

Case study: Co-operative Financial Services

Experian supports CFS with its lending activity to minimise risk



Client

Co-operative Financial Services (CFS) is one of the UK's leading financial services providers. It was formed in 2002 to bring the Co-operative Bank (including the Internet bank, smile) and the Co-operative Insurance Society (CIS) under common leadership. It provides a wide range of insurance and banking products and services, delivered through bank branches, over the telephone and the internet, and also via its network of Financial Advisors.

CO-OPERATIVE FINANCIAL SERVICES

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Challenge

CFS wanted a broader view of its customer base and required support with its lending activity to minimise risk and protect its customers from over-committing. After a rigorous assessment, Experian was selected to deliver the latest generation of its Delphi for Customer Management (DCM) technology.

Additionally, CFS recognised the need to distinguish between insolvency events and bad debt events. Following a successful trial period, CFS is now using Experian's new Insolvency Score alongside DCM to give a more detailed view of their customers' credit situation.

Solution

DCM is used to identify events that may indicate a change in a customer's financial status. Together with the new Insolvency Score, it provides a regular, up-to-date risk assessment, which provides a 360-degree view of customer borrowing

trends and highlights any changes in a customer's borrowing status.

Results

The implementation has allowed the bank to divide customers into sub-groups in order to apply the appropriate lending and contact strategies – resulting in better management of its existing customer base and also enabling greater assistance to be provided to those customers who may be getting into general financial difficulties.

CFS has witnessed a strong improvement in predictive performance in credit decision making and DCM and the Insolvency Score are delivering valuable insight in helping CFS to manage risk effectively.

“Over the last few years, the UK as a whole has observed significant increases in Individual Voluntary Arrangements (IVAs) and personal bankruptcies. Classic risk models treat insolvency events and other

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'bads' alike, yet from a creditor's perspective, the resulting losses from insolvency cases are significantly higher than mainstream bad debt.

By developing models focused purely on identifying existing customer insolvency risk, lenders can greatly reduce their exposure to insolvency based losses. Co-operative Financial Services pride themselves on being a responsible lender with a keen focus on market innovations, which could further reduce the bad debt risk to the Bank. As such, we were only too willing to be one of the first Banks to evaluate Experian's recently released Insolvency Score, which has been designed to work alongside Experian's existing Delphi for Customer Management suite. Following a detailed 3 month trial, Co-operative Financial Services is pleased to announce that the Insolvency Score will now form an integral part of the Bank's Probe Existing Customer new lending and limit management strategies." Howard Price, Head of Credit, Retail Banking, Co-operative Financial Services

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