken, and where the third-party did not have authority.

A toolkit

Some of the other tools available to frontline staff include BRUCE. This is used to help staff identify and support customers who may be at risk of vulnerability or disadvantage due to difficulties with understanding and decision-making. It involves collections staff going through the following sequence:

Behaviour and talk: Staff should look for indicators of a limitation in the customer's behaviour and speech including:

Remembering: Is the customer experiencing problems with their memory or recall?

Understanding: Does the customer understand the information they are being given?

Communicating: Can the customer communicate their thoughts, questions and ultimately make a question about what they want to do?

Evaluating: Can the customer 'weigh up' the different options open to them?

Another of these tools is SPIDER. This stands for set, perspective, invitation, deliver, emphasise and recap. This aims to remind staff about the different steps involved in breaking bad news to customers in difficult situations. It provides a similar sequence of processes for collections staff to follow, including some steps (not included in full here) such as:

Set your scene: You may be nervous at delivering the news – this structure can help;

Perspective: Understand the customer's viewpoint;

Invitation: How does the customer want the information?

> "We're being 'call monitored' or marked by a (quality assurance) team who are not qualified to monitor calls, insofar as they have no understanding of the role, they do not speak to customers on a day to day basis and they have no understanding of how our process works"
>
> Frontline agent

Staff welfare is also encompassed in the report. It highlights the fact that the impact customers' disclosures have on collections staff, must be strongly considered. Specialist collections staff admitted to researchers that when dealing with customers in vulnerable situations, it can become a "personal, draining and difficult situation to deal with". One agent who took part in the research aspect of the report explained how they ended up "crying on a call" with a customer who was also crying about their financial situation. Another described how issues "hit home" and they have also been left in tears.

Linked to this was a section in the report on how to support quality assurance staff. Frontline and specialist staff who took part in the survey gave the overall opinion that assurance staff who are supposed to provide meaningful feedback need to be further supported by participating in vulnerability training.

One member of staff said: "We're being 'call monitored' or marked by a (quality assurance) team who are not qualified to monitor calls, insofar as they have no understanding of the role, they do not speak to customers on a day to day basis and they have no understanding of how our process works."

Conclusion

As well as looking after staff, the report offers up conclusions for firms. It highlights the need to routinely record basic data on their interactions with customers in vulnerable situations as well as the benefits of new data analysis techniques – including data mining, machine learning and artificial intelligence.

It also highlights the use of speech analytics technology to provide the opportunity for data to be 'unlocked'. It pinpoints the need to evaluate protocols, practices, and interventions on vulnerability that have been put into place simply because there is a need to know what is working for customers and staff alike, and what represents unnecessary or ineffective protocol. A final takeaway from the report was that data is needed to hold firms to account so that policies can "evolve and staff are supported and developed". CS

BARCLAYCARD CASE STUDY

Last year at Credit Strategy's Collections & Customer Service (CCS) Awards, Barclaycard won the award for "Vulnerable Customer Support Initiative – Creditor".

Since introducing its specialist support team (SST) in 2010 Barclaycard has been on a journey to ensure it stays up to date with regulation and is innovative when dealing with vulnerable customers.

Most recently the company introduced 'the money worries hub' in November 2015, a digital tool designed for customers who are too afraid to call the company when facing difficulty. The tool creates "personas" to help customers tell their story, covering various vulnerable situations and provides vital information on how Barclaycard has already helped customers in similar situations.

Barclaycard has also introduced controls to protect customers in vulnerable situations, if they are not identified at first point of contact. It has done this by using speech analytics and "word scrub" reports, which comprises vulnerable words and phrases and sweeps the Barclaycard system every 24 hours to check if a customer has been identified as vulnerable. If vulnerable customers are identified they are followed up by the specialist team the following day and frontline agents receive feedback and coaching.

Upon identifying a vulnerable customer at first point of contact, a frontline member of staff will transfer the call to the specialist team straight away. Barclaycard said this has improved customer experience and engagement scores.

The vulnerability agenda: Don’t forget staff welfare

In a debate on vulnerable customers at the Credit Summit, experts examined Chris Fitch’s report, and found that collections agents in a tough job need support

While the collections industry has made huge progress in the past seven years towards better treatment of vulnerable customers, some staff aren’t getting the support they need, according to experts.

Speaking at the Credit Risk, Collections and Compliance Stream during the Credit Summit, commentators including Chris Fitch from the University of Bristol’s Personal Finance Research Centre, and the Money Advice Trust Vulnerability Programme, debated how collections organisations could learn and use the tools in the *Vulnerability; A guide for debt collection* report.

Fitch told delegates: “We found there were positive improvements in attitude towards customers with mental health problems. For example the number of front line staff saying they found it difficult to talk to customers with mental health problems dropped from 41 percent to 26 percent.

“We also found there were positive improvements in practise. If I was to disclose to you that I had a mental health problem in 2010 we would find about 39 percent would actually go on to have a conversation about how that affects ability to repay – in 2016 it went up to 88 percent.”

But Fitch questioned whether staff were supported enough, particularly when dealing with customers experiencing addictions or battling suicidal thoughts.

He added: “We found one in four frontline staff had encountered at least one customer in the last year who they seriously believed would take their own life.

“Now that doesn’t sound a lot but if you start multiplying it up by the size of your collections team it really begins to build up. Across our sample that was 657 conversations with customers at risk. That’s 657 conversations where you could potentially save someone’s life.”

Fellow panellist Joanna Elson OBE, chief executive of the Money Advice Trust, highlighted the difficulty of handling such calls for staff, highlighting one quote from the report from a call handler who stated: “‘On that call I felt really upset for the customer, she was at one point pleading with me not to leave her. I did stay strong and confident on the call, once I released the line I was shaking and almost in tears.’”

L-R: Stuart Howard, Dollar UK; Dawn Stobart, Christians Agaisnt Poverty; Chris Fitch, Money Advice Trust; Joanna Elson, Money Advice Trust; Terry Baxter, Target Group; Chris Ball, Nationwide

The findings came as a wake up call for the firms involved.

Chris Ball, head of collections and recoveries at Nationwide Building Society, said the report has made the society rethink its approach to help staff handling such calls. The building society had 136 staff take part in the survey and Ball said he was surprised by some of the findings.

“The bit we didn’t do that well on is that we are not as good at supporting our people who deal with these calls as I thought we were,” he said.

“It told us some stuff we knew but actually it meant we’re going to have to go back and revisit some of the things we’ve taken for granted. I was surprised how few of our collectors regarded themselves as specialists so that goes back to ‘have we equipped them as well as we thought we had with training?’”

A key topic of the discussion surrounded how lenders and collections agencies can identify vulnerable customers if those customers choose to engage via digital methods.

Stuart Howard, chief executive at Dollar UK, said it’s an area that still needs work.

“At the moment it’s fairly rudimentary,” he said, “You have live chat and things like that.

“It’s difficult to read and understand people through that channel so at the moment we’re pretty much signposting people to either contact us online, signpost to where help is and once we get more of an omni-channel approach, we can signpost them into shops in the high street where they can come and have that conversation.

“I wouldn’t say we were anywhere near good at engaging with customers from a vulnerability or collection point of view at present.” CS

FCA probes evolving business models

Once again the Financial Conduct Authority (FCA) opened this year's Credit Summit, the flagship event of Credit Strategy's inaugural Credit Week. Post authorisation, it's sharpening its focus on incentives, business models and remuneration

"As this industry changes, regulation must change too. The industry must have open dialogue with the regulator and across the sector, it must be part of firms' culture to think about these changes."

This was one of the key messages in an annual keynote address at the Credit Summit from Jonathan Davidson, director of supervision – retail and authorisations at the FCA.

His speech covered the disparate natureof the regulator's consumer credit remit – short-term high-cost credit, debt management firms and credit cards – but also more specific elements that supervisors are studying.

In one example, he revealed that the supervisory team at the FCA are looking into how the business models of consumer credit firms are evolving. They're also probing incentives within companies to ensure those incentives "are aligned with consumers' interests".

Some of the themes Davidson raised emerged again throughout the day, at the Credit Summit's six streams which encompassed trade credit, credit risk, alternative lending, utilities and telecoms and more. The day was followed by a gala dinner at which the Credit 500 was announced – an index of the most influential individuals in credit risk and collections.

Affordability

One point Davidson emphasised was the need for firms to carry out thorough affordability checks. He said it is not just enough to ask a consumer if they can pay back a loan, but to ensure they are financially stable and won't be put under undue pressure to put these payments ahead of other bills such as utilities.

Davidson said: "When firms make fair treatment of customers a core part of their business philosophy, fair consumer outcomes will follow, whereas (within) firms that don't, the focus is on getting payment as quickly as possible instead, causing distress and even greater debt problems."

Jonathan Davidson of the FCA

When asked about the extent to which consumers should be responsible for their own borrowing, Davidson said: "Consumers do have to take responsibility for their own use of credit. But firms must be fair and not misleading and ensure consumers do not take on unaffordable debt.

"It's about trust. For consumers to trust firms, we have to ensure companies are trustworthy."

Vulnerability

On one of the dominant topics at the Credit Summit, Davidson said: "Some users of credit are both vulnerable and highly indebted. For these consumers, consumer credit can have a pernicious effect."

For this reason, vulnerability has been an important element in the regulator's most recent consultation on the FCA's future Mission, which will be published alongside a business plan next month.

Davidson added: "It's perfectly likely that a consumer's debt portfolio will include products which provide flexible, appropriate means of meeting short-term emergencies and spreading out the cost of purchases.

"However, these same products can become extremely expensive and difficult to repay if used as longer-term sources of credit. Whatever the reason, these customers are profitable and so firms do little to intervene."

The FCA has since published a consultation paper with proposed new rules for credit card providers to help consumers pay off their debts quicker (see Dispatches, p6).

Davidson said: "With high-cost short-term credit firms, it's hard to see how a model that offers multiple rollovers, imposes multiple default charges and prioritises repayment through repeated continuous payment authority attempts, could be in a consumer's interest.

"In some cases firms could still make a profit even where the customer ultimately defaulted on the loan. That's why we introduced new rules and took strong supervisory action in this area and will now be looking at other high-cost products."

Alternative lending

When asked about firms' culture in the high-cost short-term credit sector, he said the culture of these firms was going in the right direction, adding: "The big firms in that sector look very different now. A non-exec director at one of these firms told me the other day 'it has been excruciatingly painful for us, but we have emerged a better firm from it.'"

Davidson said there is no surprise the regulator is keeping a close eye on industry developments considering that annual growth rates are running at over 10

CREDIT SUMMIT

percent and that business models are rapidly evolving.

"Commentators have pointed out that much of the increase is in areas with low default levels, implying that risks to affordability for the average consumer of credit are not significant. This is an analysis that is, at a high level, hard to disagree with. We know that very few people fail to repay their loans or end up in arrears. Most people who use credit do so without any problems.

"But what you don't see from the headline figures, however, are the pressures faced by non-prime consumers and it's crucial we look beneath the numbers at those smaller, but higher-risk, areas of consumer credit."

He said the consumer credit industry is constantly changing in line with the society it serves, so therefore the regulator must be forward-looking and keep up with the changes and anticipate any risks.

Davidson also referred to the fact that some debt management firms are still awaiting authorisation. He said the FCA is working closely with firms not yet authorised to ensure they have a clear understanding of where they stand, although most of 50,000 firms that were invited to apply now have their authorisation.

Rounding off, Davidson said: "We will never flinch from our responsibility to protect consumers but this must be a dialogue not a monologue." CS

What will Britain's new economic model be?

BBC broadcaster Evan Davis

The question in the headline above was posed by broadcaster and economist Evan Davis at the Credit Summit.

In his keynote which covered retrenchment from globalisation, the UK's ominous trade deficit and of course, Brexit, he told delegates that during the past 30 years, Britain has developed a niche economic model. With London as a global financial centre, and the country as a technology and foreign direct investment hub, the economy has grown. But breaking a trade agreement now means something else entirely.

Davis said: "London has also acted as a services centre exporting to the EU. If those barriers to trade are raised, and if they really matter, we will have to find a new economic model. And if we do, what the hell is it?"

In a worst-case scenario, Davis said the exchange rate must fall while a new economic model is established.

He said: "We basically have to invent competitiveness by having a lower value of the pound – that will be the default safety mechanism in the economy for the next 10 years. If it goes badly with the EU, the pound will fall and we'll have to say we are cheap and competitive, this will give us a bit of resilience.

"We are withdrawing our trade agreement with our biggest market. I can't pretend I know what the outcome of that is going to be. It could be worse, it could be better; we simply don't know."

Davis explained that Liam Fox, secretary of state for international trade, has talked of a post-geography trading world because he believes geography is not as important in the modern world for trading terms.

However, if consumer growth slows down, Davis queried where economic growth will come from. He said forecasts predict growth will come from improvements in Britain's trading position, but it is currently trading at a deficit.

The country is importing more than it's exporting and the current deficit is at unsustainable levels.

He said: "The question is can trade, can sorting out our deficit, can exports or fewer imports, effectively keep the economy going?" CS

WHY CYBER SECURITY IS PRIORITY NUMBER ONE

Broadcaster Evan Davis grilled a panel of chief risk officers at some of the UK's largest lenders at last month's Credit Summit. As well as affordability and cyber security, they noted that bad debt levels could be at a turning point

Cyber attacks have inevitably become a top priority for chief risk officers (CROs).

This was one of the prominent themes in the CRO panel at the Credit Summit, where the evolving nature of affordability checks also emerged as a boardroom issue.

The focus on affordability has been prompted in part by the regulator but it's also in keeping with where lenders have been prioritising. It was a topic that came up frequently as Evan Davis questioned the following panellists:

- Rahul Pakrashi, chief risk officer, Funding Circle;
- Cyrille Salle de Chou, chief risk officer, HSBC Retail Europe;
- Peter Rossiter, chief risk officer, Starling Bank;
- Andrena Saripo, head of retail credit, Clydesdale & Yorkshire Banking Group.

Davis started with a simple query and an edited transcript of the panellists' answers to his questions is included below.

ED: What keeps you awake at night?

RP: "I was going to say Netflix but you want serious answers. No two credit cycles are similar, so my fear is what Funding Circle investors will experience in the next credit cycle, because we haven't been through one yet. Internally and externally, we have invited consultants to run stress tests on our book, and we've published the results on our blog. We have run many 'what if' scenarios, but no two cycles are the same, so there must be something we haven't simulated yet, so we keep trying."

AS: "It's around affordability assessments; have we really got that right for consumers? When I look at affordability assessments across different lenders, people get a different answer. So is that right and fair for consumers? And how can we work together to get a fuller picture?"

PR: "For me it's cyber risk. It's virtually certain that (an attack) will happen, it's very hard to quantify and it's very difficult to measure. You have to figure out all the cyber threats in your full value chain – among your partners and vendors."

CSDC: "For me it's the cyber threat too. It's an unknown threat that is getting bigger and more sophisticated every day. Banking is all about trust, and if there's an attack, it affects that level of trust."

ED: Cyrille, have you had a cyber attack at HSBC?

CSDC: "We know banks get attacked from time to time, but they haven't penetrated our systems."

ED: Rahul, is cyber security an issue at Funding Circle?

RP: "Because the entire business is online, absolutely, that's why we have a separate

Rahul Pakrashi of Funding Circle; Andrena Saripo of Clydesdale & Yorkshire Banking Group; Peter Rossiter of Starling Bank; Cyrille Salle de Chou, of HSBC Retail Europe and Evan Davis team that looks only at this to understand it. To tackle it we've used machine learning and big data. We have an infrastructure that involves studying various things such as the IP of the applicant, to flag transactions that might pose a threat. But we also have a separate team that looks at each deal manually and calls the person for ID verification."

ED: Affordability has been raised, is it a problem Peter?

PR: "I don't know if it's a problem and it's certainly front and centre of what we will be thinking about. Can the customer afford to pay back the debt and if there's a problem, how do we handle them? As a new bank, our focus is on what the customer can afford."

AS: "For me, it's the principle that as a consumer, you can go to one lender and something is affordable, but you can go to another lender and it wouldn't be. That's the issue. It becomes almost a competitive issue and it shouldn't be."

ED: And then of course consumers can shop around, and it shouldn't be a race to the bottom. Let's take another question from the audience. In terms of distress, what indicators are you seeing around bad debt levels?

RP: "So the good news is that it has been trending down since 2010. We've built a macro-economic model which forecasts what the bad debt level will be for our micro SME book. One of the key indicators of bad debt levels could be income gearing, and we've seen that this has been at the lowest level since the 1980s. It is at a good state now."

AS: "I would echo that; we're seeing very low levels of bad debt. However, as we all know, consumer credit continues to increase and the cost of credit is at an all-time low, so we will see that turn at some point."

CSDC: "We have reached a floor. Those of you looking at delinquencies across various markets will have seen that they've been coming down, year after year. In some cases they are a tenth of what they were at their peak, but we are seeing early signs of pick-up. One point to make is that it is not distributed evenly. When you look at different segments of our book, at the margins you can see signs of stress, where customers are starting to struggle. This is where the issue of affordability becomes important."

ED: The relevant question here has to be: If base rate shot up to a huge high – something like two percent – what happens to those distress levels? Because if you're in financial distress when interest rates are this low, then you must be in real difficulty.

AS: "We do sensitivity analysis on the books. As banks, we do assess to ensure we have acceptable levels of affordability. For me, with rising interest rates and the rising cost of living, there has to be a change in consumer attitudes towards debt consumption and the way they spend."

ED: Another question from the audience: Do you believe the FCA is becoming more of a price regulator? Answer that with your thoughts on regulation in relation to risk.

CDSC: "As an industry, we are in better shape, and that's because the regulator upped its game and has been asking the right questions.

"The focus on culture has been important. Sometimes, there's a very, very heavy burden of work. Being French, I've seen other regulators move in the direction of price regulation, but here I don't see an intention to go in that direction."

PR: "We don't sense an intention to regulate the prices we charge. Our experience is that the regulator has been superb in helping new banks set up. The regime is really helpful and one of the reasons why we have managed to get going. On conduct, that message is heard loud and clear. The new PSDII regulations will also help new banks because we will have more access to customers' data if they consent."

AS: "We are more in tune on conduct and fair outcomes for customers, it's not about price regulation. With the Senior Managers Regime, it's also about making the right decisions for customers."

ED: Another question with many likes from the audience: How will you approach what you say to customers when declining their applications, how will you be more open, without giving away how you make lending decisions? Andrea, what's your view on this?

AS: "It's a tricky one, because you don't want to give away why you've made the risk-based lending decision, and the credit-worthiness assessment. It comes back to the affordability piece and how lenders can be more transparent around that issue. We're pointing consumers to the credit reference agencies when actually, the issue could be that the consumer hasn't been able to prove affordability. That's somewhere where we could do better."

CSDC: "I think we could do a better job. We sometimes hide behind how complicated it is. We could simplify it. Perhaps we could categorise the reasons in broad categories, such as affordability check or bad credit. With a bit of work, it's an area where we could do more." CS

Ofcom fails to answer silent calls question

In a presentation on Ofcom's new rules for how many silent and abandoned calls will be permitted, collections firms were left in the dark as to what threshold for either call is now acceptable. CHRISTINE TONER reports

An Ofcom presentation on its new approach to silent and abandoned calls has left collections bosses frustrated at the ambiguity on what threshold the telco regulator will allow.

Eric Bash, principal in the professional and regulatory group at Ofcom, delivered a presentation in the Utilities and Telecoms stream at the Credit Summit on its consultation on the rules around silent and abandoned calls.

When it first emerged, it was expected the consultation would have a huge adverse impact on the use of diallers in call centres across collections operations. It was feared the current threshold of allowing three percent of daily calls to be silent or abandoned, might be reduced to zero. Now there is confusion over what the new limit will be.

Bash pointed out that the regulator regards silent and abandoned calls as misuse "when caused by something within the responsible party's control" and noted that silent calls "are the most harmful, given complaint volumes and how consumers characterise them, and so likely to be our highest priority". He added that abandoned calls are "also harmful, given complaint volumes", and that there is no "safe harbour of any level of abandoned calls".

He said liability could be placed with people using the network themselves (for example call centres), people who have engaged others to make calls for them (clients of call centres) and communications providers in appropriate circumstances.

Bash said Ofcom would take a case-by-case approach and prioritise cases where consumer harm is greatest. Action will likely be taken in cases where there is a risk to consumers from the misconduct; continuing misconduct; or deliberate and intentional misconduct.

However, when delegates questioned Bash on what new threshold breach will trigger enforcement action, he did not define exactly how many silent and abandoned calls will be unacceptable, or give a specific new number for any ratio of all calls made by a call centre which are allowed to be silent or abandoned.

Instead vague advice was given such as to "be very careful about making repeat calls to the same number without the ability for a live operator to handle the calls" and to "watch time of day of calls."

The background

Last year Ofcom proposed plans to apply a lower rate than three percent or a zero threshold for enforcing against abandoned calls. The proposal was widely criticised, including by Colin Chave, general manager EMEA at Noble Systems UK – which provides customer contact solutions. Chave, an expert on the subject, emphasised at the time the huge impact on productivity and outbound calls that reducing the threshold to zero would have.

"Companies in the debt collection industry need to be able to identify and contact customers efficiently," he said. "Their responsibility is to ensure that people don't fall further into debt. The kind of technology they use (ACS) is important in helping to minimise the time between identifying, locating and contacting those customers."

Respondents to the consultation have suggested alternative approaches. One is that organisations should achieve an abandoned call rate (ACR) below three percent or make fewer than 1,000 abandoned calls in a 24-hour period; whichever is lower.

Another suggestion is that a sliding percentage scale applies, where larger calling campaigns should achieve a lower ACR, but smaller ones may make abandoned calls at a higher rate than three percent. A third idea is that Ofcom sets specific guidelines or limits on the number of times a calling organisation can attempt to contact a customer, instead of reducing the ACR.

Ofcom does not have specific statutory powers to regulate call centres. However, there are legal provisions that allow it to take action when those call centres break the laws around nuisance calls. As for enforcement on silent calls, the industry awaits clarity. CS

Ofcom's Eric Bash delivers an update on the regulator's silent calls consultation at the Credit Summit

From Stalemate to Checkmate

Are you given the right moves in High Court Enforcement?

Stalemate - a position counting as a draw, in which a player is not in check but cannot move except into check. Sounds familiar?

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Banks and peer-to-peer partnerships "categorically" don't work, investor claims

In a Credit Summit panel on fintech, panellists discussed innovation in the sector, and punctured the hype around partnerships between banks and peer-to-peer lenders. CHRISTINE TONER reports

L-R: James Sore, Syndicate Room; John Mould, European Speciality Finance; Virraj Jatania, Pockit, Thomas Mills, Seedrs; panel chair Marcel Le Gouais

Partnerships between banks and peer-to-peer lenders, designed to help SMEs access finance after being declined by retail banks, don't work.

This was the view put bluntly during a Credit Summit debate by John Mould, chief executive of European Speciality Finance – a specialist in secured lending to SMEs that has a majority stake in peer-to-peer lender ThinCats.

During a session on fintech and alternative lending, Mould told delegates that banks were "not nimble enough" to implement such a partnership successfully.

He said: "There's been a lot of noise in the press. Politicians are forcing the banks to lend to companies and the banks are saying 'we can't, we don't trust them'. It's hampering the country's growth. Therefore this scheme was created, but I have not seen a single piece of data to show it's working."

Mould said it was much more likely that referrals were being made on local levels than through alternative lending schemes, such as the network that NatWest operates. When NatWest declines an SME's application for a loan, it can refer the business to one of the alternative lenders on its panel. This panel includes SME lenders such as Funding Circle and other peer-to-peer firms. But Mould added: "If a company goes into an office in Sheffield and says 'I want to borrow money', and the bank manager can't lend to them, there's no way that the bank manager puts them on the slow conveyor belt of a referral route."

"Instead", he added, "they phone a local broker and say 'I've got a client I can't help, can you help them?' I've yet to hear of a single loan that's gone all the way and been funded. I categorically don't think it will work. Banks aren't nimble enough".

Fellow panellist James Sore, chief investment officer at Syndicate Room, an online investment platform predominantly focussed on early stage and growth private equity, questioned the merit of such schemes, given the increased risk of the customers involved and the rates that would therefore be offered to them.

He said: "The key point is that the speed at which the legitimate decision can be made by a platform, compared to a bank, is something where tech can improve the situation. But I wouldn't say technology fundamentally changes the risk profile of a business. To give an example, Bob's building company that needs £20,000 quickly is not going to become a low-risk investment because it's going through the (referral) channel."

Sore explained that if a peer-to-peer lender picks up a referred loan applicant who has been rejected by a bank, (because the bank didn't think it could lend at acceptable rates), then the peer-to-peer lender should pick it up at a higher rate. This would be required to "compensate for the risk profile," he explained.

The panel, which also featured Virraj Jatania, founder of the bank account provider Pockit, and Tom Mills, senior investment associate at equity crowdfunding platform Seedrs, noted how some banks are responding to the proliferation of direct lending platforms. Sore pointed out that Barclays had raised a fund to lend to riskier companies, in a sign that the bank is targeting firms that would otherwise have to turn to peer-to-peer platforms or other alternative sources.

With peer-to-peer making up around five percent of UK lending, compared to the US ratio of 40 percent, the panel agreed the UK market was still poised for growth.

In a separate discussion on what kind of innovation the panellists were seeing, Jatania highlighted the speed and efficiency with which new fintech players can provide decisions to customers.

He said: "We focus on a specific niche which is the underserved low income part of the consumer demographic. I was with a large UK bank and the ability for someone to open an account with us in two minutes, and have an account number and sort code, was something they've never seen before. It would take them two weeks to allocate an account number." CS

How to fix a disconnect between credit risk and collections

In a panel session at the Credit Summit, the use of both data analytics and customer feedback through the entire cycle were highlighted as essential for integrated credit risk and collections. AMBER-AINSLEY PRITCHARD reports

As the relationship between creditors and customers continues to evolve, financial services firms must respond to customers' new preferences for contact channels.

This was one of many points raised during a panel discussion within the Credit Risk stream at the Credit Summit, entitled *Achieving integrated credit risk and collections*.

Philip King, chief executive of the Chartered Institute of Credit Management (CICM), chaired the panel and posed the following question: "At what point, and how, should the collections experience be fed into the sales process?"

Nick Isaacs, senior credit risk director at Elevate Credit International, which provides the 'Sunny' short-term loan, said customer feedback is a central part to learning and should occur throughout the whole of the credit lifecycle.

Fellow panellist Radek Jezbera, partner at Black Pine Consulting, said the collections departments in big financial services companies often sit completely alone and don't share data frequently, and therefore some larger organisations "need to work harder" to be integrated.

Isaacs confirmed this was his experience at a previous role at a big corporate and said integration probably isn't happening because the bigger firms are more interested in underwriting than collections.

Asked where the most exciting opportunities were coming from within credit and collections, the panel agreed it would be innovation within the use of data.

Isaacs emphasised that data is important for learning about consumers' personality and the way in which they are willing to repay, adding: "I think data extends out to how consumers are populating the application form; we not only need to track the characters they input but how long it takes to fill out."

As well as integration, the topic of how data is captured at both the origination and collections stages emerged during the debate. Delegates heard the merits of data capture in both stages by people and technology.

Jezbera explained that banks are experimenting with behavioural science, and have started using "emotional economics" to measure emotional impact.

Fellow panellist Michael Elalouf, chief financial officer at SME lender IWOCA, said: "Although we have increased the level of automation, humans capture some elements that a computer wouldn't be able to."

The panel agreed that human interaction is still very much an important part of the collections process, although some delegates raised concerns that collections and analytics need to be better integrated.

A change in topic came from a question by a delegate: "How can banks get their "mojo" back, given there is so much regulation now?"

Isaacs said: "I think a lot of people want their banks to be stable and boring to be able rely on."

John Fisher, of Tesco Bank, who spoke as a delegate in the audience, said: "We are avoiding anyone getting their mojo back. The regulator doesn't want us to, they want us to be boring and not break the system again."

Financial inclusion

In a separate panel later in the Credit Risk stream, the prescient topic of financial inclusion emerged. King believes it to be the most important and emotional item in credit right now.

King asked whether financial services firms are returning to a pre-credit crunch level of borrowing and if so, should professionals be worried?

Panellist Stuart McFadden, head of financial difficulties at Monzo Bank, which has recently received its banking licence, said he hoped another crisis wasn't on the way.

He said: "Regulators may be making banks boring but prior to the financial crisis there was a problem with affordable lending. Now we are operating in a different space with a different type of lending and affordability at the forefront of banks – so I'm not sure we need to worry just yet." CS

Michael Elalouf, chief financial officer at IWOCA

Radek Jezbera, partner at Black Pine Consulting

Nick Isaacs, senior credit risk director at Elevate Credit International

Why the industry has to provide more clarity on credit refusals

As part of the Credit Awareness Week campaign, a Credit Summit panel discussed a survey that unearthed shocking misconceptions among consumers about credit scoring and refusals. MARCEL LE GOUAIS reports

Both lenders and consumers will benefit if better, clearer information is given to people when their applications for mortgages, loans and credit cards are declined.

This was the prevailing view among panellists during a debate at the Credit Summit on *Credit Strategy's* consumer-facing Credit Awareness Week campaign, run in association with Experian. The campaign aims to increase consumers' awareness and understanding of credit scoring and help them improve their own scores. It also involves showing consumers the steps they can take if they have been refused credit, via an interactive tool.

As part of the campaign, a YouGov survey was conducted to establish how much confusion exists among consumers on the credit scoring process. It revealed that more than half of UK consumers have never checked their credit score, and that more than a quarter mistakenly believe credit reference agencies make decisions to decline applications for credit cards and loans.

It also showed that 86 percent of consumers believe they should be offered clearer explanations when lenders decline applications.

Speaking at the Credit Summit debate, Georgina Hardy, senior partnerships manager at Experian, said: "This result of 86 percent is an overwhelming number. We need to be better at an industry level at explaining what some of these reasons might be. When consumers are applying for a financial product, it can be an emotional process for them.

"They're applying for credit to help bring about a life event – it could be that they're getting married, or they might be buying a new car because their car has broken down and they need to get to work. So these things really matter to people. By enabling them to understand why a refusal of their application might have happened, that would enable consumers to feel a part of that process. They feel quite powerless when all they hear is just a 'no.'"

L-R: Liz Barclay, Money Advice Liaison Group; Georgina Hardy, Experian; Craig Simmons, Money Advice Service; panel chair Marcel Le Gouais

CREDIT awareness WEEK
EMPOWERING PEOPLE TO IMPROVE THEIR FINANCIAL FUTURES
In association with experian

Craig Simmons, debt advice sector manager at the Money Advice Service, said: "There's absolutely no doubt whatsoever about the level of confusion among consumers. Some of the pages on credit scoring on the Money Advice Service website are among the most visited."

Given her experience in debt advice, Liz Barclay, chair of the Money Advice Liaison Group, was asked whether the industry had made much progress in improving the clarity of information for consumers on this topic.

She said: "Simply, the answer is no. MALG brings together the money advice organisations and creditors to discuss best practice, and credit scoring might be an area we've neglected, given the survey results.

"The language around credit scoring is not helpful. We need to find a common language. If lenders and advisers use different terms, consumers become even more confused."

Before the Credit Summit debate, the Financial Conduct Authority's (FCA's) chief executive told *Credit Strategy*, in an exclusive interview, that consumers deserved more transparency from lenders on credit refusals.

He said: "It's wrong to think the only thing that matters is the credit score. I think it's likely, inevitable and sensible that the credit scoring process becomes more transparent to people. I think people deserve greater transparency." CS

Credit Strategy's portal for consumers, to help them improve their credit score and take simple steps when refused credit, can be found at creditawarenessweek.co.uk

When the power brokers came together, where were you?

Just in case you missed the unmissable, here are some highlights from Credit Week and its range of networking events, dinners and conferences, before and after the Credit Summit

One of the first events to kick off Credit Week was the Parliamentary Reception on the House of Commons terrace, where invited guests networked with the most influential stakeholders in credit, government and regulation.

Held the day before Article 50 was triggered, the afternoon also marked the beginning of Credit Awareness Week (see p36), a consumer-facing campaign organised by *Credit Strategy* in association with Experian.

The campaign is designed to increase individuals' awareness and understanding of credit scores and how decisions are made to lend or extend credit to consumers. It also includes a guide of steps to take if their application for a loan is refused.

Lenders, MPs, investors and a host of other organisations met at the House of Commons for a parliamentary reception

As part of the campaign, an early day motion was tabled by Yvonne Fovargue MP, chair of the All Party Parliamentary Group on Debt and Personal Finance, calling for the government to support the aims of the Standard Financial Statement (SFS).

The SFS is a new income and expenditure format launched to bring greater consistency to the way organisations assess people's finances when they are in debt. It will be adopted by all major debt advice providers across commercial and not-for-profit sectors, including Citizens Advice, the Money Advice Trust and StepChange Debt Charity.

Fovargue, who spoke at the reception, used the motion to urge public sector creditors such as HMRC to ensure that while they are not regulated by the FCA, they follow affordability guidelines espoused by adopting the SFS.

Standards of Lending Practice

Prior to the Parliamentary Reception, the Lending Standards Board (LSB) held an event to launch its new principles for lending to business customers, at Glaziers Hall in London.

The new code of practice will replace the micro-enterprise provisions of the lending code. It also reflects a change in product scope and its protections have been extended from micro-enterprise customers to include businesses with a turnover of up to £6.5m.

The LSB will initially work with firms to support and oversee the implementation of the new standards, then monitor and enforce them. It has defined a comprehensive oversight strategy which will be proportionate and risk-based, and will focus firstly on those areas, which have the largest impact on customer outcomes.

Dave Pickering, chief executive of the LSB, said the new standards represent a positive step forward in the level of protection now available to small business borrowers.

He added: "This is only the beginning of a long and challenging journey whereby firms, regulators and other industry stakeholders, will continue to work together to create and operate transparent, innovative processes that will ultimately aim to consistently deliver fair customer outcomes."

Credit 500 Gala

Credit Week finished with a celebration: A gala dinner to announce the Credit 500. The Credit 500 is an expanded index of the most influential individuals in credit risk and collections, following on from last year's Credit 100.

The Credit 500 recognises individuals via a series of sub-categories, which relate to factors such as their job role and responsibilities, the sector they operate in, lobbying and whether they work in a consumer or commercial credit role.

These sub-categories have been created so that innovators and best practice leaders will be recognised among their peers, by being part of a smaller, select group.

These categories include consumer credit, car finance, trade credit, commercial finance and much more.

Credit 500 members will receive a host of benefits from *Credit Strategy*, including free attendance to a number of conferences, awards and dinners throughout the year.

The dinner was hosted at the QEII Centre and raised around £1,100 for the night's chosen charity, The Children's Trust. The full Credit 500 membership can be seen on creditstrategy.co.uk CS

Geo politics starts to "move the market" for European NPL sales

As part of Credit Week, Credit Strategy hosted a CDSP: European NPL conference which collated the views and forecasts of the market's largest sellers and buyers of portfolios. AMBER-AINSLEY PRITCHARD reports

L-R: Iñigo Velázquez, Bankia; Casper Sonnega, Santander; Nick Ollard, TDX Group

"It's been 10 years since the global financial crisis and the recovery so far has been spectacular, but it could still last up to five more years."

Tony Ward, chief executive of Clayton Euro Risk, put the financial services market into context before drilling down into a health check of the non-performing loans (NPLs) market across Europe at the CDSP: European NPL conference.

In a speech to open the conference he said: "On a global level, we are far from out of the woods. Some countries have done better than others, we only need to look at the Italian banks to know all is not well.

"Politics has become the major sentiment that has been moving the market and influencing sales."

There are currently €2bn of non-core and non-performing assets on European lenders' balance sheets, delegates heard, and Ward pointed out that Europe will continue to present opportunities to global investors as NPL sales keep growing.

In contrast, according to PwC data, UK NPL and portfolio sales have declined in a big way. The accountancy firm's latest data shows there were less than €20bn of portfolio sales in 2016 – a huge drop from €54bn in 2016.

Even though Brexit has slowed UK activity, Ward said the UK is still seen as a place to do business due to its legal infrastructure, political stability and an established market for portfolio sales.

Moving onto the outlook for other countries across the continent, he said: "I think in Greece we're going to see much more imaginative deals coming in.

"There is an imminent need for re-designing and restructuring the special servicing and asset management activities in Greece."

As the second most active country in the NPL market in Europe, Ward said Spain's economic recovery is well underway compared to Italy – where economic improvement is gradual but its banks' NPLs remain on a slow course of divestment.

There has however been an increase in sales across Italy – to €32bn in 2016 from €19bn in 2015 – and PwC estimates the figures to hit more than €50bn for 2017.

In regards to the Netherlands, Ward said this could be the market that some investors turn to, for NPL opportunities following the complex repercussions of Brexit.

He said: "The Netherlands showed the fastest acceleration of NPL transactions of any European country during 2016. Holland also currently has €650bn of outstanding mortgages, which is set to increase to around €850bn."

Another market to watch is Germany, Ward said, adding: "There has been a shift in the approach to credit in Germany over the last 10 years from lending and borrowing for purchase towards UK/US leverage. There should be more coming out of that country."

Investor perspective

The first panel at CDSP: European NPL featured a range of investors discussing purchasing, servicing and selling trends in Europe.

Razi Amin, partner at boutique advisory firm Aspen Capital Solutions, said that a tough challenge for European banks to deal with, regarding large volumes of NPLs, was the proportion of non-performing bank loans to SMEs and small corporates within their books: "This is where gaps on pricing tend to be biggest," he told the audience.

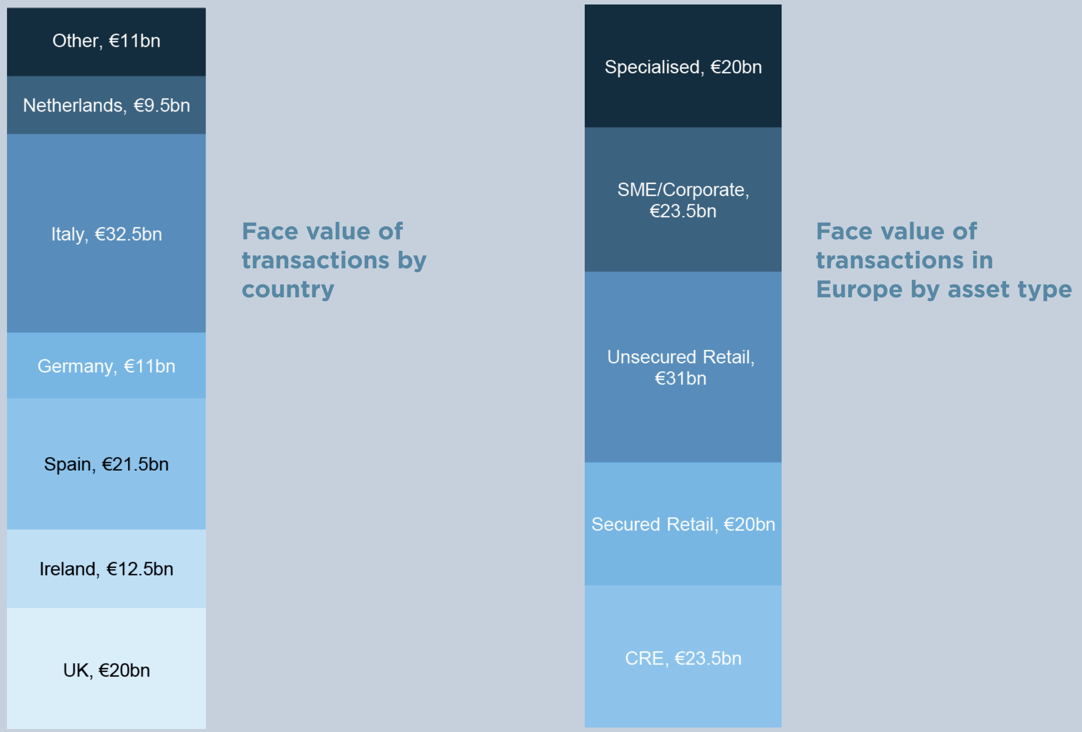
Josh Silver, partner at Apartners, where he spearheads the NPL transaction team, said he didn't think there was much of a gap now, but claimed in the past few years that banks "hadn't done their homework".

Speaking from the floor as a delegate, Bruce Curry, EMEA collections and recovery business lead at the analytics software provider FICO, said: "One thing that will affect how banks operate over the next two years is IFRS9; chief financial officers will need to get to know collections managers."

He added: "Banks may sell more performing portfolios after it takes effect, but there is a doubt that in the UK, once IFRS9 is introduced, the servicing infrastructure will be big enough to cope with all the portfolios that will be sold across the market. IFRS9 may well change the operating models of banks."

As well as accounting standards, new rules for data protection and the implications came

Portfolio transactions 2016



Source: Pwc Portfolio Advisory Group Market Update 2016

up during discussions, with Leigh Berkley, of European collections trade body FENCA, explaining in a presentation how European financial firms must prepare for the EU-wide General Data Protection Regulation (GDPR). In a panel session where the topic emerged, Mihai Rauta, executive director of retail risk area at Raiffeisen Bank, pointed out that the new accountability and transparency taking effect via the GDPR is creating huge challenges for banks. One of the hardest, he emphasised, will be the sharing of data with customers and ensuring it's correct.

Rauta added: "Data protection will become heavier and will impact how we go through debt sale, although portfolio audits in banks are better post-crisis."

The seller's perspective

Nick Ollard, director of global asset sale services at TDX Group, moderated a panel on the deleveraging process with major sellers.

Panellist Casper Sonnega, head of collections at Santander, described the Belgium market as fragmented, whereas the Netherlands, where he's based, is much more mature and has a regulator open to selling debt, although some active sellers have slowed down in the past year.

Iñigo Velázquez, managing director of banking and portfolios at the Spanish lender Bankia, highlighted Poland as a possible, future key player.

He also explained how Bankia had just closed a deal to sell a mixed portfolio of NPLs of SME and corporate debt for a face value of around €200m. He said Bankia requires price quotations "for each aspect" from investors before selling.

Greece needs a bad bank, or does it?

In a lively panel focussing specifically on Greece's bank problems, Andreas Koutras, head of portfolio risk management at FBN Bank, spoke of "zombie banks". He explained that there isn't enough equity in the banks, so the normal resolution of a bank cannot unfold easily. He said the zombie banks make up the majority (90 to 95 percent) of the market in Greece.

Koutras added: "We need a more holistic approach, and the realistic resolution to recover the banks is for the real estate market to increase, but it's going to take at least 10 years. These days in Greece, applications are coming from borrowers who are already defaulting on other loans."

Amin discussed proposals for a privately-owned programme to recover Greece's zombie banks. He said that if more "bad" banks are set up there should be one rule – for them to be privately managed.

Some of the panellists on a separate debate predicted more activity to emerge out of the NPL market in Italy. Ward had described Italy as the "most active loan sale market in 2016, with more realistic pricing expectations, an improving transaction environment and a political commitment to NPL resolution, with transaction volumes likely to stay buoyant."

Although Ward added that there is much to resolve with the Italian banks: "At the beginning of 2016 the Bank of Italy suggested the Italian banks held €360bn of NPLs and an NPL ratio of 18 percent – the highest in Europe."

Ward said Italy's transaction rate in 2016 was the equivalent of the UK, Netherlands, Ireland and Spain combined.

Delegates heard that the Italian market is moving towards more complex resolution transactions, but the national sentiment still tends towards the preferred solution of a marginally stronger bank acquiring a weak national bank. CS

What disruption will the advent of digital technology bring to the collections industry?

The first event of Credit Week saw the launch of the Digital Banking Club (DBC) for Collections Debate, in which experts discussed the extent to which digital technology will disrupt the collections industry. CHRIS FARNELL reports

While digital technologies and techniques will change the collections industry forever, it is by no means time to wave goodbye to traditional channels; it's merely time to work out which channels achieve the best results at which point in the customer journey.

This was the view expressed by speakers at the inaugural DBC for Collections Live Debate, sponsored by Intelligent Environments, on March 28. While all had different levels of ambition when it came to digital transformation, all agreed a desired end-state should include some level of direct telephone contact, even if targeted by a digital infrastructure.

Of those present at the discussion, some were at the start of their digital road map, others had begun in the last year or so, and one company had recently had to realign its digital plans to match a customer base. All, however, agreed there was no ignoring it. As one speaker summarised: "If you've not got a plan you'll get left behind."

One speaker described recent changes to their collections operation to set the scene, saying: "We implemented a mobile optimised website and literally overnight it transformed the level of engagement from customers. We saw mobile immediately jump above desktop in terms of most interaction, we saw many more customers begin the journey with us."

L-R: Derek Usher, Cabot Credit Management; Randolf McFarlane, Intelligent Environments; Sam Taylor, MoneyBarn; Paul Stretton, Extra Energy

The DBC for Collections POWERED BY intelligent environments

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It's not one-size-fits-all

But in with the new doesn't necessarily mean out with the old, and participants pointed out that while the new digital channels were valuable, they could not completely replace the contact channels already in place.

"Customers reached through non-voice channels have a much better success rate, but I think there will always be a space for telephone call centres. In taking that away, all you do is cut off people you already had engagement with," one speaker explained.

As head of partnerships for digital technology business Intelligent Environments, Randolph McFarlane was transparent in being a supporter of digital – but was equally vocal in urging restraint of expectations. He told the audience: "Digital doesn't solve everything – let's be clear. We never advocate digital as a means of replacing traditional call and collect models. One size doesn't fit all. There are customers who are not familiar with digital, so a digital-only offering can actually alienate the very people you're trying to reach. As good as a digital journey can be, nothing quite replaces human touch and human interaction, especially when it comes to very vulnerable customers."

Starting the conversation

One area where digital comes into its own, however, is during the very beginning of a relationship with a customer, where a business is trying to achieve that essential first engagement. As was pointed out in the debate, the first interaction most people have with a collections operation is an initial, and often lengthy, phone call. That phone call usually takes place during office hours, when the customer could be in their place of work, or on a crowded bus, or even when they're about to sit down to dinner.

This state of affairs can mean that not only are customers unlikely to have the documents and information the creditor needs, but they may be prompted towards feelings of embarrassment and discomfort that won't help build a relationship going forward.

"Achieving that first engagement digitally can help," McFarlane pointed out. "It's discreet, they can choose their own time, so you imagine a scenario where they can wait until the kids are in bed and they have all their documents together. Then the call centre can have a more informed, more tailored conversation."

While people across all sectors will testify

Maz Ahmad, Intelligent Environments

Delegates heard at the DBC for Collections Debate that apps and webchat can enable vulnerable customers to take "that first step" in opening up about problems to creditors

to the importance of the human touch, in sensitive situations such as those involving debt, removing that element can sometimes make things easier for the customer. As one speaker said: "It means you're not having to admit to another human being that you're struggling. We see around 70 percent of our vulnerable customers come through a digital channel."

Even if there is a special phone line for vulnerable people to call when they need help, for many customers that means admitting there's a problem – both to themselves and to another person. During the debate, speakers discussed the importance of getting the customer to take that first step, with one-step-removed methods such as apps, emails and webchat cited as ways of making that step less intimidating.

Sharing control

Digital technology is often lauded on its ability to give customers a sense of control, and a choice about how they engage. It does this best when it sits alongside multiple contact options in a true omni-channel strategy.

A few years ago, during a wave of enthusiasm for digital customer engagement, a lot of financial services websites either removed their phone numbers from their homepages altogether, or hid them deep within websites, making digital channels the only option for customers.

In recent years that trend has reversed, with phone numbers being prominently displayed even throughout the digital journey, as a constant potential 'escape hatch' for those who need to speak to a human being.

As McFarlane said: "We always advise, especially for those with a strong vulnerability and accessibility agenda, that there always has to be a way to break out of that digital journey."

However, while "giving the customer control" sounds good superficially in terms of TCF credentials, it's not necessarily a desired end unto itself. Not least because of the creditor's duty to serve their customers' best interests, it is essential for collectors not to relinquish all control to the customer.

"An attractive prospect in terms of customers is to pay what you want, when you want" said one speaker. "But sometimes you don't want that. What it hinges on is the question 'can our customer afford the agreement?' Our objective if they can't, is to get them out of that agreement as quickly as possible; not to have them pay us and not their council tax. I think it's important for digital solutions to take that into account the fact you don't want customers to always pay, if they can't afford it."

The more the discussion dug into the issues around the use of digital channels, the more the questions people asked homed in on customer service issues. FCA regulations are clear on creditors' obligations towards vulnerable people, but famously less specific on the definition of vulnerability itself. But that needn't be a big obstacle, said panellists.

As one said at the end of the debate: "Digital doesn't need to be complicated. You can use quite simple things, even a checkbox saying 'Do you consider yourself to be vulnerable? Yes/No'. You replicate what you would do with an agent on the phone. Vulnerable is a term that gets bandied around but what it means is a real person with difficulties and some problems. The way you deal with these customers will be enhanced if you keep that in mind."

Even in the midst of the digital revolution, the right way forward is still choosing the right tool for the right job, rather than a one-size-fits-all approach. CS

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See you next year

The future of the field collections model

Based in Coleraine, Northern Ireland, Conexus Recovery & Field Services serves utility and financial services clients, covering Northern Ireland, the UK and Ireland. Its director STEPHEN SMITH explains how the field work model has changed completely

Stephen Smith
Director, Conexus Recovery & Field Services

The debt collection industry has undergone many shifts in the past five years and the nature of field collection is no different.

We're now working under an entirely new model for field collections – and the old one is never coming back.

Our field representatives, who are working for clients including banks, utility companies, retailers and debt purchasers, are now operating under this new, compliant model for all types of field activities within the industry. At Conexus the aim is always to treat the customer fairly and we have recently adopted the Standard Financial Statement introduced by the Money Advice Service, in collaboration with representatives from the debt advice and credit sectors.

Conexus has a team of doorstep 'reconnection representatives' who provide doorstep visits for all their clients. The old model saw field representatives going door to door on a weekly basis collecting cash, setting up a payment plan without affordability checks, taking the customer's word that they could afford the payment.

In the past, although many customers could afford repayments, doorstep field representatives could not always evidence what had happened on a doorstep visit. If certain cases were more complicated, they couldn't ensure the outcome or payment plan agreed was always the best outcome.

The new reconnect model still means a visit from a doorstep field reconnection representative, but we no longer use the word agent or collect weekly cash payments. The key difference is that the field representative reconnects the customer directly into the call centre.

"The new reconnect model still means a visit from a doorstep field reconnection representative, but we no longer collect weekly payments on the doorstep"

Engaging with the call centre operative means the arrangement is more likely to be affordable for the customer, because affordability checks will be carried out.

All doorstep visits are now conducted using hand-held devices and all visits are recorded. This safeguards our clients' customers, and ensures that customers are treated fairly, no matter what collection stage the account has reached. Both our clients and Conexus call centre agents, along with our field representatives, now work together as a team. This enables us to evidence what happens on the doorstep.

Another important part of the new reconnect model is signposting, where appropriate, to agencies that help people deal with debt, such as Stepchange Debt Charity or Christians Against Poverty. It is all part of a more holistic approach to enabling the customer to get all necessary help to manage their debts.

New model, new fees

With the new reconnect model, field representatives are paid a fee rather than commission on any amount repaid. This means the field representative is not rewarded on how much the customer pays or even if they pay. So what's the impact of this on the industry? Evidently, it could be argued that there's now the possibility of less money being repaid. However, with affordability checks, it will be more than likely that customers can repay their debts at a rate they can afford. They will also be able to repay priority debts. What is good for the customer is likely to be in the best interest of the client.

Conexus carries out work that involves meter reads/meter checks for utility companies, pre-disconnection visits and other work streams within the utility process as well as offering the doorstep reconnection service. In providing a doorstep solution Conexus has found that some customers need the face-to-face service to help them arrange an affordable payment plan. In this regard, field work is still an important service for utilities and financial services firms. Customers can feel overwhelmed by debt, but a doorstep visit may actually offer them the face-to-face help they need Customers who are reconnected back to Conexus, are offered a payment plan, which is set up by the call centre staff using a bespoke collections system.

So what might the future look like for field representatives? The ambition is to provide them with a live recording facility into our call centre. This may see fully trained and compliant field representatives setting up repayment plans with customers, so in that sense, the doorstep service becomes more like a call centre on wheels. CS

Dates for your diary

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

CREDIT AWARDS 2017

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

CAR FINANCE CONFERENCE 2017

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

CAR FINANCE AWARDS 2017

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

EMERGING LEADERS AWARDS - EMEA 2017

28 June 2017
The Lansdowne Club, London
creditstrategy.co.uk/emerging-leaders-awards

TRI AWARDS 2017

18 October 2017
London Hilton Park Lane, London
triawards.co.uk

F5 CONFERENCE 2017

1 Nov 2017
Hilton London Bankside, London
f5conference.co.uk

F5 AWARDS 2017

1 Nov 2017
Hilton London Bankside, London
f5awards.co.uk

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Callcredit targets international growth with new appointments

Eamonn Tierney
Managing director
UK business development
Callcredit Information Group

Credit reference agency Callcredit Information Group is targeting UK and international growth with the appointment of three new global market development leaders.

Eamonn Tierney, the group's current managing director of credit solutions, will move to head up a consolidated UK business development team.

Jim Hannon has also been appointed as head of operations in north America. He previously worked as vice president of business operations for analytics software firm FICO, and vice president of finance at communication solutions provider Avaya.

Rick Biggs, the group's current managing director of software, analytics and fraud, will become head of the group's international markets.

Stephen Burnside has also been hired to take over the managing director position of the software, analytics and fraud division. He previously held positions in both financial services and data and analytics businesses.

Burnside is a former director of Ikano Bank in Europe, the finance arm of IKEA, and previously carried out the role of European managing director of Experian decision analytics.

Chris Green, chief commercial officer at Callcredit, said the new appointments will help lead the company through its next phase of growth.

He added: "Although data will always remain at the heart of our business, it is the analysis and interpretation of this data that is increasingly important to our clients."

Lloyds appoints regional head

Neil Foulkes
South east head, global transaction banking
Lloyds Banking Group

Lloyds Banking Group has appointed a new south east regional head of global transaction banking. Neil Foulkes will lead a team of 30 banking professionals with knowledge of the region's important industries and specialisms in areas such as global cash management, commercial finance and trade and asset finance.

Lloyds said the team will work closely with firms across the region to help them develop capital management strategies. Foulkes joined Lloyds in 2013, taking charge of a mid-market commercial banking team.

He has more than 28 years of commercial banking experience, previously holding roles at the Royal Bank of Scotland and HSBC.

He said: "As we enter another year of uncertainty, businesses need to manage their cashflow effectively to achieve ambitions."

Aldermore boosts asset finance team

Rachel Lintott
Head of internal sales and support, asset finance
Aldermore

Aldermore has appointed Rachel Lintott as head of internal sales and support for asset finance. She will be responsible for managing the internal broker sales and support teams and overseeing the relationships with Aldermore's major broker partners.

Lintott will report to Patrick Jelly, commercial director for asset finance, and will be based in Aldermore's Reading office.

She has more than 16 years' experience in financial services, of which the last 13 years were spent supporting the development of Deutsche Leasing's UK business.

During her time at Deutsche, Lintott established and ran the internal sales division which oversaw all major vendor accounts and focussed on managing Deutsche's largest vendor relationship in the UK.

Craig White
Lowell

Craig White has replaced Andrew Bartle as UK chief operating officer at Lowell. White took up the role on April 3 and is tasked with ensuring a continuation of the leadership of the firm's offices in Leeds and Tolworth.

With a career in the financial sector that spans more than 30 years, White joins from Domestic and General where he was UK customer and sales director. He previously held senior roles with Capita, Barclays Bank and GE Money.

Graeme Danby
Freeths Solicitors

Freeths Solicitors has promoted the head of its national creditor services team to a director of the firm.

Graeme Danby joined Freeths in 2013 and since then has provided services including commercial litigation, debt recovery and restructuring and insolvency. He has experience in volume recovery, advising creditors on their positions when affected by insolvency, and providing advice to creditors on credit control strategies.

John May, managing partner for the Manchester, Leeds and Sheffield offices, said Danby has played a "pivotal" role in developing a new credit management platform.

Paul Edmeades
Independent Growth Finance

Independent Growth Finance (IGF) has appointed Paul Edmeades as the firm's head of underwriting for asset-based lending. Edmeades has joined the commercial finance provider for SMEs and will be responsible for building an underwriting team to support the firm's commercial activities.

His previous role was business development director at asset-based lender Shawbrook Business Credit.

Nick Stace
Financial Conduct Authority

The Financial Conduct Authority (FCA) has appointed Nick Stace as a non-executive director to its board. The appointment is for an initial three-year term that started on April 1 and was made by the Treasury. Stace is currently chief executive of the Royal College of Veterinary Surgeons. He has also held executive leadership roles in consumer organisations, including Which? as deputy chief executive.

The Fifth Estate

Credit Week in pictures

With conferences, dinners and debates coming out of our ears, Credit Week required a frenetically-paced operation behind the scenes. Here's a snapshot of every event

March 28
The Digital Banking Club (DBC) for Collections Live debate, powered by Intelligent Environments, held at The Law Society, London.
Creditors and debt purchasers discuss digital collections and how to re-engage with vulnerable customers (see p40).

March 28
Standards of Lending for Business Customers, launched by the Lending Standards Board at Glaziers Hall, London.
After several months of refinement since their inception, the new code of conduct for lending to small businesses was launched during Credit Week.

March 30
Credit Summit, EII Centre, Westminster.
Backstage at the Credit Summit, where our CRO and senior credit risk panel posed with a happy-looking Evan Davis. Just an hour before his appearance, Davis had stepped off a plane from a gloomy Brussels, where Article 50 had just been triggered.

March 28
Parliamentary Reception on the Pavillion Terrace, House of Commons.
Lenders, law firms, debt advisers, MPs and just about anyone with a credit-related job joined for a drink on the Thames.

March 29
CDSP European NPL at the Conrad St James Hotel, Westminster.
Where even the brightest minds of Italy's and Greece's NPL markets couldn't quite solve their countries' systemic problems.

March 30
Credit 500 Gala Dinner at the QEII Centre, Westminster.
Before the *Credit Strategy* team collapsed in a heap, managing director Luke Broadhurst delivered a round-up of the week's events.

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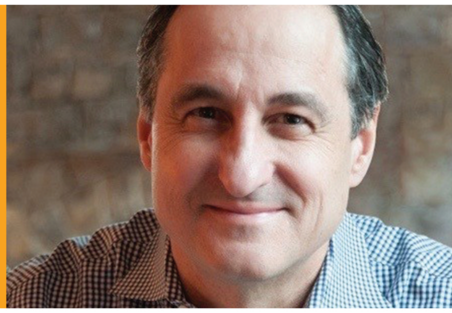
Please contact me at dpauken@convokesystems.com



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