The economic impact of Covid-19

# How to ease pressure on collections

June 2020

EXPERIAN INSIGHTS

Using the power of data to help you

**ADAPT, SURVIVE AND THRIVE**

# Contents

Introduction

The state of the nation

Creating a proactive response plan

Identifying vulnerable customers

Spot the new signs of financial strain

The need for real time data

How Experian can help

A stronger, more certain future

Conclusion

# Introduction

For collections teams, the coronavirus outbreak has created a paradox. How to deal simultaneously with escalating volumes, changing FCA guidelines and high customer expectations – all while experiencing significant frontline staff shortages. It's undoubtedly a mammoth task. So where should you begin?

Rapid changes to millions of people's incomes, triggered by the outbreak, mean huge numbers of people are looking to their lenders for additional help. The government and FCA have made clear they expect credit providers to be supportive and flexible, setting an expectation it will take strong teams and processes to achieve.

The stark reality is, however hard you work to help your customers, there will be some who inevitably fall into the collections process. For the millions of people who showed signs of financial vulnerability before the crisis, hardship looks likely to worsen. Meanwhile, others with newly falling incomes and low savings will become financially at-risk for the very first time.

In this paper, we explore the strategies needed to prepare for, and mitigate, the impact of rising defaults on collections processes. We'll navigate the causes of change, and the areas of risk and requirement you'll need to address for your firm to adapt, survive and thrive.

To help consumers, the FCA has pushed back new rules on suspending credit cards for people with 36 months of persistent debt. Originally due in March, the changes were designed to limit consumers' ability to build up debt. With increasing numbers likely to be dependent on credit over the coming months, the FCA has delayed the change until October – creating more flexibility for the customer, but more risk for the lender.

# The state of the nation

### A changing employment landscape

Unemployment is projected to rise sharply in the latter part of 2020. As a result, and as the crisis deepens, more people will exhibit signs of financial vulnerability.

Figure 1 shows which employees are at risk of business insolvency due to a contraction in income. As we publish this report, in early June, there are 17 million jobs reliant on the survival of businesses.

Figure 2 highlights the share of annual UK household consumption in 2019 by sector, and sets out the likely impact of Covid-19.

**Figure 1: Analysis of SME current accounts, balances and net turnover**

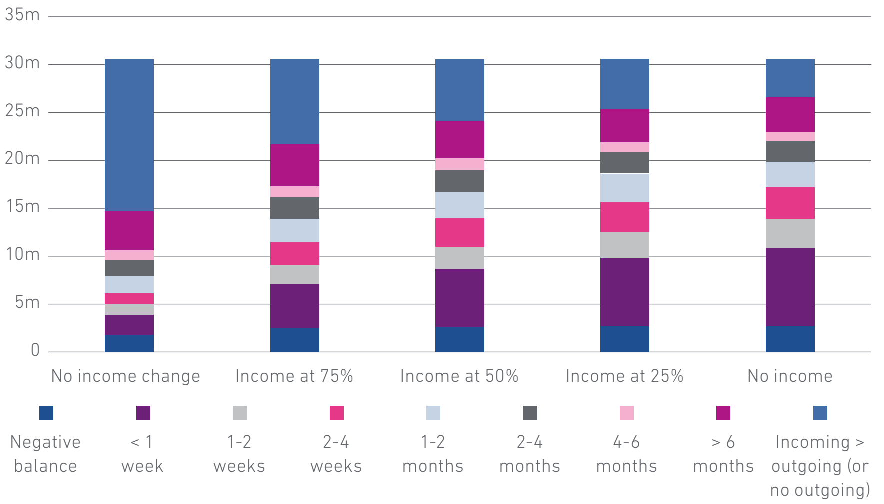
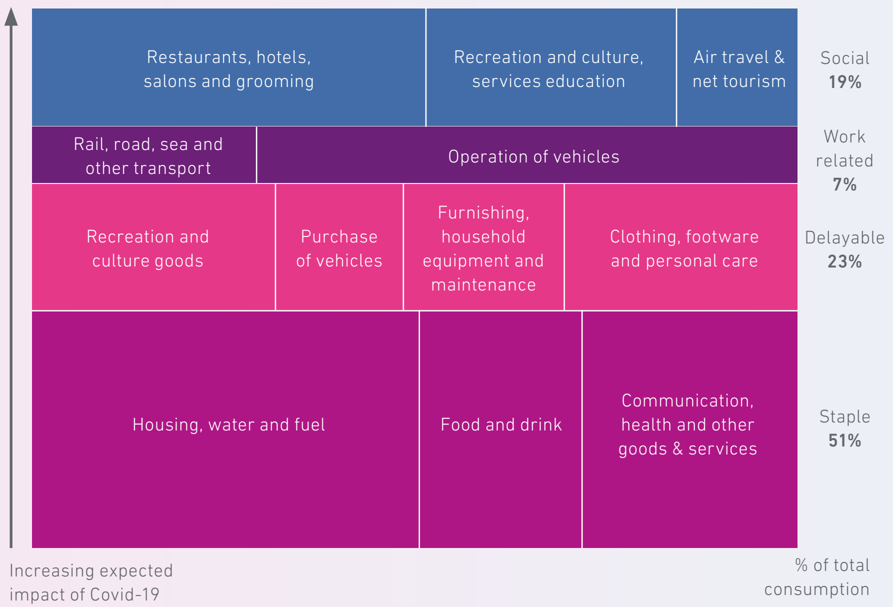



**Figure 2: Share of annual UK household consumption in 2019**




Source: ONS and BoE calculations

## A growing need for supplementary income

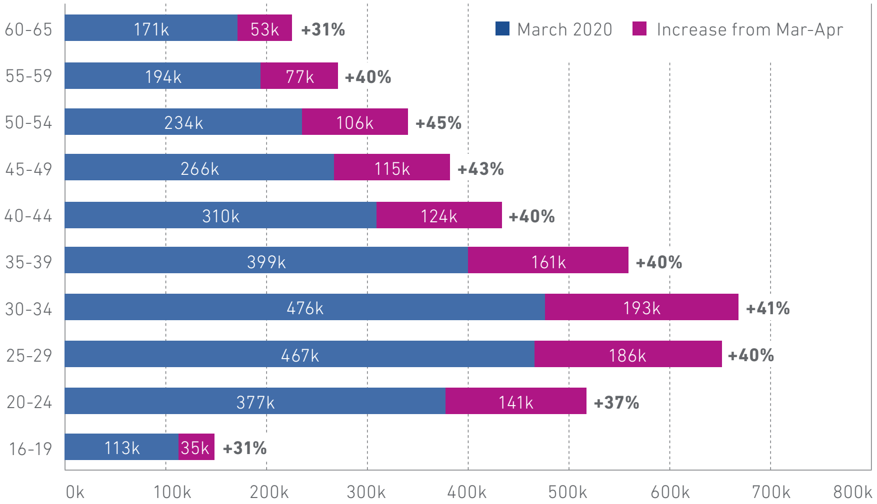
The coronavirus crisis is leading more people to seek income supplements such as Universal Credit and Statutory Sick Pay as a result of financial hardship.

Figure 3 shows the growth in applications for Universal Credit since March. Delving deeper into exactly which consumers are applying (Figure 4), we see that most are single, but also – while all ages are seeking funds – the biggest demand is coming from the 20-39 age group.

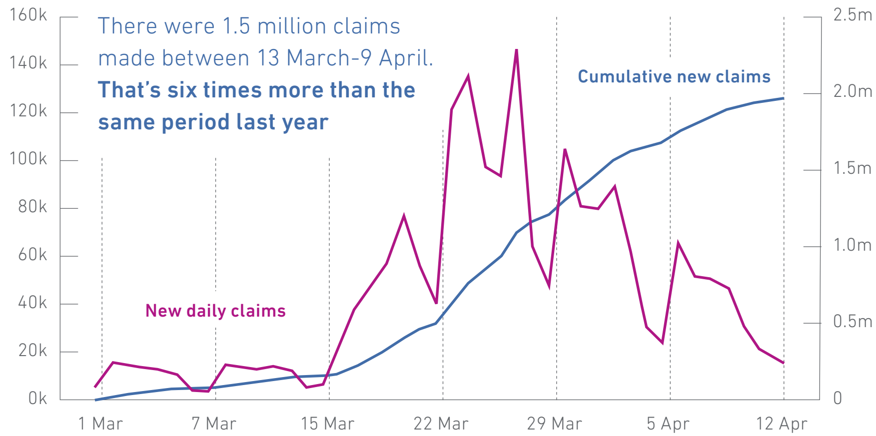
Applicants are typically private renters or homeowners and 36% of new claimants don't feel they can currently keep up with their bill payments. This is evidenced in Figure 5, through insight derived from the ONS (Office for National Statistics).

### Figure 3: Individuals claiming universal credit

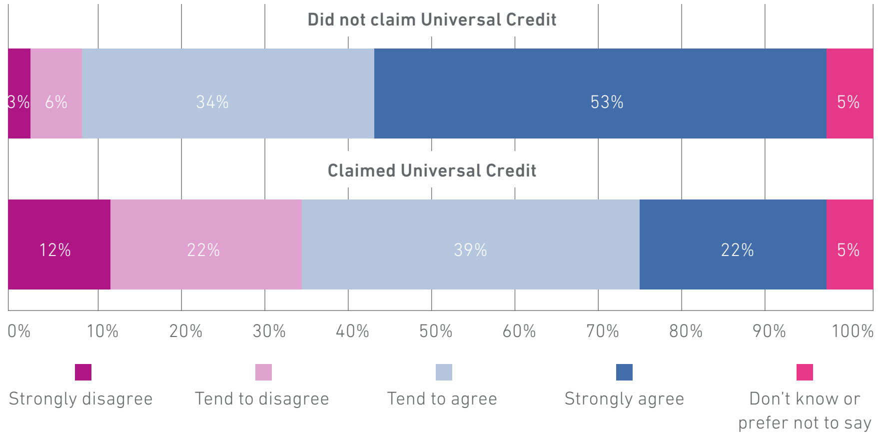
By age group




### Figure 4: Universal Credit applications




### Figure 5: Survey respondents by whether they agree they can keep up with bill payments and whether recently claimed Universal Credit, 6-11 May 2020




Source: ONS

As of May, we saw 41% of people experience an income decline of >10% between their March and April statement data (see Figure 6). 57% of these declining incomes are in the furlough range (experiencing a 10-39% income decline). We have already seen defaults across the furlough population significantly worsening through April (evidenced in Figure 7). For the same month, credit cards, personal loans and mortgages saw an 11% increase in accounts moving from CAIS 0 to CAIS 1, compared to April's figures.

**Figure 6: Change in income Mar-Apr 2020**

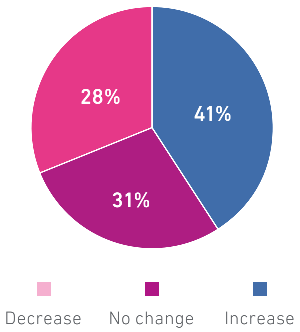
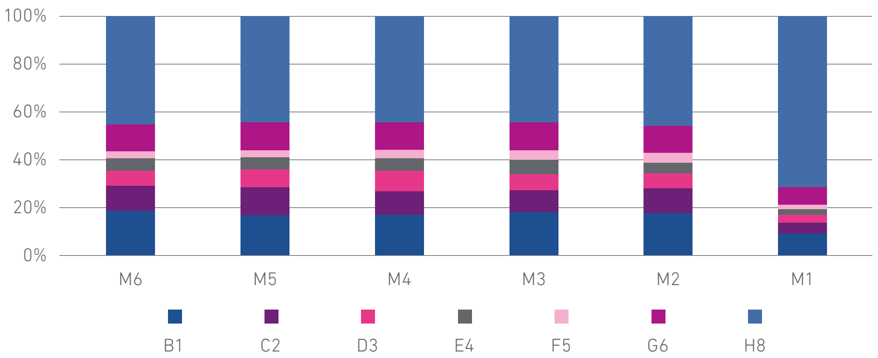



**Figure 7: CAIS status for 1%-39% declined income population**

% of total delinquent population




## ONS figures released in May 2020

- **8.6 million** people reported reduced household income
- Most of those were renting, or had a mortgage to pay
- Those renting or self-employed were most likely to be affected
- **60%** of self-employed people had reported an income reduction
- **23%** of self-employed people were using savings to cover living costs – compared with 22% of employed people
- **67%** of businesses had applied for the CJRS (Coronavirus Job Retention Scheme), furloughing an average of 28% of their workforce
- **73%** of these businesses were in the accommodation, food services and activities sectors
- Of businesses still trading:
  - **19%** of the workforce has been furloughed
  - **73%** of the workforce were still working as normal
  - **6%** of the workforce were off sick, or in self-isolation
- Of businesses that have temporarily paused, or ceased trading:
  - **81%** of the workforce were furloughed
  - **Less than 1%** of the workforce has been made redundant
  - **19%** of the workforce had other arrangements

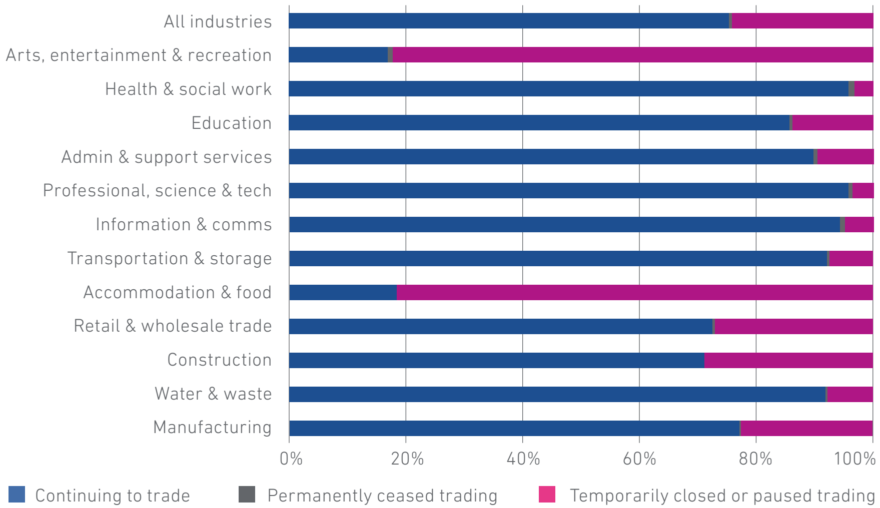
### Government measures to manage and reduce impact

The trends may seem stark, but the UK government has put measures in place to help prevent exposure and personal hardship.

In mid-May, it announced the extension of the furlough scheme until October. It's still expected that unemployment levels will rise in the second and third quarters of 2020, but our working assumption is that unemployment will begin to trend downwards by the end of this year. It's important to note, however, that with the effects mostly concentrated in Q2 of 2020, the hit felt at that point will be considerably higher than in any single quarter of 2008.

Official government figures show that, by mid-May, 7.5 million workers, and almost 1 million businesses, had been protected by the furlough scheme. Accommodation, food, arts, entertainment and recreation companies were mostly closed – albeit many temporarily – due to a heavy reliance on direct consumer interaction and footfall, and limited ability to operate remotely.

**Figure 8: Percentage of industries continuing to trade, broken down by industry**




## Summary of Government support measures

- The Coronavirus Job Retention (furlough) Scheme, available until 31 October
- The Coronavirus Business Interruption Loan (CBIL) scheme, helping small and medium-sized businesses access loans and other kinds of finance up to £5 million
- A new COVID-19 Corporate Financing Facility enabling the Bank of England to buy short-term debt from larger companies facing cashflow issues as a result of the crisis
- The Self-Employment Income Support Scheme: a temporary initiative allowing people to claim a taxable grant of 80% of their average monthly trading profits, paid in a single instalment covering 3 months, capped at £7,500
- An agreement with mortgage lenders to offer mortgage repayment holidays of 3 months to households in financial difficulty
- Emergency legislation to prevent landlords starting eviction proceedings for at least 3 months
- Statutory Sick Pay of £94.25 per week for employed people who are too ill to work
- Changes to Universal Credit, including increasing monthly standard rates and removing the minimum-income floor

Our latest macroeconomic forecast

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## Credit demand and utilisation

Inevitably, overall demand for credit is markedly down. This has been driven primarily by people not applying, but also by lenders pulling products from aggregator channels. The average quality of credit applications has improved slightly during the Covid period as a result of proportionately more lower quality applicants withdrawing from the market. However, we expect that this is a temporary situation which will change as the economy deteriorates and employment and incomes fall.

At an overall market level, we haven't seen major changes so far to credit limits or utilisation. There is some reduction in credit limit increases, but this isn't significant compared to previous months. However, there are early and small signs of a shift towards higher utilisation which we expect will continue as the economy worsens. With an overall increase in volume and value (£) of delinquencies. The true effect, however, is being masked by emergency payment holidays and the £ rate change significantly exceeds volume change indicating heightened exposure and stress.

## Delinquency

Until now, some of the expected delinquencies have been masked by emergency payment holidays (EPHs). Market feedback indicates a wide range of payment holidays being granted (from 2-30% of relevant portfolios). However, there is no EPH flag reported to bureaus, so we have developed a model to identify likely EPHs at account level. Our model has identified EPHs at the lower end of market ranges, which is partly due to timing of credit reporting, but also reflects the challenge of unpicking payment holidays across dynamic credit accounts.

Figure 9 shows the volume and rates of modelled EPHs through April, while Figure 10 shows delinquency trends from March to April, showing significant increases in the flow rate from status zero to status 1 indicating that many credit stressed borrowers are not applying for or getting payment holidays granted.

**Figure 9: Modelled emergency payment holidays, April 2020**

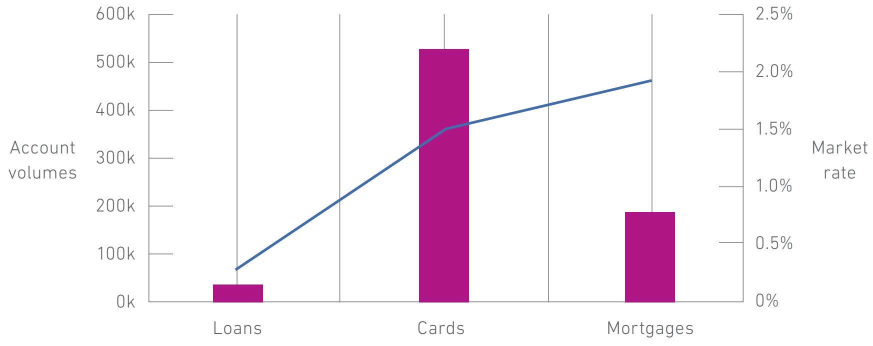



**Figure 10: Status 0-1 delinquency rate, March-April**

% change

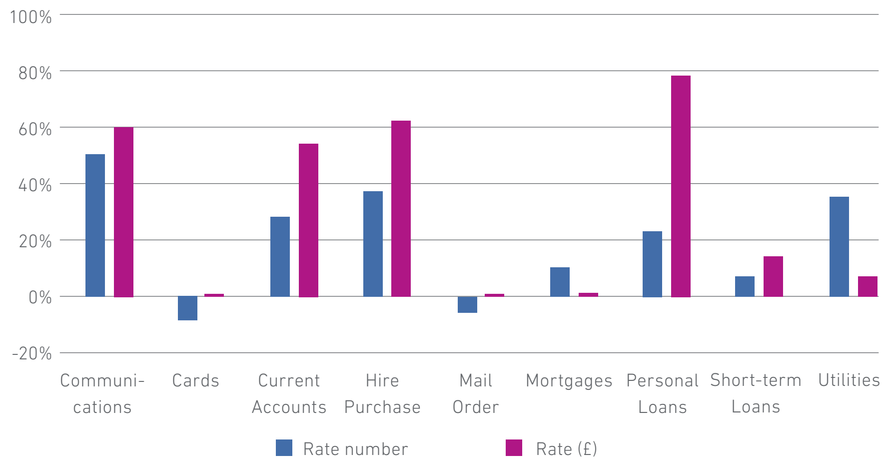
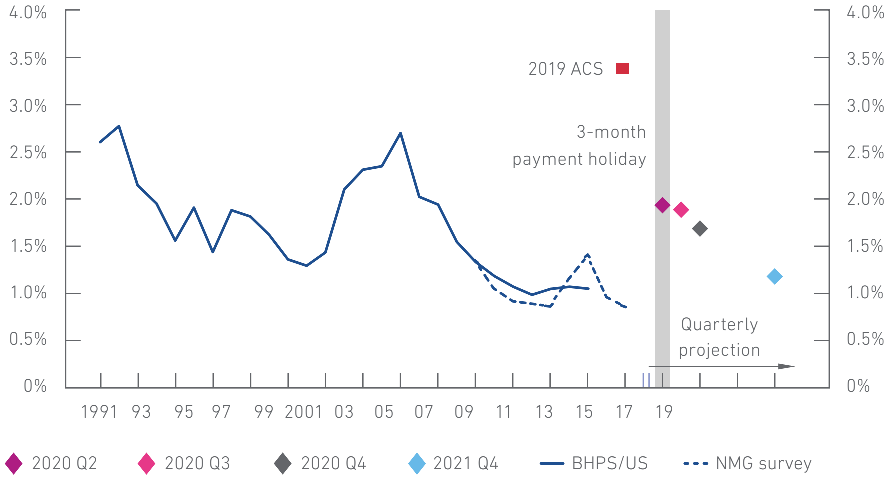


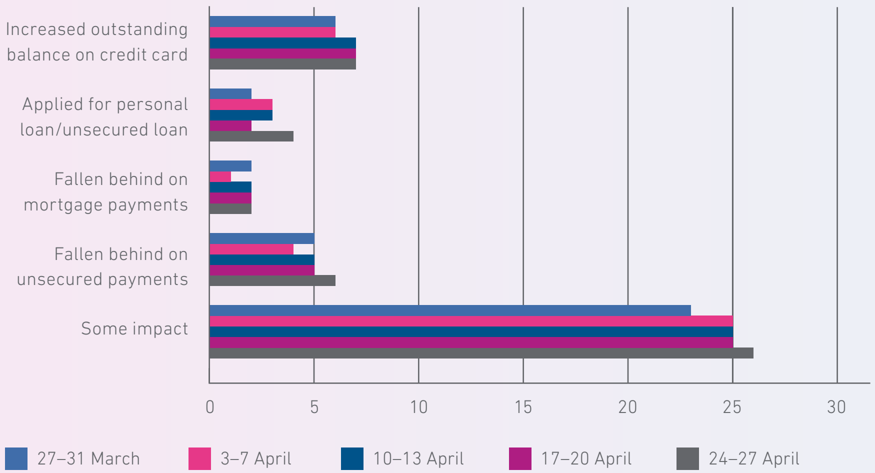
Figure 11 suggests that despite payment holidays, there are likely to be a significant number of highly indebted households in the near term. This is starting to come through in the analysis, with a rise in demand for credit as some people report difficulty meeting payments as a result of the crisis (see Figure 12).

**Figure 11: Percentage of households with mortgage debt-servicing ratios (DSRs) at or above 40%**




Source: British Household Panel Survey/Understanding Society (BHPS/US), NMG Consulting survey and BoE

**Figure 12: Proportion of individuals reporting they have missed payments or increased demand for credit**




Sources: BoE, Ipsos MORI and BoE calculations

# Creating a proactive response plan

The volume of customers entering collections is expected to be tempered by the government's financial support packages, and alongside these, firms are striving to establish ways to support their customers, without the need for forbearance.

Our research across the UK lending market reveals that early intervention remedies are being formulated in different ways. Measures being implemented include:

- Relaxing strategies on business as usual and lower-risk portfolios to delay action and control collection volumes
- Increasing automation within collections operations to reduce reliance on manual intervention
- Adjusting operational priorities to focus on customer groups needing the most help
- Seeking more real-time data, to better understand affordability and individual circumstances
- Being more proactive in identifying pre-delinquency and likelihood of non-payment, in turn supporting at-risk customers
- Monitoring bureau activity to understand and respond quickly to changes in customer behaviours

## Expectations and strategies of UK lenders

Our research indicates that firms:

- Have between 6% and 20% of customers on payment holidays, many ending in June and July.
- Expect collections volumes to considerably increase towards the end of Q2 and Q3 – in line with our own economic forecasts.
- Are moving, or planning to move, staff from other business areas into roles to support pre-delinquency.
- Are running regular scenarios to understand different outcomes resulting from identified actual and potential portfolio changes.

> "Expectations are that the debt position will considerably worsen, which will increase conversations around debt with customers."
>
> Major UK Bank

### Progress is stilted by constraints

While there is huge progress and preparations are being made, there are still many difficulties facing firms These include:

- Operational and platform constraints
- Uncertainty of volumes for planning scenarios
- The lack of a sustainable process for compiling robust common financial statements at the higher volumes expected – none of the lenders surveyed believed they had this in place
- The inability to clarify that those self-selecting for support through the crisis are genuinely facing financial hardship

## These challenges fall into three key themes

1

### Need for real-time customer data

A lack of real-time access to bureau data during these rapid changes means it's difficult to make an accurate assessment of customer circumstances and affordability.

2

### Identifying vulnerable customers – and scale of need

Lenders need to understand how to recognise the difference between customers who miss payment(s) due to the crisis, and those who are genuinely financially distressed and need special attention. Making this distinction is becoming a growing burden.

3

### Limited operational and IT resource

Operational demands are growing while resources are reducing, causing significant internal challenges e.g. handling inbound calls, capturing I&E details and identifying vulnerability. In addition, APIs can take time to integrate and restrictive IT resources could mean new integrations are delayed or cancelled.

**In the following sections we explore these themes in more depth, sharing new thinking on how you can overcome challenges and create responsible, effective strategies that support your customers as their needs change.**

# Identifying vulnerable customers

Financial hardship was a significant issue for UK lenders even before the pandemic began. Now, it's expected to escalate, with most lenders bracing for a spike as people come off furlough, emergency payment holidays expire, and the recession takes hold. It's likely the largest impact will be concentrated in the summer months, between June and August 2020.

### Affordability assessments require extra vigilance

Against this backdrop, there's a need to assess affordability on a wider scale, including for customers who haven't historically needed intervention. This should include combining affordability and credit data to make comprehensive assessments of borrowers' financial position and credit stress. To achieve this, and comply with the FCA's Treating Customers Fairly requirements, lenders need to ask three key questions:

- Is the customer up to date with their priority bills?
- Are they paying their other creditors?
- Are they maintaining payments on their account(s)?

**To answer, it's essential to have a comprehensive view of a customer's entire product holding.**

### Education and empowerment are crucial

There's also a need for more signposting of financial support. For example, promoting the services of StepChange, the Money Advice Trust and others. Similarly, empowering consumers to regularly check and manage their credit report will be vital in helping them access the right services, and understand how their credit score is changing.

### Automation will bring much-needed speed, at scale

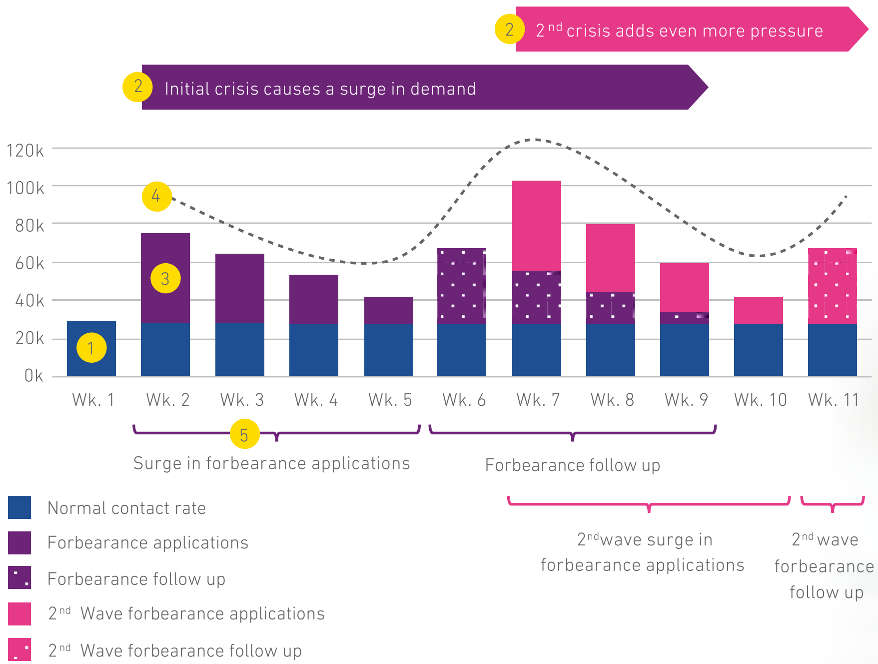
To be effective, many of these actions need to be carried out quickly – while placing as little demand on you, or your customers, as possible. This is where technology and tools like advanced data insights, become key.

Tapping into resources that help you automate previously manual processes, such as the capture of income and expenditure, or alertness to moving trends, ensures you're better armed to manage both the scale of demand, and the speedy response it requires.

For a more in-depth view of affordability in a post-coronavirus world, download our paper.

Unlocking affordability: A pivotal tool on the road to pandemic recovery

## When businesses are put under extreme pressure, workloads and costs can become unmanageable




### Example

1. Bank A normally has a steady contact rate at 25k per week, employs 750 FTE at an annualised cost of £18.75m (£25k per FTE)
2. In times of crisis, demand surges as customers seek forbearance and becomes further compounded should a second crisis strike
3. Bank A can choose to ramp up staffing levels, but this is very costly, if contacts increase to 75k per week then 1500 incremental FTE are needed at an additional OPEX cost of £37.5m p/annum
4. If bank A chooses to ramp up staffing levels, not only is it costly but it's very inefficient due to the unpredictable peaks in demand
5. Crisis by nature are often very sudden, it's almost impossible to ramp up effectively and cope with immediate demand due to recruitment and training timescales

# Spot the new signs of financial strain

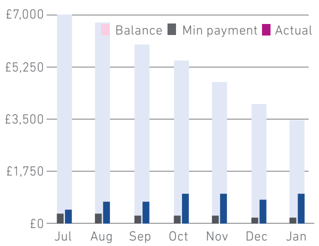
Now more than ever, it's important to be able to identify financially vulnerable customers and assess whether a product is affordable for individuals, both at on-boarding and throughout the lending lifecycle. There's a recognised need for greater visibility, insight and resilience, but escalating volumes and stretched resources make that a significant challenge.

Making a sound judgement on vulnerability and affordability means understanding a customer's entire exposure – and therefore breadth of indebtedness – across all their credit accounts. There's also a need to analyse that data more deeply. For example, Figure 13 shows how two people with the same score profile may differ significantly in financial performance.

**Figure 13: Can you differentiate your consumers with the same credit profiles to produce better segmentation and mitigate risk?**

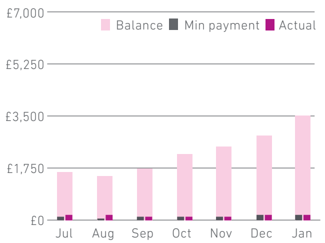
**Scoring tomorrow will include 'direction', resulting in a score that differentiates, based on historical payment trends of up to six years**

**Scoring today is still a snapshot based on trade data**


| Month | Balance | Min Pay Due | Actual |
|---|---|---|---|
| Jul | £7,000 | £350 | £500 |
| Aug | £6,750 | £338 | £750 |
| Sep | £6,000 | £300 | £750 |
| Oct | £5,500 | £275 | £1,000 |
| Nov | £4,750 | £238 | £1,000 |
| Dec | £4,000 | £200 | £800 |
| Jan | £3,500 | £175 | £1,000 |

- Paying well over minimum payments
- Demonstrated ability to pay
- **No payment stress**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- Making minimum payments for the last three months
- Actual payment vs. minimum due is decreasing over time
- **Increasing payment stress**


To better understand which customers are exposed, the lenders we surveyed identified three key requirements:

- Extra full-time collections employees, creating the capacity to cope with increased numbers. Accurately forecasting this demand is key
- Dynamically updated affordability data, with mid-month/transaction cycling
- More data, and a sympathetic approach to customer management

All of these, and more, can be achieved quickly

### Pre-Covid-19 indicators have markedly changed

Being able to model behaviours which indicate financial strain, and track them as they change, is integral in a crisis scenario.

While pre-Covid-19 indicators of financial vulnerability included spending without funds, faster spending, excessive overdraft use, increased ATM withdrawals and a high appetite for short-term borrowing, things have markedly changed. Right now, the warning signs for vulnerability include loss or drop in income, a shift in spending to high-priority items, new or unauthorised overdraft use, greater reliance on savings and an appetite for high-cost loans.

| Pre-Covid-19 indicators | Current indicators |
|---|---|
| • Spending without funds | • Loss or reduction of personal/household income |
| • Increased, faster spending | • Spending may reduce or shift to high-priority items |
| • Further use of overdraft | • New use of overdraft or unauthorised overdraft |
| • Appetite for short-term borrowing | • New or increased appetite for high-costs loans |
| • Increased ATM cash withdrawals | • Greater resilience on savings or asset disposal |

### Re-prioritisation and revision of treatments is required

To enable you to focus on your most at-risk customers, consider whether you could relax your approach to other areas of your collections work. Perhaps right now your lower-risk customers don't need so much attention, some outbound phone campaigns could be suspended, or your scorecard strategies could be used differently to let your team re-prioritise.

## PRE CRISIS

**Customer A**
Financial stability
Arbitrary expenditure

**Customer B**
Squeezed finances
Juggling priorities

**Customer C**
Financial difficulty
Vulnerable

**Employment Status**
Student
Employed
Self employed
Unemployed
Retired
Carer

Maintaining payments
Good affordability

'On the edge'
Occasional non payment
Possibly in arrears

Non payment
Late arrears

## NOW

**Customer Groups**

**Support**
Full Pay
Universal Credit
SSP
Furlough
CBIL

FCA forbearance guidelines

**Personal Impact**
Unemployment
Isolation
Physical health
Mental health
Bereavement
Vulnerability

**Financial Impact**
Reduced income
Financial uncertainty
State dependency
Evolving priorities

## POST CRISIS

**Customer Groups**

**Changing world**
Recession
Unemployment
Depressed markets
Higher taxes
Interest rate rises

**Impact**
Financial recovery
Lower affordability
New priorities
Cautious spending

# The need for real-time data

## Take a proactive approach to picking up problems

We've identified four key strategies that can help you enhance your collections teams, provide the support customers need (and expect) and keep your portfolios strong. At the heart of all four, is the need to effectively access, interpret and act on signals from the latest data. All of which is possible to do – and fast.

### 1. Prevention is better than cure

Be proactive. Really focus on those signs of potential non-payment and offer support to the people you believe are at risk – without waiting for them to ask. Be armed with knowledge of income shock, and extent of hardship. Access triggers and alerts, and build a more comprehensive view of each customer's financial exposure.

When customers do request payment holidays, track the prevalence and type of forbearance they need. It's likely you'll have a high volume of requests, with many needing longer-term help; and due to the scale of demand, being able to determine who is genuinely in need will require careful monitoring and a deep customer understanding.

**Key requirements**

- Triggers and alerts
- Enhanced customer view
- Track forbearance for customers on emergency payment holidays

### 2. Behavioural insight can increase your understanding of risk and exposure

Experian can help you quickly build an up-to-date, accurate view of your customers' disposable income, financial health and resilience through Open Banking. Our insights include categorised bank transaction data that can be used to understand the income and expenditure of an individual in real time, identifying stress and pre-delinquency.

We can also help you conduct virtual customer interviews, fast. This can add value by gathering real-time information in a non-intrusive, resource-friendly way. It can also act as a critical enabler for validating income and risk factors associated with financial difficulty, helping you create effective, personalised contact strategies.

**Key requirements**

More frequent, in-depth, automated insights, including KPIs on:

- Stress indicators
- Scoring supplements
- Scale of affordability

### 3. KPIs need recalibrating in response to this new climate

Recalibrate your KPIs to identify new signs of risk, highlight warning signs and track data such as roll rates and pre-delinquency levels. This ability to draw on the right data will also help you weather the storm of any further regulatory changes.

Extra variables, and access to frequent alerts of change, can help you understand actual risk and exposure, and model these for the future. It's time to create robust, relevant new models that give you a view of the whole market, as well as a more in-depth, comparative perspective on your portfolio. This can help you design actions that protect your customers and your business, both in the short and longer term.

**Key requirements**

- Track roll-rates
- Access & integrate supplementary data
- New variables
- Model scenarios & portfolio impact

### 4. Limited operational and IT resources

To ease pressure on stressed teams, use automated processes wherever possible. Interactive self-service systems can also make it easier for your customers to find answers or make a payment – taking control of their finances without needing to speak to your staff. It can also be a less intrusive approach for customers at a sensitive time.

Automating manual case handling and customer communications can also lighten the load by helping you capture details and identify vulnerability quicker. We've specifically developed systems that can be rolled out rapidly by secure file transfer protocol, reducing overheads and helping you deploy the help you need, fast.

**Key requirements**

- Enhanced automation
- Artificial Intelligence
- In-life monitoring

# How Experian can help

However stretched your team, there's a whole range of effective steps you can take to respond to these difficult circumstances. If you'd like some expert help, at Experian we're right by your side – not just to help you define robust plans for the current crisis, but also to help you mitigate the risks ahead and future-proof your collections team.

| Issue | How we can help |
|---|---|
| **Need for real-time customer data**<br>Rapid changes make it difficult to create an accurate assessment of customer circumstances and affordability. | **Interactive communications**<br>Automating an up-to-date view of your customers' disposable income and financial health, stability and resilience, through technologies like the Experian Affordability Passport (featuring Debtsense), can help you remain informed of a change to customers income and expenditure. |
| **Identifying vulnerable customers – and scale of need**<br>Lenders need to understand how to recognise the difference between customers who miss payments due to the crisis and others who are genuinely financially distressed and need special attention. | **Consumer-centric approach**<br>Establishing a compliant approach that provides validated income and risk factors associated with financial difficulty, helping you create individual contact strategies best suited to each customer's circumstances. |
| **Limited operational and IT resource**<br>Operational demands are growing while resources are stretched, creating significant internal challenges, including handling inbound calls, capturing I&E details and identifying vulnerability. APIs can take time to integrate and restrictive IT resources could mean new integrations are delayed or cancelled. | **Automate manual processes with light-touch, fast-set-up systems**<br>Automating manual case handling and customer communication by SMS and email, reducing call centre traffic. Our Aire digital tools can also be delivered by secure file transfer protocol, reducing IT overheads and deploying the help you need, significantly faster. We can also provide self-serve and automation options to support hardship conversations via our PowerCurve Customer Assist solution which can be implemented in weeks. |

# A stronger, more certain future

To help you respond to today's unprecedented challenges, we've enhanced our suite of capabilities. In this final chapter, we outline what that looks like, where we can provide added value and how we can help you move forward, with real confidence.

### Minor changes, major impact

Traditional scoring methods consider a snapshot in time. In our changed world, staying ahead means accessing extended trends with a longer view of score performance.

Through Experian's trended data, you can be confident you're accessing a score that differentiates appropriately, covering an extended three-year period, with the ability to retro over a six-year period. This can help you differentiate on a highly granular level. For example, exploring how customers with the same credit profile may be impacted differently, and helping you better segment probable risk.

We can help you understand:

- Whether your account will be the next your customer defaults on
- The cross-product holdings of your customers and their overall exposure
- The product sequence in which arrears will manifest
- The speed at which this could happen
- The vulnerability of your customers based on geographical and employment profile

Our rich array of credit, trended and affordability data, along with our powerful analytics and economics insights, can help you forensically understand your customers and portfolio. In turn, this enables you to benchmark your strategies and performance against the rest of the market.

The benefits of trended data include:

**Differentiate**

Consumers with the same credit profile to produce better segmentation

**Confidence**

Use more granular insight at the beginning of the application process

**Faster**

Customer experience with quicker credit decisions reflecting their behaviour

**Fairer**

Treat customers fairly and appropriately to reduce detriment and reward good credit behaviour

**Inclusivity**

Widening the pool of people included in automated decisions through the use of additional data

**Insight**

Access to bureau trends without the need to conduct your analysis

**Be armed with insight – be equipped with foresight**

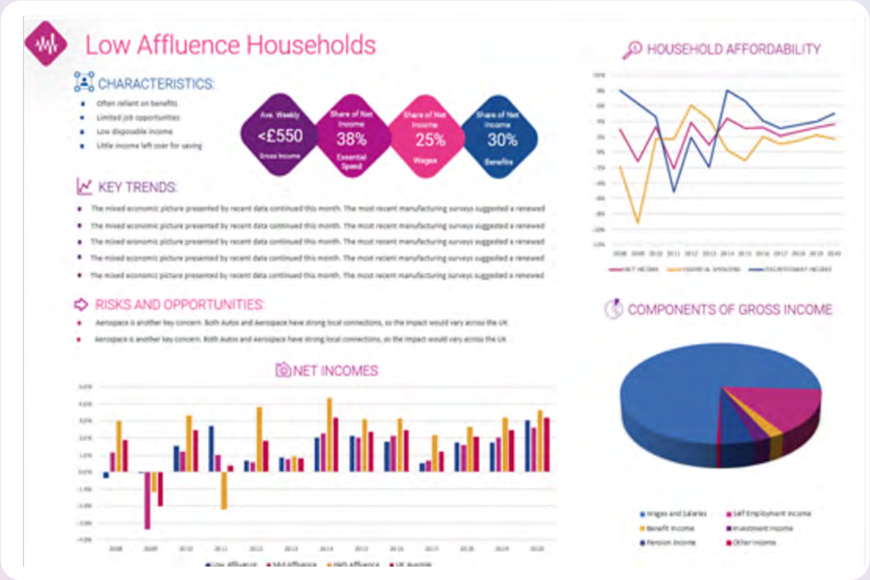
Experian can provide access to real-time data that helps you understand changes in consumer or business behaviours, spending patterns and payment trends. Through our tailored services, we can provide a current and future view of risks. Our insight dashboards include consultant-derived commentary designed to help you turn insight into action, featuring market and portfolio insights – as well as tailored metrics and definitions based on your specific needs.

Insight is hugely valuable and with so much change happening, being able to recognise it quickly can make a significant difference to your risk-management processes. Triggers and alerts can be sent frequently, highlighting factors like significant balance alterations, exceeded credit limits, changes in the status of payments, and many more.

Our expert team can also provide you with valuable new perspectives on a regular basis through our COVID-19 consumer insights. These highlight customers taking payment holidays or suffering income shock, as well as including several turnover metrics. Together, they give you an up-to-date understanding of which customers are most vulnerable.

**There is a greater need to assess portfolio, understand trends and consider risks**

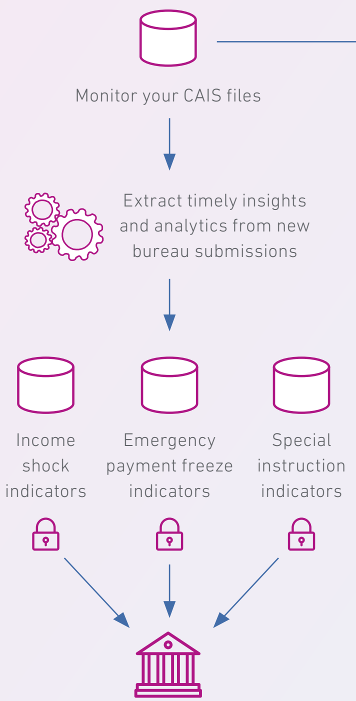
- Scorecard performance and calibration
- Portfolio analysis
- Stress test
- IFRS9 loss curves
- Capital adequacy provisions



## Understand any change in affordability

Access to timely and relevant data insights from the bureau enabling you to identify financially vulnerable customers and respond appropriately.

- Access to key relevant information
- More timely insights
- Roadmap of insights to react to changing conditions




- **We monitor** CAIS files on a bi-weekly basis
- **We analyse** recent customer activity and generate alerts and insights to help you manage that customer in a timely manner
- **We provide** you with a standalone batch file containing income shock indicators and emergency payment freeze indicators
- **Longer term,** the income shock data will be returned through the Delphi for Customer Management product (Affordability 11.2)

- **Income Shock:** Indication of changes in income
- **Emergency Payment Freeze:** Highlight customers who have opted to take an emergency payment freeze
- **Special Instruction Flags:** Identification of notable special instruction indicators such as new arrangement or deceased notification

## Our insights provide indicators of critical emerging trends

### Covid-19 insights

**Bureau Insights**

- Payment Holidays
- Income Shock
- Turnover Metrics

**Transaction Insights**

- Spending Behaviour
- Income KPIs
- Balance Characteristics

### Delphi insights

- Consumer Indebtedness Index
- Credit Utilisation
- New/Fewer Applications
- New Accounts Opened
- Credit Limit Changes
- Arrears Status/Balance
- BDS Payment Performance
- Trended Attributes
- Vertical Market Blocks
- Affordability IQ

### Triggers

- Significant Balance Change
- CAIS Status Change
- Credit Limit Exceeded
- New CAIS
- New Search

## Automate effectively and efficiently

We're experts in improving processes and efficiency, ready to help you with a whole range of powerful tools and technologies:

### 1. Automate income capture with our affordability passport

The Experian Affordability Passport is a web-based technology enabling you to offer customers a secure platform for sharing transactional data. It gives you a clear, comprehensive picture of their affordability and the best possible indication of those likely to struggle in the current crisis. Create automatic triggers and alerts around income, liquidity and balances, check the customer owns any connected accounts, and proactively build a fuller view of their financial world. Together with Debtsense you can support your customer's repayment options by using accurate and informed income and expenditure data.

### 2. Capture vital information and enhance your underwriting

Alongside highly sophisticated analytics techniques, including our intelligent categorisation engine CaaS, we can also integrate the power of our Aire system into your decisioning. Aire's API brings together a series of advanced technologies, including deep financial analytics, data referencing and virtual interviews. It integrates seamlessly into your platform, using machine learning to create personalised credit scores based on the things that really matter – like financial maturity, career and lifestyle.

### 3. Automate information processing and improve processes

Our PowerCurve Collections product enhances customer information with data from a range of sources, creating a complete, accurate view of any individual. It brings these insights together with analytics to inform precise actions, proven to increase recoveries and deliver a better customer experience. While the best action could be a high-touch outreach effort, it could also be one that's more automated, connecting customers to a convenient, discreet self-service portal and minimising pressure on your teams. In fact, sometimes doing nothing is the right approach, and understanding which customers are most likely to pay on their own is critical to that decision. PowerCurve Collections has the operational capabilities to inform and handle these actions easily. The result is a cost-effective, compliant collections process that focuses firmly on customer satisfaction.

Effective automation allows for monitoring and action in a single process:

#### Monitoring

- Continuous automated daily monitoring
- Ongoing financial planning goals:
  - Daily expenses (food, clothes, travel)
  - Holidays
  - Transportation (cars, motorbikes)
  - Rent/Mortgage
  - Education
  - Retirement, etc.
- Income maximisation (benefit assessments and unclaimed asset search)

#### Next best actions

- Switching assessment
- Sweeping account set up
- Insurance review (general and life)
- Pension assessment
- Highly personalised and relevant deals
- Rewards
- If in a debt solution then:
  - Flexible plan
  - Performance monitoring against plan
  - Expected shortfall mitigation etc.

### 4. We can help you manage those unexpected spikes in demand for financial assistance

PowerCurve Customer Assist automates the customer hardship and financial difficulty process. The cloud based decisioning solution makes decisions in seconds and is communicated through a digital channel that suits the customer to enable a consistent customer experience. The latest in AI virtual assistants is also included in the solution to manage unexpected peaks in customer queries and automatically flags any cases that may need human intervention.

### All the support you need to intervene proactively and responsibly

With customers' lives and finances changing rapidly, there's a growing need to understand and utilise data as an indicator of financial stress, and a basis for managing arrears.

We're here to help, enabling you to identify, reach and protect those customers who are vulnerable, in need of support, and likely to miss future payments. Armed with this knowledge, you can proactively and sensitively intervene, tackling issues early – before payments are missed – with effective, appropriate preventative measures.

We can help you:

1. Target your communications – including facilitating payment reminders through contact data validation and contact strategy optimisation
2. Spot trends, identify customers on payment holidays and pinpoint those experiencing (or at risk of) distress through bureau alerts and triggers
3. Meet FCA requirements around protecting and providing for the vulnerable

To do this, we tap into a portfolio of advanced tools:

- **A real-time analysis engine providing critical KPIs and warning signals**
  Our real-time analysis engine looks through credit and bank transactions, providing detailed, categorised income and expenditure data in an easy-to-use format. This helps inform decisions about individual affordability, so you can protect your most vulnerable customers.
- **An intuitive portal taking the strain out of customer risk assessments**
  Our Customer Assist Portal helps you manage the increasing need for customer vulnerability assessments, making it easy to conduct them accurately, at speed.
- **A powerful predictive tool giving you meaningful insights into spending**
  Our Financial IQ predictive system is an in-depth indicator and scenario tool which uses transactional data to identify where a customer sits on the affordability and vulnerability spectrum, and to analyse their patterns of spending and debt over the previous year. This shows you how an individual may respond to financial stress, for example rising food or travel costs.

# Conclusion

Right across the financial industry, collections teams are bracing themselves for an incredibly challenging period. Whatever your concerns, questions and challenges, at Experian we're here to help – not just with powerful products and advanced analysis, but with a considered approach that gets to the heart of what your firm really needs, and provides a package of fully tailored support.

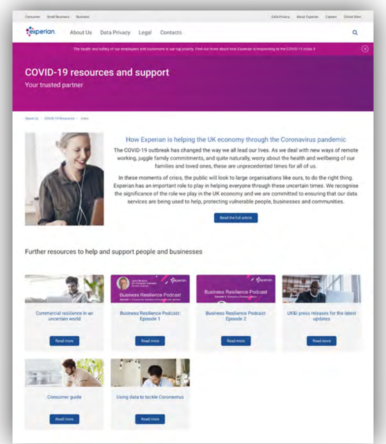
We're in an unrivalled position to provide that, due to the breadth of data we can share across many areas, and the credit and economic insights we continually compile. These enable us to make an immediate and lasting difference to the success of your business.

In fact, it's our ongoing commitment to help you – and your customers – weather this storm, and minimise its impact. We believe data makes this possible and we're continually adapting our capabilities to meet today's challenges, while also investing in innovative tools and capabilities that will create clarity, certainty and confidence, whatever the future brings.

If you'd like to find out more about how we can work with you, our expert consulting team are on hand and happy to help.

Visit our continually updated Covid-19 content hub to see how we can help:
**www.experian.co.uk/about-us/covid-19-resources**

Visit now

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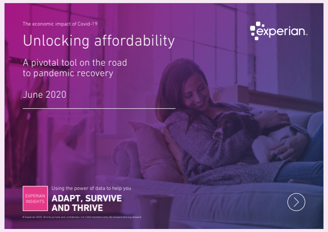
Register now

Read our supplementary content:

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The insight contained within this report is prepared using research performed on both Experian data and external data sources, in addition to market research. All sources, unless referenced, are from Experian insight.

The information contained within this report is designed to help businesses manage the complexity brought by a national crisis - and is a summary of key areas and capabilities. Experian are making this information available, in the public interest, to help firms' understand the breadth of change and requirements needed in order to better support, and protect, consumers and businesses nationally.

To understand more about the breadth of market-leading capability Experian has, or to access further detail on the impact of Covid-19 on consumers, business and lending portfolios - please contact us.

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