

White Paper: Can your Collections System meet its toughest challenge yet?



As credit and collections professionals continue to cope with the fall-out from the pandemic, they need technology that will appropriately allow them to adapt to the needs of vulnerable customers.

Recently we saw the FCA publication of the finalised guidance for firms on the fair treatment of vulnerable customers. In itself this is an unusual departure from rule-based publications and speaks to the complexity of achieving the objective.

In a previous written article of ours, we mention the importance of treating all customers fairly, whether in arrears or vulnerable, so nothing new there; it does however provide a definition of vulnerability for those, who due to personal circumstances, are especially susceptible to harm. Our challenge is to ensure that vulnerable customers are recognised early, are protected and have good outcomes which are also good for creditor firms.

We also await the full impact of the furlough scheme - extended in last week's budget until the end of September 2021, which currently serves some 4.7 million people. By the 11th December 2020 51% of adults had got into debt with a quarter of that number citing the pandemic as the primary cause of their arrears.¹

From such unprecedented arrears levels, we have to expect that a number of customers will be experiencing a form of vulnerability thus far not anticipated. When adding the demands of the Debt Respite Scheme, the collections industry is probably facing its toughest challenge since its formation within financial services.

The FCA guidance² encourages disclosure from vulnerable consumers and gives the following as signs to actively look out for:

Changes in payment behaviour such as:

- Payments stopping suddenly
- Late or missed payments
- Regular unarranged overdrafts and charges
- Unusual activity on an account

Phrases such as:

- I can't pay
- I'm having trouble paying
- Mention of breathing space/debt moratorium or contacting a debt advisor
- I can't read my bill
- I can't understand the letter you sent me
- I can't hold on all day
- I hate these press buttons

Staff could also be on the lookout for:

- Shortness of breath or signs of agitation
- Asking for repetition (a sign that the customer is not retaining information)
- Signs that the consumer has not understood or signs of confusion
- Mention of medication

Discerning non-payment due to vulnerability from refusal to pay has always been a constant challenge and one might consider the above on their own do nothing to aid that assessment. There are therefore a number of multiple indicators that must be taken into consideration in order to identify vulnerability and decide the right course of action.

Being able to respond to a range of multiple characteristics of vulnerability in a consistent manner is therefore key. You will already have seen that human interaction is far more necessary in this area. It is however unrealistic to expect your staff to apply guidance and policies to every different case without systemic tools that can deliver measurable actions in an auditable manner. This will help assess and change unsuitable processes, but this also requires the ability to change those processes quickly and safely.

It is essential to have systems that can be easily developed, changed, monitored and compliant to enable you to treat customers who declare themselves vulnerable in an appropriate and compassionate way.

That level of flexibility only exists in the new generation of omni-channel collection systems that pursue digital channel interaction and engagement capabilities to expand their consumer communication options. Some of the features will include:

- **Two-way SMS that allows the customer to communicate when and how they need to.**
 - It may be argued that people suffering vulnerability will not have access or be able to use mobile phones, but the necessity driven by the pandemic has changed that assumption.
- **Optional choices within customer portals for self-registration and classification of a vulnerable condition.**
 - Simple descriptions of evidence required and the ability to attach/upload for creditor review.

- **Break points within the portal allowing the customer to seek specialised advice.**
 - Dedicated agent lines triggered by commencement of the process that enable them to walk through the self-registration process (if required).
- **Prescribed compliance messaging ensuring agents have obtained proper consent.**
 - Making it impermissible to record this type of sensitive information without explicit consent. Smart systems that block any agent action before obtaining such consents are vital.
- **Multiple vulnerability strategies that share common outcomes and actions.**
 - Maximising automation where feasible.
- **Review mechanisms fit for each condition.**
 - Thereby making up to date compliance achievable.

Conclusion

Today's collection operations want more automation, efficiency, control, compliance, flexibility, ease-of-use, and manageability from their collection system. Once frontline staff have identified the key triggers to discern the correct course of action, modern collections systems can be changed - quickly and without recourse to IT - to develop strategies that give value to both consumers and organisations.

Our modern collection system, Optimus, with embedded digital communications, omnichannel management, an integrated self-serve collection portal and an agile agents' workbench is the technology that should be your next investment.

References:

1. Building fairness in government debt collection 18th February 2021
2. FG21/1 Guidance for firms on the fair treatment of vulnerable customers (FCA Occasional Paper 8 practitioners' pack)

About the Author

Following an executive management board role with an operating subsidiary of Lloyds Banking Group, Bruce Turnbull has spent the past 20 years providing collections management consultancy services to a number of blue-chip lending companies including Courts International, GE Capital and Provident Group.

More recently Bruce has served as Managing Director of two UK operating subsidiaries of CoreLogic, Inc. (NYSE: CLGX), a \$3 billion-dollar global data, analytics and related services company and is currently a Director of the Vulnerability Registration Service.

About Telrock

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Telrock's key solution serving the collections market is **Optimus**, a modern cloud-based collections software platform that offers advanced capabilities, enhanced compliance, higher performance and delivered as a SaaS solution.

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