



# Understanding consumer vulnerability in a COVID-19 economy

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Rapid changes to millions of people's personal circumstances will make it difficult for organisations to assess vulnerability and identify customers who need support now, and throughout the crisis

## Experian can help:

- Identify which customers are most at risk
- Monitor changes in financial well-being
- Provide real-time, accurate and personalised insight to inform risk
- Confirm eligibility and enable access to services

## Key insights and triggers that help you manage customers and reduce risk

### TRANSACTION



#### Detailed personal current account data

- Liquidity metrics
- Spending behaviour
- Income KPIs
- Balance characteristics

### BUREAU



#### Credit account and summarised current account data

- Emergency payment holidays
- Income shock
- Current Account turnover increase and decrease metrics

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## Your Challenge

Covid-19 is presenting organisations with unparalleled circumstances that are changing on a daily basis. Understanding how consumers are being affected by the crisis, now and in the coming months is key to providing them the with advice and care they need, and to protect your business.



**Confirm access and eligibility to services** – for furloughed workers and customer’s requiring holiday payments, as well as those with persistent vulnerabilities



**Respond to changing demands for credit** - differentiating between the economic shock and need for short-term access to credit, versus wider financial stress and the reduced capacity for some consumers to afford credit.



**Monitor Affordability across the lifecycle** – you will need to apply stringent affordability checks to monitor the impacts of COVID-19 on your existing customer base



**Identify increasing risk and vulnerability** – identifying customers with insufficient savings who are at higher risk of default will become an imperative, along with those employed in businesses with weak cash reserves who are in urgent need of assistance



**Understand change in your portfolio** – lenders will need to ensure you are aligned to IFRS9 Expected Credit Loss (ECL) requirements as the impact of the pandemic impact evolves



**Increased demand on your collection services** - the suspension of persistent debt rules will lead to increased risk with the potential for more customers to fall into debt. Escalating volumes will make it difficult to identify vulnerability and put pressure on your debt repayment services

To accurately make these evaluations and inform better lending decisions, data will need to be gathered more frequently and in greater depth.

Experian's Affordability products give you access to Credit Account data (CAIS), and summarised Current Account Turnover (CATO) data sourced from our bureau, as well as detailed, categorised bank transaction data using Open Banking.

### Getting access to accurate and up to date information is now more important than ever



The combination of this data enables you to assess the impact of COVID-19 at both individual and portfolio level, to minimise the risk to you and your customers.

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## Our solutions

### Affordability Passport

Affordability Passport uses a consumer's categorised bank transactions shared through Open Banking to get a real time view of the consumers financial position. It also includes the option for a consumer to add their credit information to help you make better informed affordability decisions when delivering outcomes.

The information includes:

<b>Credit information</b>	Credit commitments, payments and outstanding balances
<b>Income and expenditure</b>	A detailed view of the customers financial activity
<b>Average 30 day</b>	An aggregated view of how much money goes in / out of a consumer's bank account using an average 30-day view of statement data
<b>FCA expenditure blocks</b>	Breakdown of basic, essential, committed and discretionary spending blocks
<b>Bank statements</b>	A statement of categorised bank transactions to verify income and spend against
<b>Standard Financial Statement</b>	Generation of a pre-populated Standard Financial Statement

### Transaction data Insights

Transaction data insights can be used by personal current account providers to gain greater insight into your existing portfolio. It can provide timely and relevant information which can be used to spot vulnerable customers and assess risk across your portfolio.

These data blocks provide:

<b>Income KPIs</b>	number of jobs, payment frequency, volatility of income and income shock metrics
<b>Financial Behaviour</b>	looking for early signals of potential customer defaults (gambling, payday loan, high and consistent card payment)
<b>Balance Behaviour</b>	how quickly income is spent, days in over-draft, days below £100 balance
<b>Consumer Liquidity</b>	flags customers living month-to-month with very little capacity to adapt to changes such as 'drop in hours'

This data is processed in batch and can be used to monitor changes in consumer behaviour.

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## Bureau Insights

Bureau-based customer management triggers / insights provided on a fortnightly basis give you access to more timely information for spotting trends, and identifying customers in or moving toward financial distress.

<b>Emergency Payment Holiday Variables</b>	A number of metrics that provide insight into number, total balance and payment value of EPH across different lending products (All Accounts/ Mortgage Accounts/Interest Only Mortgages/personal loans/credit cards)
<b>Income Shock</b>	A series of Red/Amber/Green flags to highlight income dropping below pre-defined thresholds. Used to assess if there has been a significant drop in an individual's income every month, over the most recent 3 months
<b>Current Account turnover increase and decrease metrics</b>	A series of Red/Amber/Green flags to highlight changes in account turnover (increases and decreases) across different time periods.
<b>Special Instruction Variables/Flags</b>	Identify customers with unusual / significant change in indebtedness or utilisation - such as Debt Management program or Voluntary Termination.

**These services are delivered using secure file transfer making them easy and cost effective to access.**

As your partner, we're here to help you with our expert consultancy services and suite of relevant solutions.

We believe that by working together, and bringing you powerful data and tools, we can help you and your customers come back from this crisis strong, secure and ready for a brighter future.

To see how Experian can help your company to understand consumer vulnerability in a COVID-19 economy contact us at [business.uk@experian.com](mailto:business.uk@experian.com).



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C-00647