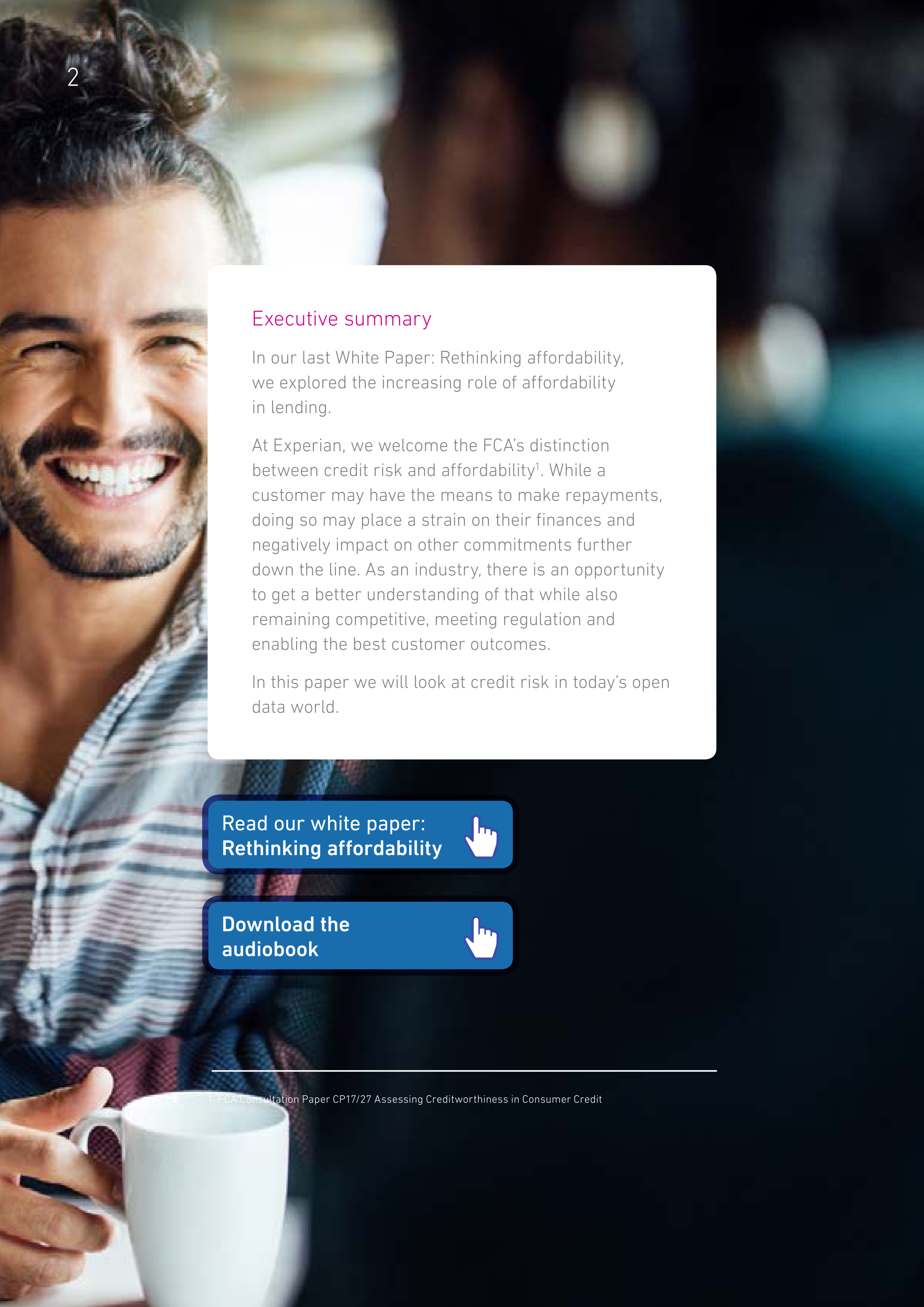
Affordability

Risk in an open-data world

How and where lenders can enhance affordability through open data and analytics

September 2018



Executive summary

In our last White Paper: Rethinking affordability, we explored the increasing role of affordability in lending.

At Experian, we welcome the FCA's distinction between credit risk and affordability[1]. While a customer may have the means to make repayments, doing so may place a strain on their finances and negatively impact on other commitments further down the line. As an industry, there is an opportunity to get a better understanding of that while also remaining competitive, meeting regulation and enabling the best customer outcomes.

In this paper we will look at credit risk in today's open data world.

Read our white paper:
Rethinking affordability

Download the audiobook

1. FCA Consultation Paper CP17/27 Assessing Creditworthiness in Consumer Credit

Introduction

The FCA is striving for balance. Their aim is to minimise the risk of predictable financial distress, while at the same time avoiding restricting access or increasing costs of borrowing.

In an ideal world, customers would be granted credit only if they can afford to repay in a sustainable manner and without harming their overall financial situation. In practice, this can never be guaranteed. Assessing affordability isn't an exact science. Credit may be affordable for one, but unaffordable for another in a similar situation, purely because of how different people manage their finances. In addition, circumstances can change due to unpredictable life events, such as the sudden loss of a job, serious illness or loss of a partner.

Today, both businesses and regulators are striving for a sustainable future. There is also a unique opportunity to make this happen for everyone. Advanced analytics can equip you to become experts on your customers.

Re-connecting people to finance, helping millennials be better prepared for retirement for example can ensure the future does not become tarnished by any decisions of the past.

Today we need to consider the impact of each decision.

In theory, a decision means deciding on far more than whether a person can go on a holiday or buy a house. It is contributing towards designing that path for them; designing the path for their future and helping people to achieve their life goals.

This can be achieved by better understanding them and from there, you can better help them. With the right help from data, analytics and decision-management technology, this can be achieved efficiently.

Tradition should not be forgotten; we should continue to capitalise on the advances in analytics that have powered risk based scoring models and other techniques for the last 30 years. However, today there is also an opportunity to maximise the greater potential of big data.

This year we saw bank account transaction data come to the market through the PSD2 and open banking. We continue to see many new data sources enter too, offering equally huge potential. If we are to maximise the transformative potential these new assets contain, we'll need to be able to qualify, manage and connect these data sources.

Today's analytics can consume various data feeds, including those that are complementary to traditional data, then understand it in a simple way and deploy it to automate fast and accurate lending decisions. This is done by bringing together various trended points of data, including historic recorded data (such as bureau data), historic behavioural data (through bank account transaction data) and through forward-looking data (such as economic data and affordability risk variables). This can be powerful, and equip businesses with a single process to inform the right decision.

The challenge for many however, is where to start. In this paper we explore the most effective roadmap, alongside the biggest opportunities.

> The UK is already leading the way in financial innovation, further opportunities exist to expand and continue this.

Today, current account turnover data (CATO) is used to check income during an application, and this is still an effective method for most straightforward cases. Open banking brings in bank account data through the PSD2, which offers another, more granular view of credit risk. Here, with consent, lenders can access a person's entire bank account transaction history.

When this data is categorised, it can further validate a person's financial circumstance by giving an understanding of their actual behaviours, including income and expenditure. This is particularly helpful in cases where a person's credit history is limited or non-existent, or in cases where a score refers the application for further review.

Consider attitudes and impact

When making a decision, regulation now requires businesses to look at credit risk (or willingness to pay) as well as affordability (or capacity to pay). Willingness is about track record – what's known about an individual's past behaviour. Previous good performance shows there is a good chance that an individual will honour credit commitments going forward, for example.

Our recent research shows that customers themselves often overestimate how much they can afford to pay. Our calculations revealed that the amount people believe they can afford to repay on a mortgage each month is around 40% less than their actual mortgage payments are likely to be. In addition, we can see how most people have little if any accessible savings, or long-term savings in the form of a pension. While many are concerned about their financial future, they are optimistic in their behaviours.

In carrying out this analysis we've found some areas to be very much in flux – such as the movement towards spending on life experiences. Others have remained very much consistent over many years.

What's most interesting about the research is the way this data allows us to take a view of the whole economic picture.

It is important to understand both actual and future trends, behaviours and attitudes, in the entire lending criteria. By understanding this – something that's now possible through data analytics – you can then produce appropriate models that are reflective of the audience you want to engage with.

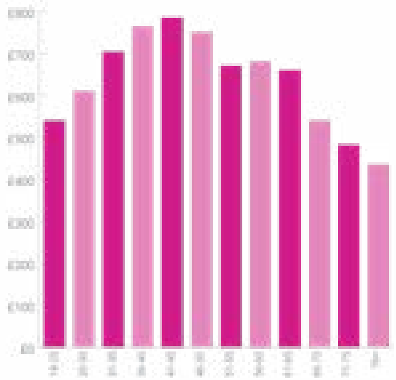
Download the spending index report

Millennials

This age group are breaking free from tradition. Millennials are opting for self-employment over salaries. Their wages are growing at a slow, unspectacular rate, but the amount they are earning from self-employment is much healthier.

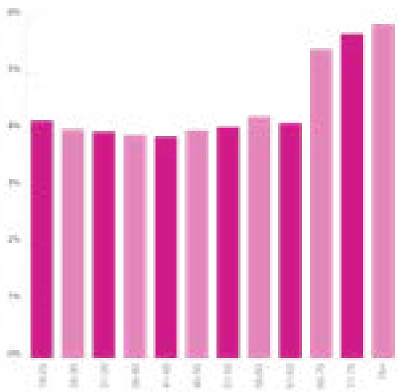
The Formidable 40's

Early Generation X-ers are the engine of the UK economy. The 41-45 age group earns, spends and contributes more Tax and National Insurance than any other. They have been the highest earners every single year from 2013 until now and we think they will continue to take home the most money in 2019.



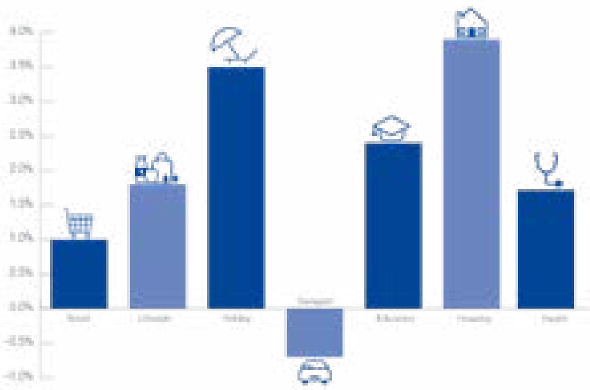
Baby Boomers

People aged 71 and over are making the most of their retirement years. The amount they're spending on holidays is growing every year. Not only that, but they're spending more of their income (%) than any other group on holidays.



Benefit Dependent Families

This group are spending very little, but are putting more of their income (%) towards housing. Out of all the groups, we think they will spend the lowest amount of their income on lifestyle and transport in 2019.



Credit data tells us:

Demand has increased by a quarter for mortgages – with more mid-risk and lower affluent applications. **A fifth of new residential mortgages are now over a 31-35 year term**.

There has been a decline for personal loans but an increase for mid-risk, mid-life and older applicants. More commonly, today we see the value of **personal loans requested being between £20-40k**.

Credit cards with an outstanding balance continue to increase, with dormant accounts actively being closed ahead of regulation requirements.

Automotive finance has seen a steep decline of over 20%, voluntary termination continues to burden lenders, and PCPs more commonly see an increased term of more than five years.

Volumes of retail finance, **specifically revolving credit, have seen a significant increase**. While arrears have declined across retail finance, this new cohort of people could mean we start to see this trend change soon.

Consumer research tells us:

People 55+ are twice as likely to use savings for a luxury item than those aged 18-34. Not surprising, as 59% of millennials have savings of less than £1,000.

A quarter of people (26%) are not interested in financial product advice, because they expect it to be readily available and lack trust in financial services.

Concern over future is higher with age
18-34s are the most optimistic in their financial behaviours, followed by **35-54s** and then the **55+**.

¼ of people will use an interest free credit card, or take a loan to pay for an unaffordable item. But, most would favour asking family for a loan above everything.

Clearing debt is the biggest focus for discretionary spending, followed by entertainment, holidays, and socialising.

Considering more variables in your assessment can only be a good thing

Different lenders will have different appetites for risk, offering different prices and a different cut-off points in the decision process. These factors are commonly based on the risk profile of the customers you want to attract through your marketing and product strategies. The challenge for many businesses is to align departments so that marketing is talking to the 'right' people. To do that, you need to know the risk appetite of your business, understand your ideal customers and find the best ways to reach them, ensuring your data and capabilities are relevant to those identified groups.

The economy must be taken into consideration

Levels of personal debt are currently higher than they were a decade ago and have continually risen over a period due to more consumer personal debt. People are borrowing more, for longer periods of time. We see today more demand for loans £20-£40k. But also, worryingly, we are seeing early arrears in these loans. It's vital that the credit-risk implications of this are understood, both from your own and your customers' perspective, and that you can improve your decision making accordingly.

With interest rates at an historic low, the question is not if they will rise, but by how much and how quickly and what that could mean to the individual. It is therefore important to factor economic variables into decisions where any impact could occur from such change.

Economic forecasts

Many of today's households still have not yet felt the benefits of an economic upturn. Incomes are still lower than they were, and what confidence had returned to consumer spending and borrowing has been retracted as the country braces itself for the uncertainty of Brexit.

This is where integrating economic forecasts and foresight – the credit economy – into your decision making will have a huge impact. Used alongside bank account data, it will help you understand the full impact on that person. You can also foresee the likely impact to a customer future by looking at how they've prioritised before.

Read our white paper: Putting the customer front an center

*Source: Office for National Statistics **Source: UK Debt Statistics from Credit Action based on Q! 2013

Data and insight has been provided by Experian and is subject to change. Correct at the time of creation – December 2013

Ensuring your baseline is fit for purpose

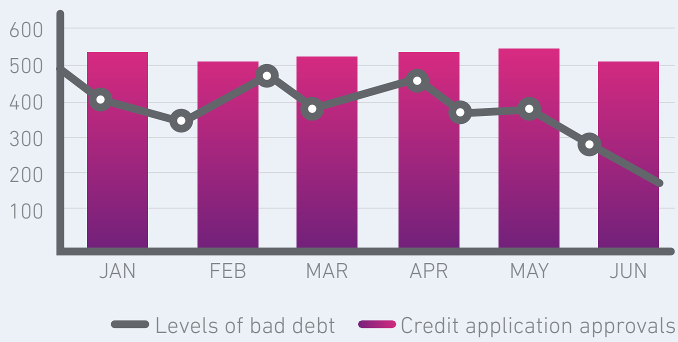
Scoring and using scorecards can be hugely beneficial for a large proportion of people where a credit decision is straightforward. But only if the scoring model is reflective of the right data and relevant economic climate.

Scorecards are based on information obtained at a set period of time, which can become problematic as time passes. First, the economy may have changed, as the UK's did between 2007 and 2009, so the variables in a scoring model might no longer behave in the same way that they did at that point in time. Next, even in a relatively benign economic environment, a business and its strategies will change.

How people consume credit has also changed – no longer do people prioritise a visit to a branch, but expect instant access via the internet or on a device. Consumption of credit has also changed.

Therefore, the weightings of different pieces of information used in historic scoring models may no longer be as good as they could be.

View our infographic on how a scorecards calibration and performance is cruicial to risk assessments



The evolving credit bureau

Credit bureaux have changed over the last decade. We know more about people than we did 10 years ago and some new pieces of data have entered the equation. The recent addition of bank account transaction data, for example, gives the opportunity to improve your ability to assess willingness and capacity to repay. In addition, new alternative data now contained within the bureau, such as rental data, utility data and more, offers extra insight that can be valuable too when making a decision.

The economy is interchangeable, so it may not be appropriate to factor in economic data if you're offering a short-term loan. For a mortgage lender, or someone offering a larger loan over a longer period, fluctuations in interest rates could impact a customers' ability to pay, making economic data a useful addition. Today, with more people opting for high-value personal loans and car finance, there's an immediate need to consider the long-term impact of borrowing and ensure credit can be maintained.

With the right software, data and analytics, you can perform checks across the credit lifecycle to see what a person can afford at different points in time. These checks could include re-verifying their income using CATO and/or bank account data. Income estimations based on trended data can help determine a person's ongoing ability to repay. Debt-to-income ratios can allow you to understand a person's debt profile in relation to their income, while knowing their monthly disposable income can help you to assess and automate a decision on whether they can repay.

Listen to our podcast:
How data has changed over time

In addition to traditional scoring models, there is an opportunity today to be able to connect new data and tailor metrics during an assessment. As we've covered, where you're confident a customer is giving accurate information, credit scoring and affordability software are still helpful. Introducing prequalification into the mix will also help enhance the customer journey.

Where a decision is more complex, for example where an application needs further assessment or with a limited credit history, new data and analytics can be extremely powerful.

More frequent data updates

The data infrastructure powering credit bureaux uses periodic batch updates of data about a customer. So, while credit decisions are made in real time, the information used to make that decision can be a snapshot of how each active credit account looked several weeks ago.

In today's digital-orientated economy, we believe more frequently updated data would bring better-informed decisions and greater efficiency. Particularly in high-cost, short-term lending, when loans can be applied for, received and paid back all within the monthly-statement cycle.

> We've already developed a real-time CAIS capability to facilitate increased speed in data sharing and identify where a person may be overextending themselves by making multiple applications in quick succession. Now we are consulting with lenders to fully understand the benefits of this.

Open banking + CCDS = better understood SMEs

In commercial lending, Commercial Credit Data Sharing (CCDS) was developed to improve access to credit for small and medium businesses (SMEs) by making credit account performance information from the major banks available to challenger banks and alternative finance providers. When layered with bank account data through open banking, this income and expenditure data gives a far better understanding of SMEs.

With the use of an appropriate categorisation engine you can determine income and expenditure which helps speed up decisions on SMEs and have a more informed understanding of their financials through better insight.

There were a record 5.7 million private sector businesses at the start of 2017.

This is an increase of 197,000 since 2016, and 2.2 million more than in 2000.

In 2017 there were 1.3 million employing businesses and 4.3 million non-employing businesses. Therefore, 76% of businesses did not employ anyone aside from the owner(s).

The combined annual turnover of SMEs was £1.9 trillion, 51% of all private sector turnover in the UK.

There has been sustained growth in the total business population, with increases of 2.2m (+64%) since 2000 and 197,000 (+4%) since 2016.

Non-traditional data

More data can help you to perform a detailed assessment of a person's creditworthiness. As well as bank account data, potential new complementary data sources include government data and rental data.

Rent is a serious financial obligation and a large proportion of a tenant's outgoings. According to ONS, rent is around 27% of an average salary. Our analysis shows that factoring rental payment history data into affordability assessments can help give a more accurate representation of a person in terms of payment performance. This is important as "the cost of servicing a mortgage has fallen since the financial crisis, the cost of renting in some parts of the country has risen sharply", as reported by ONS.

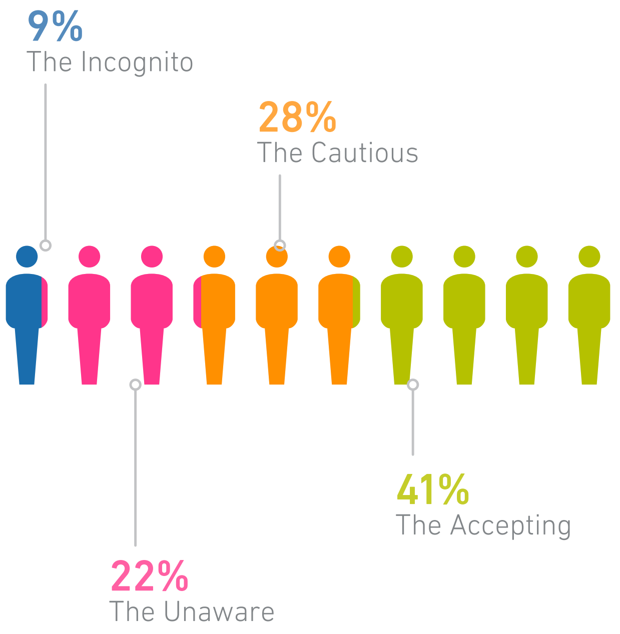
In addition, new forms of analysis, ranging from psychometric questioning to advanced machine learning and artificial intelligence techniques, are also improving assessments by uncovering person-specific insights that have been traditionally overlooked. Today machine learning is identifying problems in data that were not obvious before, as opposed to solving problems it is asked to. How? By being able to ingest and understand large and disparate data sets that can bring a better base for understanding such problems.

49%
of customers are prepared to give their data to brands they trust.

69%
are happy for their personal information to be given in exchange for better aligned products or services.

68%
of people have not heard of open banking. Those that have, most heard about it from their bank.

There are 4 distinct groups for data sharing:



There are 6 factors that impact data sharing in different ways:

Proximity to purpose: Is there an actual need to have, or give, the data?

Obligation or accessory: When the sharing of the data is mandatory or an accepted norm, people will be more willing to share.

Day-to-day value: What are the benefits of sharing data?

Significant life stage: How necessary is sharing data for that 'next step'?

Trust in company: Is the company trusted?

Privacy of data: What kind of and how private is the data that is being asked for?

In our research people will share data where there is value, for example by being able to access finance, including better priced featured or quicker access.

Download our report:
Delivering value in the digital age

Financial inclusion: making the invisible visible

In some circumstances, bureau-based solutions will not be enough

Our research found that more than 5.8 million people in the UK are excluded from large parts of the credit market due to having limitations in their credit history: the 'credit invisibles'. Such exclusion reduces their financial options, which in turn increases the costs of living.

We estimate there are a further 2.5 million thick-file customers who have been marginally declined. If we look at a score interval of 825-862, the group narrowly rejected for a credit card or personal loan, we see a bad-debt rate of 11.54%. This means 88% of those applicants would likely not default. But because the cost of a borrower who defaults is much greater than the profit from a borrower who does not, the lender must set a cut-off rate. By doing this, potentially good borrowers become excluded. In total, then, that's 8.3 million people who suffer from financial exclusion.

Towards better credit access for all

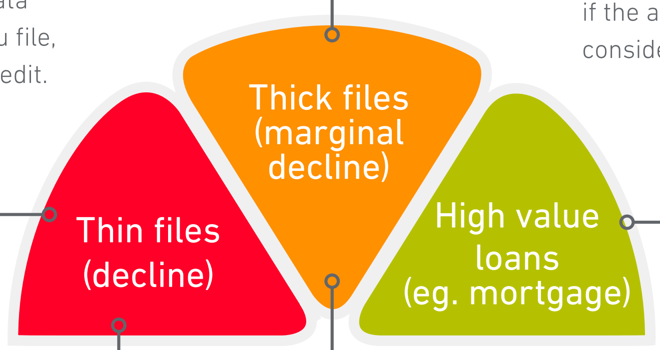
The addition of bank account transaction data through open banking will allow for better affordability assessments and modelling for thin and thick-file customers, as well as those who are financially vulnerable – providing they're willing to share their transactions. It can help you to understand more about them at the point of application, but also be effective at identifying potential stress occurring throughout the relationship, therefore offering a more effective way of helping people.

Open banking brings a better understanding of a person's cashflow and spending behaviours, which then translates to a greater insight into an individual's risk and affordability. Understanding risk more accurately allows for more accurate pricing.

If you can see the details of transactions going through the current account, or what's being spent on credit cards, it could even help to reduce the cost of credit for some sections of society. It can help you to understand more about those who have thin credit files in ways not obtainable before.

Bank account and complementary data can be used to provide a data profile of those without a bureau file, giving more people access to credit.

56% of marginal declines could have been automated and accepted if the appropriate data was considered in the application



Bank account transaction data can validate income and expenditure in place of paper based statements. This can help reduce friction and bring more accuracy through more detailed insight that's accessible in real time.

5.8 million + 2.5 million = **8.3 million are financially excluded in the UK**

Financial inclusion is a public policy priority. In January 2018, the government announced that £55 million from dormant bank and building society accounts will fund financial inclusion initiatives. The fund aims to increase the use of fair, affordable and appropriate financial products and services that increase access to appropriate credit.

Without access to appropriate mainstream financial services, people pay more for goods and services and have less choice. How can we break the cycle? We believe the answer lies, in part at least, in data.

How can you manage new – or existing – data?

One of the questions at the forefront of many business' minds is how can they manage new data where there's already a data struggle.

The answer, in many ways, is the same as it was three decades ago: by taking data, applying analytics, and deploying it through automated decision-management software. The difference today is that new analytics, specifically machine learning, can consume large and disparate data feeds, as well as manage existing data.

By ingesting bank account data and categorising it into types of spend, plus adding extra data sources, you can understand behavioural trends and build up a more detailed, accurate picture on which to base decisions.

Trended data from varying sources can then be brought into a single equation that gives an accurate assessment of whether someone can afford to repay or not, now and in the future.

Watch our video:
Credit scoring in an open data world

> Businesses can maximise the opportunity of analytics to better understand and automate a decision for those who are on the margin of an accept or decline and help better understand those who have limitations in their bureau files, namely the 'credit invisibles'. Most importantly machine learning offers greater accuracy, and a faster way than traditional approaches.

> There is an opportunity to look at pensions and savings in a credit decision. A pensions dashboard is another way in which financial services can connect deeper with people to helping them realise their financial capacity too.

Read more

Understanding the generational divide

The millennial generation:

£350bn
expected savings gap in 2050

2 in 5
will never buy a house

"I spend £591 per week"

6 in10
plan to buy a property with a friend

58%
are concerned about their future, yet are optimistic in their habits

"Data sharing is the future"

Will pay
400%
more for a property
(increase from 1993)

60%
have less than £1,000 in savings

75%
don't have a pension

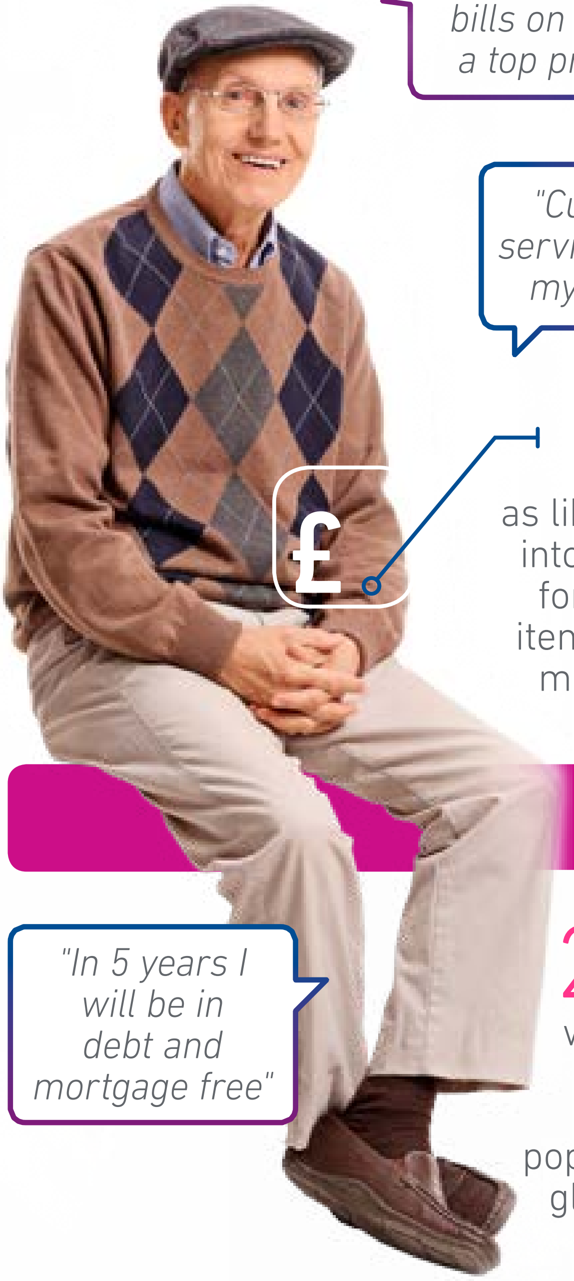
"I've never heard of Open Banking"

27%
are helped by parents to buy a house, totalling **£81.7bn**

"I like receiving offers via email"

Source: Bloomberg

The ageing population:



"Paying energy bills on time is a top priority"

"Customer service retains my loyalty"

41% don't have a pension

Most likely group to have savings, with most having between **£10-20k**

1/3 are concerned about their future

2x as likely to dip into savings for luxury items than a millennial

7 in 10 own multiple credit cards

4 in 10 want to 'live in the now' as opposed to saving for their future

Generation Z:

"In 5 years I will be in debt and mortgage free"

2019 will see Gen Z become the largest population group globally (32%)

"I grew up in the information age"

"I'm pessimistic about economic opportunities"

"I'm always online"

Download the full infographic

"I barely use cash, I prefer instant device payments"

18 2019 will see the first Gen Z turn 18 – bringing a new demographic into financial services

Understanding the supply chain of a decision

To be truly responsible, lenders should look beyond affordability to consider the impact or knock-on effect of any lending decision. For example, if someone can't afford to pay for insurance and loses their car, it will mean they can't get to work. If income is lost, they may struggle to pay their bills.

There's more work to be done in the role household insurance which can play a part in reducing financial exclusion in the UK too.

Well over half – 60% of those on a salary of £15,000 or less – have no contents insurance and limited capacity to replace or repair their goods and belongings. As well as the 10.5 million renters having no contents insurance, around 5.2 million owner-occupiers are also recorded as without cover. A sudden loss – a flood, a washing machine breakdown – could push a person into a vulnerable state, which then has a knock-on effect.

60%
of people on a salary of £15,000 or less **have no home contents insurance**

10.5m
renters **have no home contents insurance**

5.2m
owner-occupiers **have no home contents insurance**

What does this mean?

A sudden loss to those under, or uninsured, could push a person into a vulnerable state. Being aware of vulnerabilities, which can be seen from trends in data, will help you understand the entire picture of opportunity, or risk. Connecting data across sectors can help you understand this.

What's the opportunity?

Today there is an opportunity to understand a persons exposure through data including new data. By doing this you can consider any impact on an individual which could make them vulnerable should any of their circumstances change.

They need to connect people better to finance

There is an opportunity across financial services to help people in many ways. While today's economy is nervous, people's economic attitudes are somewhat indifferent. As we touched on earlier, people express concern about their future well-being yet their spending traits suggest no contingency is being developed.

For a long time now we have seen a growing gap between generations. Young adults face high property prices and low wage growth, versus their elderly counterparts who are benefiting from periods of economic growth, final salary pensions and inheritance.

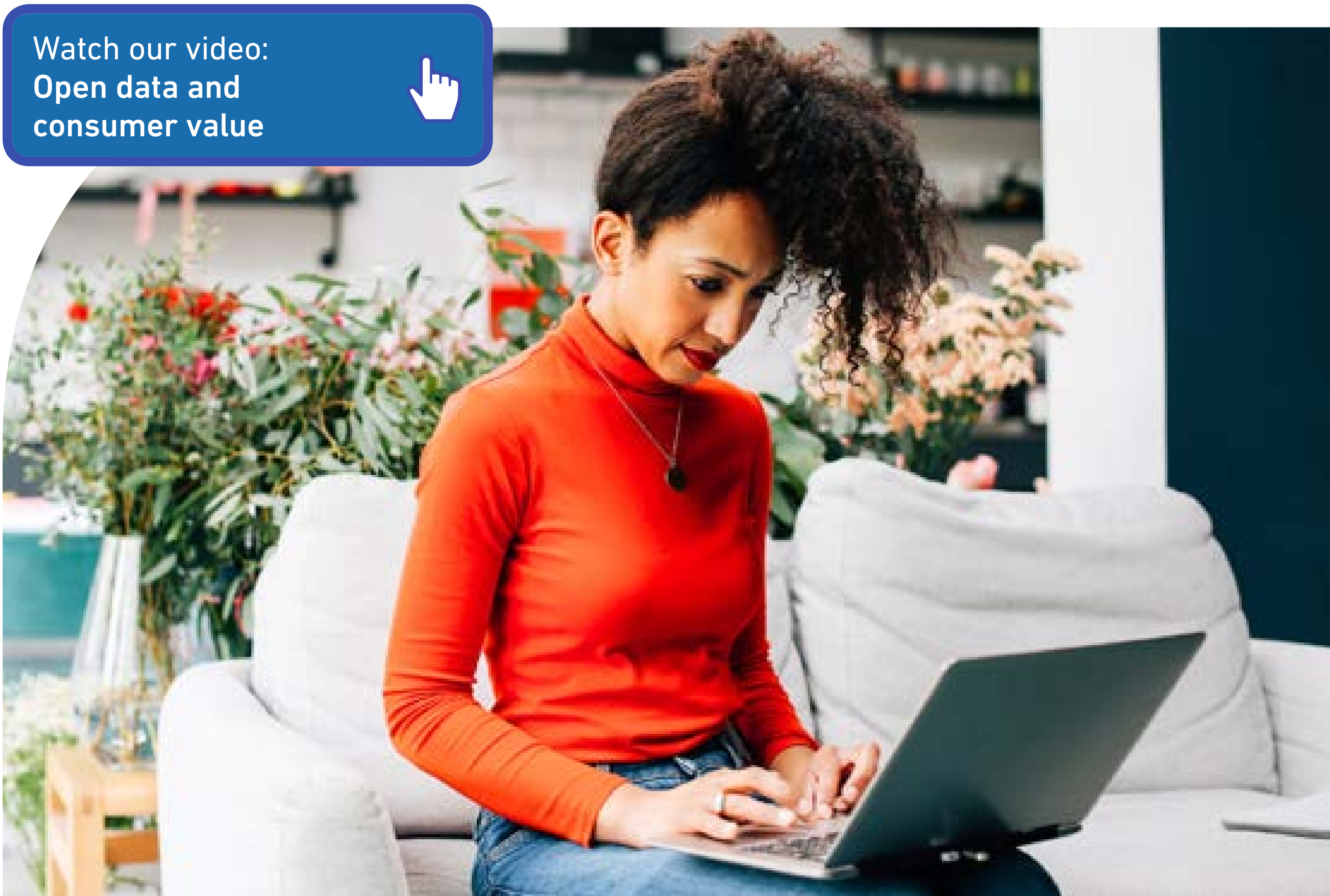
We must realise the risks in this and see the opportunity to be more helpful. As we pass through generations the ability for inheritance is limited as people's financial freedom becomes tighter. The bank of mum and dad, who still helped a quarter (27%) of millennials buy a house last year (worth £81.7bn in gifts) will soon not be an option. We will likely see the impact of this in the future, and therefore need to understand how we can create positive opportunities and choices now.

People are becoming savvy to this changing climate. More than half (60%) of young people are considering buying a home with friends or family to be able to get on the property ladder. The main problem many face is the deposit – 59% of those 18-35 have savings of less than £1000 and 20% have settled to the fact they will never be able to afford to buy their own property, causing shifts in other financial traits and behaviours.

We are starting to see the data sharing opportunity arise from nearly every sector. Energy and water data, car data, and pensions and savings information, are all providing new opportunities for insight on a person.

One area we should look to better understand is a person's financial stability as they enter retirement and consider this in certain decisions too. This will allow you to understand the future risks based on their circumstances and offer better guidance while there is still an opportunity to do so, by understanding a persons entire financial future.

Watch our video:
Open data and consumer value



How do you create the opportunity for better risk assessment in an open-data world?

With the current hype around analytics, as well as a surge in regulation, you need to not become overwhelmed by change. Many perceive change to be a long and expensive process and often struggle to know where to start, or which areas will have the most impact and therefore are unable to secure investment due to a lack of visibility on the ROI.

Change can happen in many ways; it's just as impactful to solve many small problems as it is to tackle bigger challenges.

There are many ways you can take advantage of these new opportunities, without necessarily investing in an entirely new IT system:

1

Ensure you're accessing the most accurate information.
Ensuring your scorecards are equipped with all the data that's available and taking the economic climate into consideration, will help ensure the cases that are straightforward receive the best decision, based on accurate data. In addition, accessing specific variables, such as disposable income, economic change, debt-to-income ratios and so on, will help ensure that you can measure affordability risk easily and accurately based on current and future scenarios.

2

Innovation through test and learn.
Innovation is critical and needs constant investment. Test and learn is important for all organisations if we are to solve problems and innovate. The most effective way to do this is to connect various data sources, for example your own and Experian data, and perform advanced analytics in a safe and secure environment. This type of access can allow you to test on a segment in parallel to your everyday business, letting you prove the case before full implementation.

3

Advanced analytics.

Many businesses (78% according to our research) plan on investing in advanced analytics, but few have a clear roadmap of where and how. Advanced analytics can be complicated and require specialised teams to implement and manage. It needs continued development and investment and while we have seen some great results across the market, they are most often in specific isolated cases. The most effective way of accessing advanced analytics is by choosing solutions that integrate this capability, allowing the intelligence to be accessed in specific tasks.

4

Digitisation.

At present, we see many applying digital skins to enhance the customer journey, augmenting experiences. This is important, especially as people today expect to give the minimum of effort, but receive convenient, instant access. Digital means fast, accessible and easy. By using appropriate decision management software, you can not only fully transform into a digital company, but can consume the breadth of new data opportunity by connecting it all, understanding it all and then automating through the decision process, without friction, and passing the appropriate or necessary checks.

You may also like:

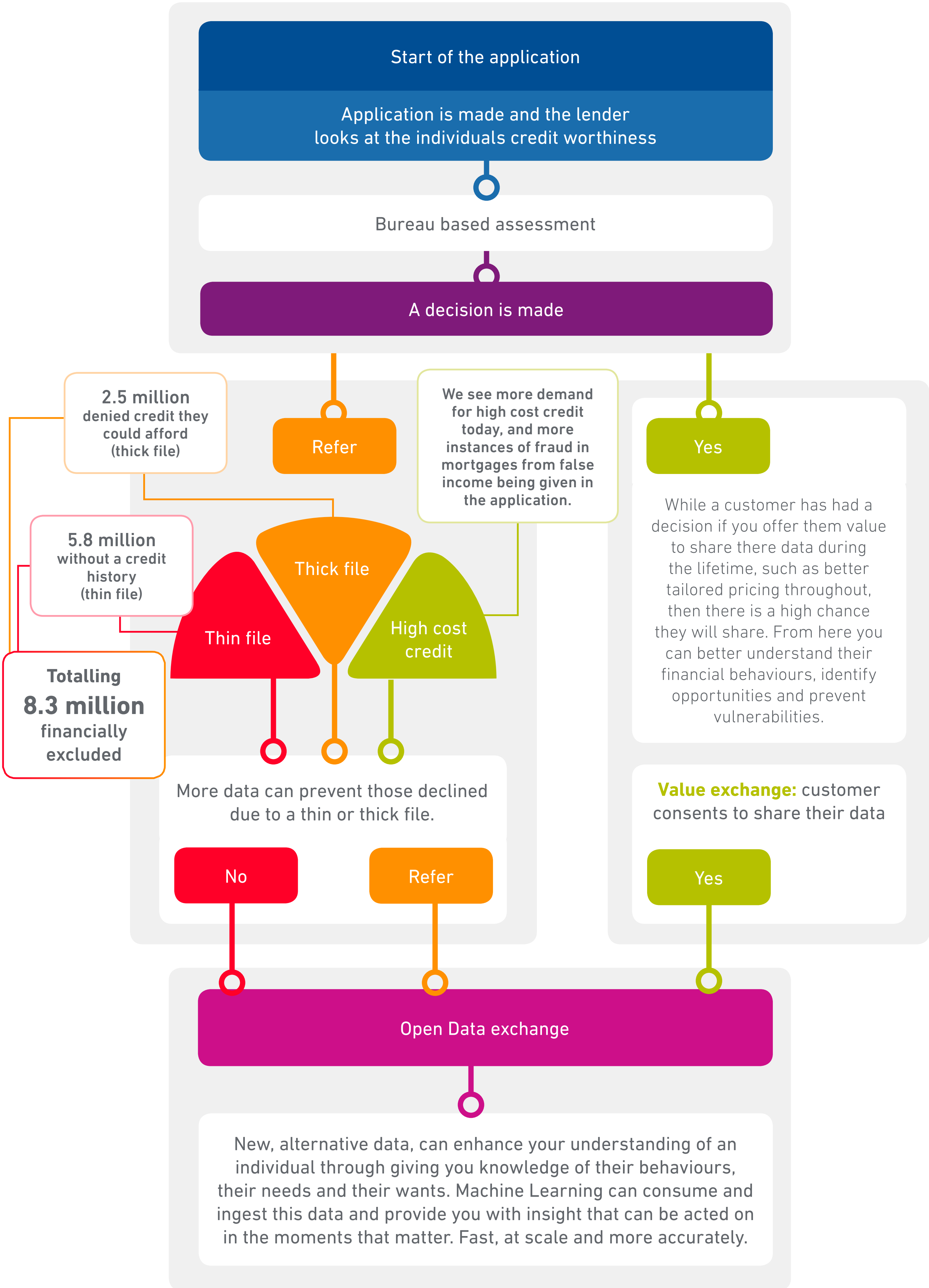
- How categorising income and expenditure helps inform more accurate decisions
- How value can be gleaned from data - quickly, accurately and at scale
- What true digital transformation looks like
- Data + science = value

What does risk in an open data world look like?

By being able to automate data, add complimentary data and understand it, you can power new opportunities for fairer, more accurate and more inclusive lending, at scale and at speed. You can innovate and you can be better equipped.

Watch our animation on how this works

Watch an example or a credit card onboarding journey


Start of the application
Application is made and the lender looks at the individuals credit worthiness
Bureau based assessment
A decision is made
2.5 million denied credit they could afford (thick file)
Refer
We see more demand for high cost credit today, and more instances of fraud in mortgages from false income being given in the application.
Yes
5.8 million without a credit history (thin file)
Thick file
Thin file
High cost credit
Totalling 8.3 million financially excluded
While a customer has had a decision if you offer them value to share there data during the lifetime, such as better tailored pricing throughout, then there is a high chance they will share. From here you can better understand their financial behaviours, identify opportunities and prevent vulnerabilities.
More data can prevent those declined due to a thin or thick file.
Value exchange: customer consents to share their data
No
Refer
Yes
Open Data exchange
New, alternative data, can enhance your understanding of an individual through giving you knowledge of their behaviours, their needs and their wants. Machine Learning can consume and ingest this data and provide you with insight that can be acted on in the moments that matter. Fast, at scale and more accurately.

Conclusion

The theme running throughout this paper has been the need to focus on the customer by having the most appropriate tools to serve them. That same theme came out very strongly in our research where we saw businesses prioritising customer insight and customers frustrated by the lack of it evidenced in their interactions.

Regulation aside, we believe the main reason for this is the speed at which business models are changing – or expected to change. In today's ultra-competitive climate, focusing on the customer is the only way businesses can succeed. The benefits are far bigger than simply market share. With the right tools, you can engage more people who were previously misunderstood and reap the benefits of better relationships through having a better knowledge.

What we find particularly exciting is the potential of artificial intelligence and to make automated personalised recommendations at scale – something that could improve the financial futures of millions of people quickly. Over time we believe it will help close the advice (14.5 million people), protection (£2.5 trillion) and pensions savings gaps (£310 billion) in the UK.

Get this right, and we move from understanding credit risk to understanding the risk to the actual customer. The process becomes more human and you can have a better dialogue. The industry has the chance to reconnect with customers, win their trust and help them manage their finances better.

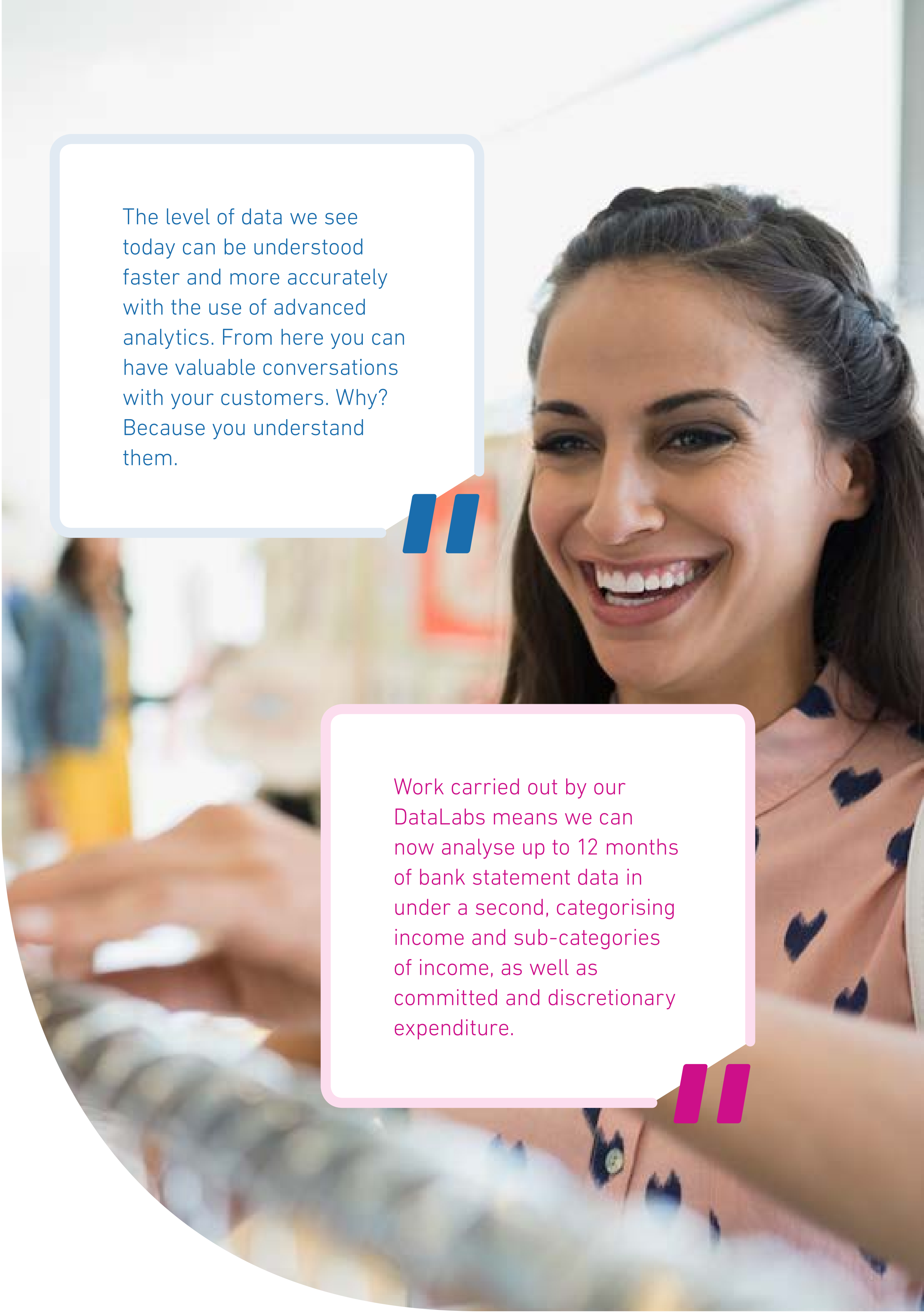
As the open-data climate becomes an everyday reality, we have a phenomenal opportunity to improve the quality of data, scorecards, affordability assessments, and understanding.

Obviously this use of open-banking or personal data is only possible with consent. Our research, which explores the attitudes of people to share their data, has clear evidence that people will share their data if there is immediate value to them. And value in this sense is depicted in the role of easier access to finance. There is appetite but inevitably you will need to work on building, and in some instances rebuilding, their trust. To do this, you need to better understand them.

In a big-data, high-churn environment, being able to automate insight from data to inform decision-making will be critical. Categorisation and machine learning can be used to promote fair and responsible lending in the gambling industry, provide personalised credit limits for home shopping, and automate income and payment history checks for the rental market or the self-employed for example. This is all achievable by analysing open-banking data and serving it up in real time at the point of decision making.

Data and insight have become a valuable currency; businesses with the best insight on their customers will be the ones that thrive. By working with the right partner and accessing the tools that can help you better understand a person's credit risk, you can access information that gives you a clear advantage. Data analytics and technology all have a role to play and present a huge opportunity for all.

Today, risk can be assessed quickly, accurately and fairly. It can also be more integrated into the customer journey creating better opportunity for growth which expands the opportunity far beyond a single decision.



The level of data we see today can be understood faster and more accurately with the use of advanced analytics. From here you can have valuable conversations with your customers. Why? Because you understand them.

Work carried out by our DataLabs means we can now analyse up to 12 months of bank statement data in under a second, categorising income and sub-categories of income, as well as committed and discretionary expenditure.

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Allie has worked in the customer engagement and research space for 26 years and specifically in client loyalty and experience across the last eighteen. She worked with Satmetrix, co-creators of the Net Promoter system, helping international organisations develop successful client feedback, VoC and NPS programs. After launching a client experience programme for global banking software provider, Temenos, she joined Experian in January 2013. Her focus at Experian is to move global client experience to the next level, and support with insight led projects which can help focus strategic developments.

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Alastair Luff is the Director of Products for Experian's Consumer Information business. Consumer Information provides a range of products and services, specifically related to Experian's Consumer Bureau. From Acquisition to Customer Management, Debt Collection to Automotive/Insurance, Consumer Information provides a diverse portfolio of products and services supporting clients across multi sectors. Driving new innovation in products and services is key to maintaining Experian's leading reputation and our data underpins that innovation.

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Chris is the Head of Bureau Analytics within the Experian Analytics Centre of Expertise, giving him responsibility for development of value added bureau products that cover the whole of the credit life cycle. With 30 years experience in the credit industry Chris has undertaken diverse analytical and consultancy roles within Experian, working with many of Experian's largest clients.

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Mark leads Experian's strategic business development initiatives and has over a decade's experience in data and innovation led projects. Mark has progressed through his career in varying roles including equity analyst and investment management, but today focusses on data and technology to unearth new opportunities for growth and focus. More recently Mark has led various strategic projects where his vital analysis has helped uncover the reality of financial inclusion and the opportunities presented from new data combinations.

Latest Thinking with Experian

Speed, scale and intelligence
Variations of data, the volume and veracity of data, all offer different layers of insight. If understood and if utilised. Today there is a need to ensure the best customer-outcomes are achieved, and enabled. That any decision is accurate – and made fast. There is also a need to ensure more people get access to financial services. To achieve this is possible. To design this is possible. We are making this possible.

Research methodology
The research within this paper is comprised of insight from Experian's data assets, as well as our consumer research and business insight. Within these projects we have undertaken qualitative as well as quantitative research.

How Experian can help you assess risk in an open data world
Our capabilities, including advanced analytics, can ingest and integrate data of varying formats, from varying sources, to better inform decisions and better assess 'risk'. Today we can make decisions that are more inclusive, fair and appropriate to meet the demands of everyone. We can do this at speed, at scale and in an agile and efficient way. We understand the data – what data there is – what data is needed. We use our technology expertise to automate decisions that are fit for today's economy – reflective of the regulators mindset, and meet the expectations of the modern customer

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To champion change and lead the way requires new thinking. It requires the latest thinking. At Experian, we pride ourselves on being able to partner with you to solve problems, innovate and provide the insight needed to build effective strategies and acquire customers. As such our thought leadership hub contains topical assets from white papers to short videos and research reports, from digital to affordability, fraud to decisioning - be sure to have a browse and access valuable insight to help you accelerate your growth in todays modern marketplace.

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