QUALCO

ADOPTING COLLECTIONS TECHNOLOGY:

Transforming results and reducing non-performing loans

CREDITORS EDITION

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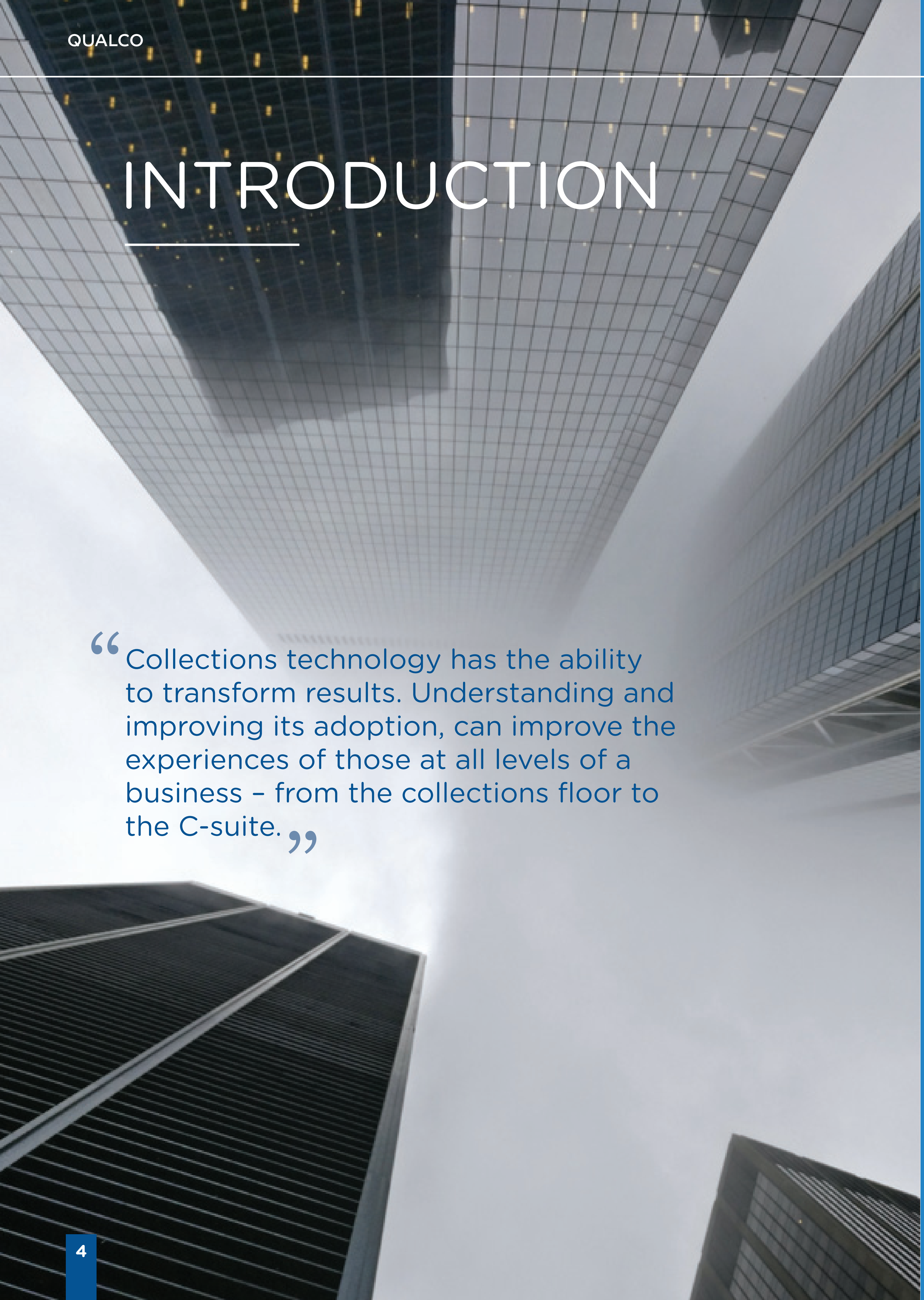


INTRODUCTION

> "Collections technology has the ability to transform results. Understanding and improving its adoption, can improve the experiences of those at all levels of a business – from the collections floor to the C-suite."

Collections technology has the ability to transform results. By understanding and improving its adoption, all levels of a business – from the collections floor to the C-suite – benefit.

Proper use of people and data enables accurate performance management internally and externally, cutting costs and improving customer outcomes.

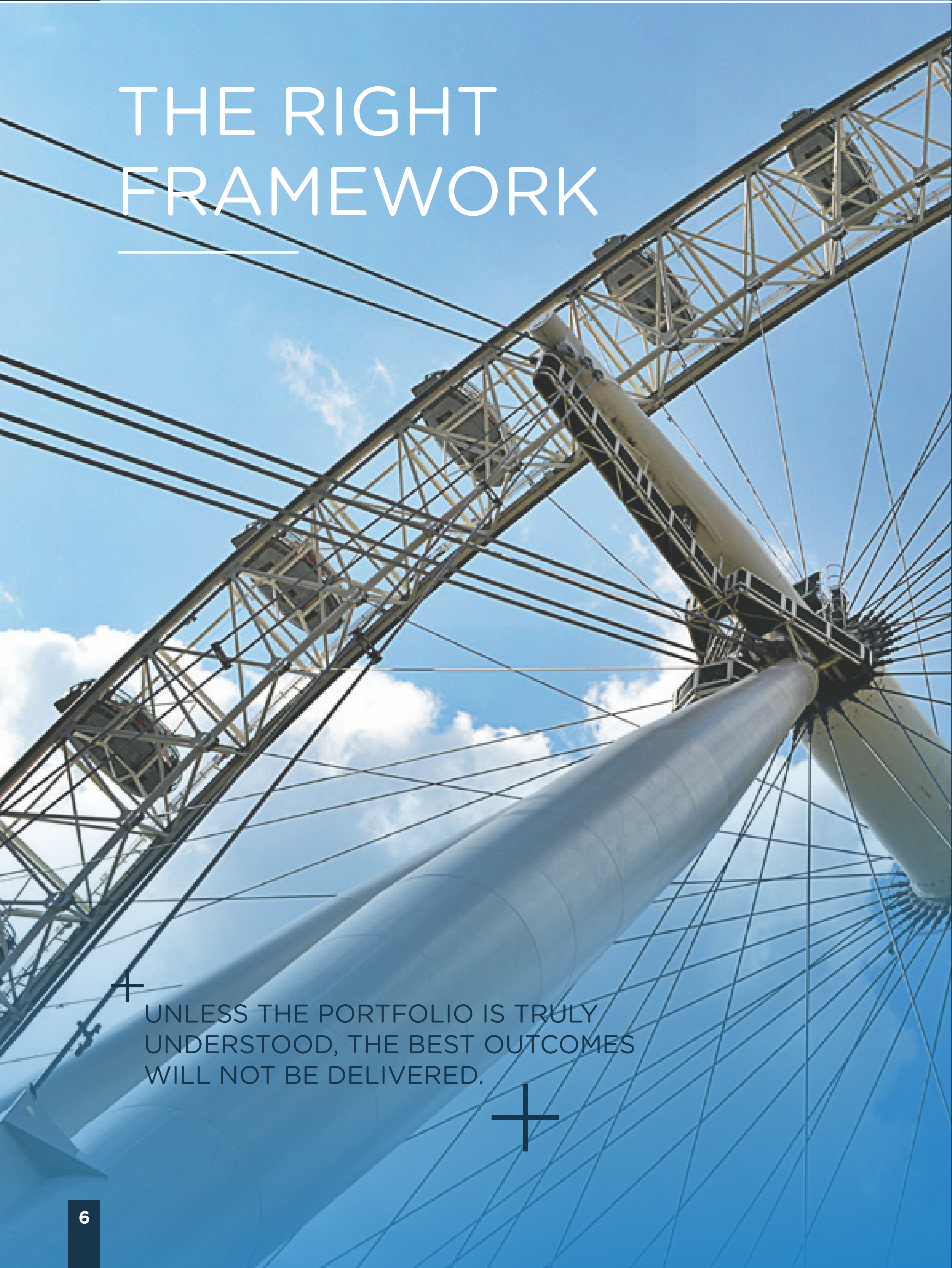
Yet too often lenders are stymied by an excessive number of systems, none of which allow them to offer the individual collections approach required in today's environment. Instead of becoming a strategic consideration, the collections function remains a series of day-to-day tasks, failing to add the most value it can to the business.

This ad-hoc approach is frustrating at all levels. Instead, collections operations should be freed to use data to reach proper solutions for each customer: reducing costs, restructuring accounts and rehabilitating customers for future lending. Strategic defaulters can be ring-fenced from co-operative customers and those with high potential returns prioritised.

All of this can and must be done with strict adherence to ever-changing compliance and regulation. When nothing in the regulatory environment is set in stone, collections systems can't afford to be static either – flexibility and adaptability are qualities that should be in-built.

Technology and regulation are changing rapidly. In future collections systems may need to cope with biometrics, voice recognition software and gamification. Creditors need platforms with open APIs and the ability to connect seamlessly with other technologies.

There are four key pillars of understanding collections technology adoption: methodology/framework, regulation, people and data. In this white paper we outline these pillars and the different benefits that can be derived from proper implementation at all levels of the business: C-suite, management, the collections floor and beyond.



THE RIGHT FRAMEWORK

UNLESS THE PORTFOLIO IS TRULY UNDERSTOOD, THE BEST OUTCOMES WILL NOT BE DELIVERED.

Having the right framework and methodology is the first pillar of implementing collections technology effectively.

This allows creditors to understand and analyse a debt portfolio so they can segment their customers and create different strategies to suit individuals. It applies equally to established lenders looking to cut costs in collections, and to newer creditors with high growth ambitions and fewer existing portfolios of arrears.

For the C-suite, this framework gives confidence that collections are being considered strategically instead of seen as day-to-day tasks that offer no further value to the business.

Unless the portfolio is truly understood, the best outcomes will not be delivered. That includes decisions on which tranches of debt to keep and work in-house, outsource or sell to a debt purchaser.

At a customer-level, the use of data and modelling allows today's collections technology to identify the correct approach on an individual basis.

The result is that customers feel they are being treated according to their particular needs, while time is not wasted on inappropriate attempts to contact people, or on strategies unsuited to their circumstances. Those leading and managing collections teams can design effective strategies that maximise profitability and reduce waste.

Ensuring knowledge of the portfolio, its valuation and the make-up of customers within it is the first step not only to reducing high levels of non-performing accounts, but also reducing late stage collections. Identifying problems at the early stages puts people on a treatment path sooner, increasing the chance of successful restructuring.

A knock-on effect of this is that agents speaking to consumers have confidence they are taking the right approach and are more likely to enjoy their jobs. Happy staff make for better customer outcomes, while reduced turnover lowers the cost of training.

These strategies also mean customers can be rehabilitated and retained for the future.

Having flexibility is crucial. For example, if a car finance borrower is struggling and the car company is prepared to buy the car back and dissolve the debt, not all systems can currently cope with this level of complexity.

Creditors should be using collections systems that offer operational agility. They need to think beyond immediate requests for cash and adapt to whatever restructuring the business can devise. Only then will they maximise liquidity and profitability, decreasing levels of non-performing accounts and safeguarding capital.

THE RIGHT TREATMENT: Regulatory Compliance

While system flexibility doesn't have to be a constraint, regulation and compliance concerns must be front and central when it comes to implementing collections technology.

Whether or not they are regulated by the Financial Conduct Authority, creditors are acutely aware of their duty to treat customers fairly, the business benefits of acting this way and the consequences of failing in this regard.

Keeping on top of the changing regulatory environment and ensuring the business has the skills to respond quickly to market conditions is, therefore, a key pillar in collections technology.

For example, GDPR legislation has reinvigorated discussion on the use of customer data as well as laying down rules on how these data are stored and used. Evidencing permissions to use and share data is of paramount importance for creditors at all stages of the lending cycle, including securing permission to record vulnerabilities that affect repayment. Collections teams must navigate these difficult and sometimes emotional stages of the process. They need systems capable of assisting them.

The right technology offers transparency through advanced analytics and reporting environments. It enables streamlined and controlled forbearance campaigns that lead to amicable solutions, reducing the risk to the creditor and doing the right thing for the customers.

Collections systems must offer clear and comprehensive insight into all aspects of the process, along with effective reporting for auditing and regulatory purposes. Real time visibility of activities on each account is a reassurance in today's stringent regulatory environment.

Senior management and heads of collections should be able to see what is happening on all customer accounts, both inside the organisation and with third parties: every contact, every engagement, every result, at the click of a button – at their desk or on a mobile device.

Having a system that effortlessly adapts to the changing regulatory situation is essential and should be expected.

REGULATION AND COMPLIANCE CONCERNS MUST BE FRONT AND CENTRAL WHEN IT COMES TO IMPLEMENTING NEW COLLECTIONS TECHNOLOGY

THE FOUR PILLARS
of adopting collections technology

1 Framework
[freimwə:rk]

Use the right framework and methodology to segment portfolios and decide the best strategy for each debt.

2 Compliance
[kəm'plaiəns]

Choose systems that cope with stringent regulatory requirements and flex when required.

3 People
['pi:pl]

Attract the right people and give them the tools they need to achieve the right customer out-comes.

4 Data
['dætə]

Deploy advanced analytics to interpret valuable data and enhance all areas of the business.

PEOPLE:

the right mix of skills, competencies and satisfaction

TRULY EFFECTIVE SYSTEMS CAN COPE WITH ALL EVENTUALITIES

Having the right people in place across management, analytics and the collections floor is the third pillar of effectively adopting collections technology.

Cutting-edge systems help attract high-calibre business experts, including data analysts, portfolio managers and operations experts. These skilled teams can capitalize on the data available and apply best practice to continuously improve collections efficiency and portfolio performance.

Giving these team members technology that is flexible and can adapt to innovation avoids frustration. It enhances their ability to create restructuring plans that suit customers while maximising returns. The more information available, the more guidelines managers can give their teams to work with.

For a collections operation to really succeed, agents need to enjoy their jobs and experience some level of control over their own decisions. A collections system with clear guidelines enables them to take an individual approach.

Collections departments know the most successful customer approach comes from well-trained staff who are alert to signs of vulnerability or distress. Guidelines and training are essential, but a script is no replacement for agility and consumers know when the person on the end of the phone is truly listening. Having options to alert call centre operatives to significant data, or provide bespoke guidance is important. Likewise, call centre staff may need to cross channels – moving customers from text to chatbots and email for further stages.

Having the right information at their fingertips means agents can increase right party contacts, secure quick payments and raise the number of payment arrangements agreed. Accurate, accessible data are most powerful when combined with a positive user experience.

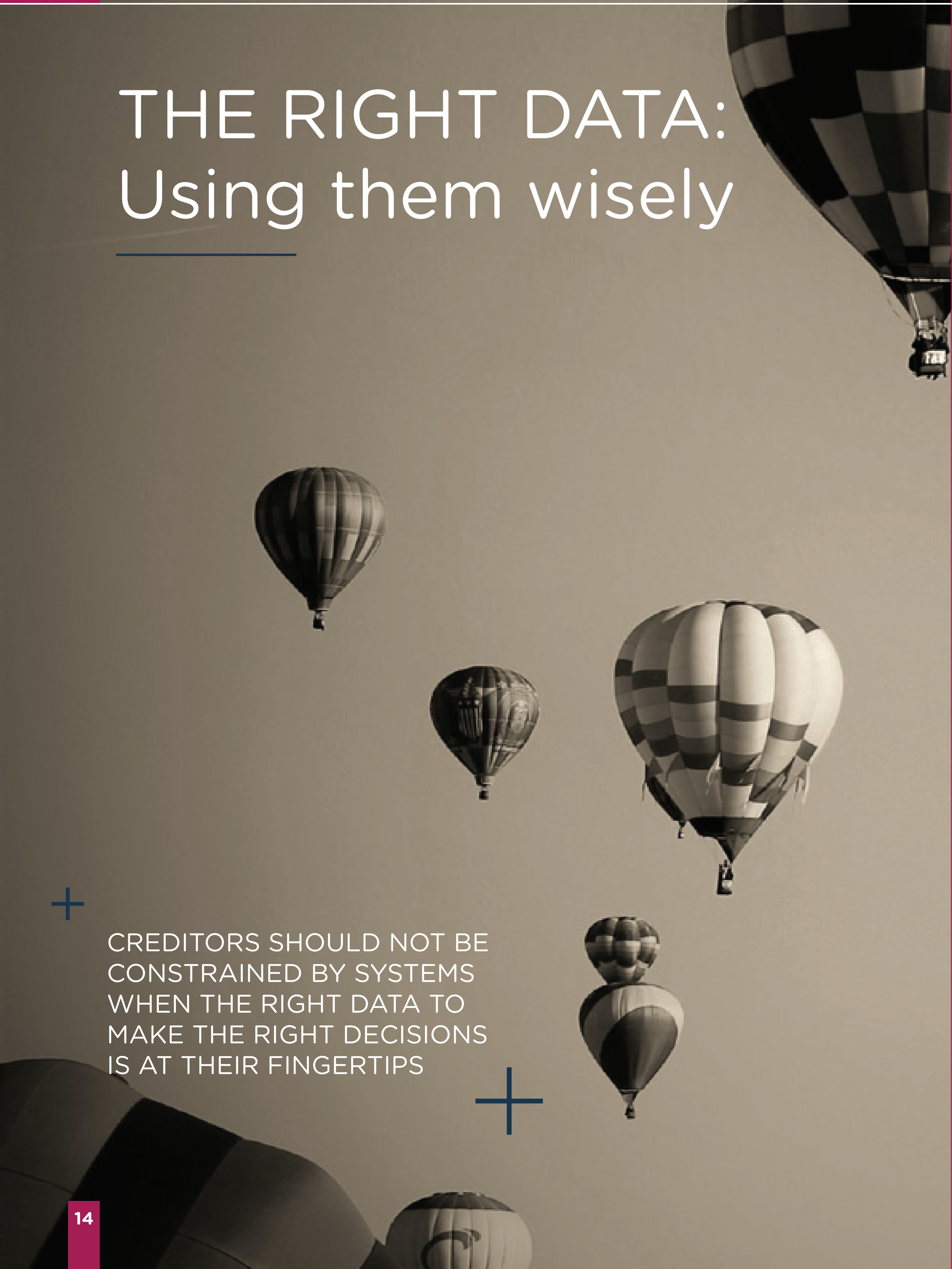
Managers can then administer resources, so the right cases are assigned to the right people. For example, those adept at handling vulnerability can be deployed on the most complex cases, leaving less experienced agents free to handle more routine tasks. This not only results in a better service for customers, it increases productivity and collections effectiveness.

Technology can be used to monitor agent performance and customer satisfaction, enabling managers to step in quickly and take action if a call goes poorly. This real-time monitoring is transforming the effectiveness of collections teams and reducing poor experiences that previously lingered in the minds of consumers.

Meanwhile, automating routine tasks frees humans to do higher value work. This applies to both in-house agents and third parties working books of debt on the organisation's behalf.

All this should be achieved with low IT involvement so the creditor can make adaptations without needing input from the technology vendor. Systems should also be end-to-end – covering the loan's lifecycle from origination to recoveries and removing the need to transfer portfolios between different systems.

All too often, lending technology is designed with little or no regard for the collections process. Truly effective systems can cope with all eventualities. They help creditors build and maintain skilled teams that can deal with the ever-changing credit (and regulatory) environment.



THE RIGHT DATA: Using them wisely

CREDITORS SHOULD NOT BE CONSTRAINED BY SYSTEMS WHEN THE RIGHT DATA TO MAKE THE RIGHT DECISIONS IS AT THEIR FINGERTIPS

The use of data is the fourth pillar of collections technology adoption. Using models that cover the whole of the market allows creditors to master Big Data, taking advantage of expertise secured beyond their own portfolios and lending type.

They can then migrate portfolios from legacy systems or launch and service new products in an environment that is optimised for dealing with default as well as standard borrowing.

Data also allow creditors to industrialize decision making. They can make easy changes in strategies, launch campaigns quickly, measure results and adjust their collections strategies appropriately.

This keeps risk at a reasonable level, allowing creditors to identify the optimal channels for communication with customers, while also monitoring group exposures and payment behaviour.

Data offer enhanced business intelligence, giving the ability to identify customers / portfolio segments with high potential recoveries as well as strategic defaulters, so groups can be handled differently and with different priorities. The ability to monitor a highly-segmented and fast-moving market gives collections teams a critical edge in raising their collections levels without a deterioration in customer experience.

To take advantage of this, systems must be capable of describing, ingesting, transforming and serving large volumes of inhomogeneous data from any source: these could be past portfolios, credit reference information, white data or feeds from third-party providers. They then automatically generate segmented predictive models, matching them to business processes and objectives. This should be seamlessly integrated into daily operations, feeding results to those platforms. Past performance on similar portfolios or customer types can inform the best approach – for example, detailing the best time to call to maximise the chance of contact.

Collections can be highly complex. For example: systems may need to cope with parallel restructuring streams within one account – encompassing distinct repayment and interest plans where different partitions of the same debt are treated differently. Technology can create tailored repayment plans using a diverse set of repayment options.

Models can and should be accessible to both analysts and less technical business stakeholders – forming a common language between the two.

Using collections technology should reduce the cost of in-house development and everyday operations efforts, decreasing the time it takes to go to market with new products. Creditors should not be constrained by systems when the right data to make the right decisions is at their fingertips.

CONCLUSION

Adopting cutting-edge collections technology means creditors can streamline their operations, doing more for less.

The benefits are multiple:

- End-to-end systems that cover the lifecycle of the loan
- Targeted strategies for portfolio segments
- Better productivity and user engagement
- Highest quality performance monitoring and reporting
- Automation of routine tasks
- Low IT involvement
- Net recoveries and profitability are maximised

The right methodology; the highest levels of compliance; the right people with the right skills; and bold use of data are strong pillars of effective collections.

Underpinned by technology, these pillars allow creditors to secure the right outcomes for customers in the most cost-effective way, confident that compliance standards are being met. Cash collected increases without customer treatment suffering.

QUALCO Intra Collect

Our end-to-end system for in-house and third-party collections: maximise recoveries, reduce costs and bring visibility to operations

LOOKING TO ADVANCE YOUR COLLECTIONS PLATFORM?

- Best of breed Decision Engine
- Compatible with all types of debt: consumer, corporate, secured and unsecured
- Complete functionality for legal & restructuring
- Fast and smooth implementation/migration
- Meets regulatory requirements
- Self Service Kit: Easily customized, no IT involvement
- Multi-channel engagement
- Easy integration with best-selling core banking engines and third party systems

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QUALCO is an expert provider with more than 15 years' proven experience in enabling clients to take control of customer data across the entire credit lifecycle. Whether you are looking to modernise your internal collections platform, delve deep into the analytics of your entire debt portfolio to drive future strategy, or harness the power of external service providers, QUALCO has a solution to help you drive efficiencies and streamline your collections and recoveries operations.

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