

Case study



How Metro Bank supported more SME businesses through challenging times



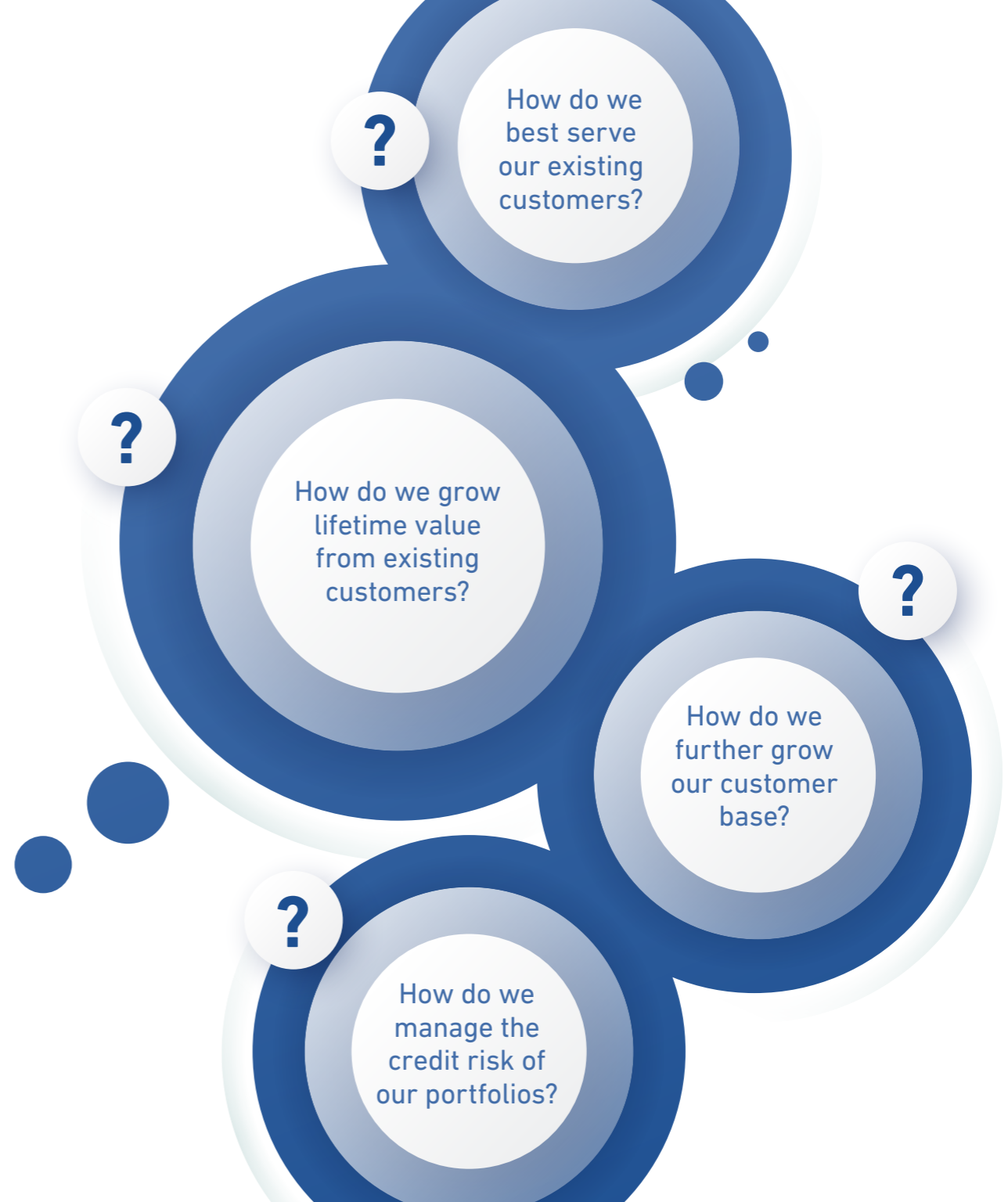
How Metro Bank supported more SME businesses through challenging times

SME's up and down the country are feeling the effects of the cost-of-living crisis as consumer spending power is increasingly stretched.

Arrears are expected to rise, spreading across most sectors, and hesitations growing around lending. Many banks and financial services have started to retreat from the market, while others have applied a standard inflation across their entire books, regardless of the differing circumstances or resilience levels of each customer.



At a time of such uncertainty, the burning industry questions are: how do we best serve our existing customers and grow lifetime value from them? How do we further grow our customer base? How do we manage the credit risk of our portfolios?



Metro Bank – overcoming the obstacles to growth in SME lending

Metro Bank is navigating these complex challenges without resorting to removing products from the market or applying any standardised adjustments.

It is doing so without reducing its SME lending or diverting applications from so-called 'riskier' sectors.

In fact, last year the bank launched its first automated proposition for SME lending – a move that has differentiated it within the SME lending market and contributed to its continued growth.



Metro Bank has adapted to changes with speed and accuracy, thanks to a true understanding of each business, its model, its core strengths and the capabilities of the management team.

Vital to this has been instant access to new and existing datasets, and the analytics which turn them into actionable insights.

8 Mins → £60K

Moving at pace, the bank can now make a lending decision in under eight minutes without any underwriting on overdraft applications up to £60k.

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Partnering with Experian has enabled Metro bank to tangibly improve its lending offering and service to SME customers through an automated, digital unsecured lending journey. Experian's expertise across credit bureau data, decision systems and credit risk consultancy has been critical to delivering on this objective.

Ermal Ngjeci - Head of SME Credit Risk, Metro Bank (UK)

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Breaking the mould

Metro Bank has always had an established consumer business alongside a growing commercial side. Metro Bank was asking the same questions as other lenders. How could it grow its book, and also continue to serve its existing customer base?

Behind these questions was a recognition that many SMEs are resilient and agile, even those within struggling sectors. They had good business models and simply needed the liquidity to get through a challenging period. Instead, they were often ruled out as 'too risky'. Metro Bank saw an opportunity.

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The challenge,
was to fully
understand the
'current' cashflow
situation of each
business.

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What did the next
three months
look like?

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What did it look like
in terms of income
and expenditure and
where does it leave
the business from a
debt serviceability
perspective?





Metro Bank wanted to go further than this. It wanted to better understand, rather than underestimate, the ability of businesses to pivot and adapt. How diversified were the businesses, for example, in terms of their customer base, supply chain or channels they interacted through.

Like most commercial lenders, Metro Bank's customers all used to follow the same credit risk assessment processes – based predominantly on manual interrogation. This often fails to allow for the fact that each business is different and has different needs, even within the same industry. Alongside the rest of the industry there could often be a lack of consistency and speed, with decisions taking days (and sometimes weeks) to come through.

It was a difficult process for businesses and many who needed finance quickly were deterred from applying.



The norm within commercial lending has always been a predominantly manual process, lack of consistency and speed, coupled with a difficult experience for businesses that often need to access finance quickly. Metro Bank was intent on changing that.

Metro Bank was intent on changing this industry norm and finding ways to serve each customer's specific needs the way they wanted to be served – **automated, digital and with as little friction as possible** – while keeping within the risk appetite of the bank. Even in the most complex of cases, Metro Bank looked to find a way to provide its credit underwriters with a much higher level of insight to support their manual assessments – **with the goal of automating as much of the process as possible.**

Working closely with Experian, Metro Bank began its journey to find that balance.

How quickly can you react?

The ability to grow, to be able to lend confidently and quickly amidst a constantly changing macro-economic environment, had become a big focus for many in the industry.

This translated widely into investment in the latest acquisition platforms.

Metro Bank, however, also wanted to better understand and better serve existing customers, and saw value in customer management from a very early stage in the relationship, so it took a more a unique route - investment in both Experian's **PowerCurve for Customer Acquisition** and Experian's PowerCurve for Customer Management, rather than one or the other. Having them both in place and 'connected' before launching its new automated proposition for SME lending was transformational for the bank.

Both platforms enabled instant access to new datasets, categorisation of that data (through CATO) and the ability to automate, turning the insight into action.

This was particularly key with the new and growing challenges facing the industry. Previously resilient businesses were suddenly deciding to wrap up their businesses rather than persist with challenges. And shut down was instant. Lenders typically base decisions primarily on a combination of internal and bureau data. This is valuable, but doesn't enable real-time triggers, so predelinquency signs were not materialising in time for lenders to take appropriate action.

In current economic times, organisations are making choices between new or existing customers – acquisition platforms or customer management platforms. Metro Bank took a unique route by investing in both, and it has been transformational for the bank.

'Metro saw a need for real-time insights...'

Previously historic trends identified a likelihood of insolvency, or voluntary closure. However, the economic climate of late changed that trend significantly. Closures have become sudden, and fast.

As such, Metro saw a need for real-time insights, alongside the technology to react to them. Focusing on this need, and sourcing the data, analytics and decisioning that could provide it – meant Metro Bank could implement customer-centric, and personalised strategies automatically. As such protecting its customers, and its book.

**Metro Bank is able to serve more customers,
because their financial wellbeing is being managed.**

PowerCurve for Customer Management

implemented at the early stage has been a particularly beneficial tool, giving Metro Bank a tangible and 'live' view of the true nature of its existing portfolio, including non-borrowers. This allowed the bank to build a very clear acquisition strategy that took into consideration the macro-economic environment, the need to continually manage credit losses, and the need to achieve numbers.

While the power of the two Experian platforms together has been crucial in Metro Bank's journey and success, it also derived significant value from Experian as a partner. The expertise of Experian consultants, who continue to work closely with the bank, and their commitment to solving problems and driving outcomes, has been just as important.



The answer is not originations or customer management – it's the connection between both

The world will keep changing. In two years, the economy may be enduring yet another crisis and the questions around growth will come up again. For Metro Bank, it came down to really understanding what is going on. Having instant access to the right kind of data is central to this, but data is only powerful when it is on a strong platform that enables timely action. This is how Metro Bank now has the ability to react quickly.



Data is only powerful when it is on a strong platform that enables timely action. The differentiator for Metro Bank has been the platforms on which it has all happened.

In the current economic turmoil, organisations are making choices between new or existing customers – acquisition platforms or customer management platforms. Metro Bank is demonstrating the power of seamlessly connecting both.

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The key to minimising collections difficulties is to start with well-informed originations strategies, and then manage those customers effectively as their circumstances and external factors change. This requires the ability to constantly assess data at a granular level, and apply sophisticated analytics and decisioning, so a personalised approach to dealing with each customer can be adopted.

Metro Bank has embraced this approach. Its risk assessments and decisions are now improved, automated and instant at every stage of the customer lifecycle. Instead of pressing pause on their grown plans, Metro Bank is moving at pace, achieving new lending growth and mitigating impending arrears.

Ed Heal, Director of Decisioning, Experian

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Decisions and next best actions - designed by your rules, exactly as you choose

Our next generation decisioning platform operationalises rich data and advanced analytics. Through our cloud-based decision management systems, these attributes are integrated to automate instant decision-making at scale, unlock value, and supercharge your performance - end to end.

All of our solutions are configurable, putting our clients in control of their strategy. We can offer rapid-start pre-configured decision systems with integrated data services and workflows, or dynamic systems allowing for customised workflows and integrations.

For more detail on our services, or a free demo or consulting review, please get in touch.

Our next generation decisioning system includes and integrates solutions for:

Originations & Acquisition

onboard more profitable customers using adaptive and targeted approaches.

Watch an overview



Customer Management

proactively and intelligently manage each customer, to support growth and mitigate risk.

Watch an overview



Collections

personalise collections processes to recover debt in a fair, efficient and compliant way.

Watch an overview



Strategy Management

use insightful acquisition strategies to respond to customer and market changes fast.

Watch an overview



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