ISSUE TWO 2016

The Debt Review

The dawn of a new era for debt

As the economic outlook for the UK continues to change based on the result of the EU referendum and greater global uncertainty, we can expect to see a whole new wave of consumers entering the arrears space over the next 12-24 months. These people will have little or no experience of adverse credit, but may find themselves increasingly squeezed by low real wage growth and rising prices, so could fall into debt for the first time.

Following the UK Brexit vote the Bank of England has reduced interest rates, but a 0.25% shift will make very little difference to the behaviour of most high street savers or borrowers. However, this cut is likely to further exacerbate the downward pressure on sterling which will ultimately make all imported goods in the UK materially more expensive and further squeeze consumers.

Over the last few years, consumers have benefited significantly from low interest rates which have ensured affordable mortgage repayments. However, rising import prices are likely to have a material impact on the Consumer Price Index and could ultimately force the Bank of England to reverse its recent interest rate cut and begin increasing rates to maintain inflation targets. This is likely to lead to some difficult choices for the Bank of England over the next 12 months, between measures aimed at stimulating the economy and measures aimed at cutting inflation. We could even see 1970s style stagflation emerging once again!

What does this mean for consumers…

Low growth and rising rates is a perfect storm for the UK's consumer-focused economy. This combination will further squeeze disposable income for most and will disproportionately impact the middle classes; a group that (in the main) have not previously encountered debt problems and have managed to keep multiple obligations up to date. As real disposable income falls, some of this group will be forced to make hard choices for the first time, regarding which payments to maintain and which to temporarily halt.

…and for creditors?

The situation presents a unique problem in how to manage good, loyal customers who historically have no payment issues but may now fall into short to mid-term debt problems. Creditors will need to use all available data to really engage with these customers and most importantly adopt a longer term "through the cycle" approach to any current debt issues. Creditors who look to follow normal processes to recover debt may well find these customers reluctant to engage and ultimately unwilling to return in future when their debt issues have ended. This is a classic short term recovery versus long term value problem, which only the most progressive creditors will be able to solve.

Stuart Bungay
Marketing Director at TDX Group

IN THIS ISSUE

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Debt Market Integrator

Why Her Majesty's Government decided to act on burgeoning overdue debt

Debt is always going to be an emotive and sensitive issue as many different types of people and businesses fall into debt for different reasons. The biggest area of debt in the UK is money owed to Central Government, which is estimated to exceed £25 billion (of which £5 billion to £7 billion is over 90 days old), and originates from many sources including unpaid fees, taxes, fines and loans, benefits or tax credit overpayments, and unrecovered costs from court cases.

In 2010, the UK Government announced its commitment to addressing this problem and improving debt management by setting up a Fraud, Error and Debt taskforce. The unit set out its vision and roadmap by publishing an interim report in February 2012. This was followed by a National Audit Office and Public Accounts Committee review in 2014, which confirmed that there was no integrated approach for managing debt across Government, and that too much overdue debt was being allowed to "age" leading to value erosion.

To remedy this, a public tendering process was held and a joint venture was formed between Government and TDX Group in 2015. The company, named Indesser, provides Government and the wider UK public sector with a single point of access to a wide range of debt management and collection services.

Government can now access services as a single customer, presenting a significant change from 2012 when the Government had over thirty separate contracts for managing debt. In addition, Indesser is set up as a streamlined process, with the fair treatment of individuals in debt at the heart of what it does. Ensuring that individuals are removed from the stress of having multiple debt collection agencies and parts of Government, approaching them in different ways.

Since going live in mid-2015, Indesser is widely acknowledged to be exceeding expectations and has provided the Exchequer with greater returns than forecast in the original business case. Indesser aims to grow its UK Government services and footprint in the coming months and to use its experience and expertise to help Governments outside of the UK to address similar challenges. A vision which is strongly supported by the Cabinet Office and the Indesser customer departments.

Sunil Shahaney
Director of Government and Public Sector at TDX Group

Asset Sale

Honing in on non-performing loans

Honing in on non-performing loans

The global asset sale market continues to grow, and within that TDX Group is already an established player in valuation and brokerage services in the unsecured market within the UK, and both the secured and unsecured markets in Spain. As a business we're expanding this reach into a more globally focussed and structured asset sale function spanning the wider Equifax network and territories.

At a global level one of the greatest challenges, and opportunities, in this space is how to deal with Non-Performing Loans (NPL). In Europe alone, the largest banks hold approximately €1.1 trillion* of NPLs according to recent KPMG analysis.

The NPL problem is now a global one, and what to do about it is challenging Governments across the developed world. In some key countries such as the UK, Ireland and Spain they created organisations dubbed "bad banks" (UKAR, NAMA and SAREB) to manage the problem, whilst Greece and Brazil have changed entire legislative systems to allow the sale of NPLs.

The major difficulty in most countries is the experience and market structure needed to be able to execute NPL sales in a successful manner. NPLs are somewhat of an anomaly in that market conditions are different in all geographies, but that there are also some core similarities which need to be understood locally in order to succeed. At TDX Group, we've been operating in this space for 12 years, and have successfully executed more than one thousand transactions with a value of over $20 billion, and this experience will stand us in good stead as we now focus our efforts on a global scale.

How developed is Italy?

With the UK and Spanish markets having already developed, the race is on to find the next market which has the volume and infrastructure to support new growth. Italy has dominated the headlines recently but this market has found it difficult to develop a successful servicing model. Now that the Atlante II fund has been created (the second attempt by the Italian Government to try and bring some liquidity to the market) will this allow the market to establish some of the parameters to function or just add to the issues in an already fragmented market?

The Economist ran with a headline of "Bargain Hunt" in August which suggests that this market may need some support. One of the key areas discussed at a recent summit hosted by Banca IFIS in Venice was that of the Italian legal system and it was claimed that solely by reforming this you can add single digit percentage points to the Italian gross domestic product.

One of the essentials when working with funds and servicers is ensuring that the collections curves are genuinely achievable and the challenge with any new market is the ability to create balance between expected value from the seller and realistic returns from the buyer. The challenge in Italy will be weighing up state backed entities and their returns versus true returns for an investor.

Into Europe or an American adventure?

There has been a lot of talk about other developing markets in Europe and while there are undoubted opportunities to be had in Central and Eastern Europe a number of the markets do not have the large scale volume needed to replicate the UK or Spain. At TDX Group, we've taken on projects in Poland and Russia this year and looked at transaction in Greece; where the new regulatory framework for NPLs and the creation of Law 4354/2015 has enabled financial services organisations to consider wider disposal of certain assets.

Finally, another developing market for consideration around NPLs is South America, where we are already actively managing projects in Brazil, Peru, Mexico and Chile. The breadth of opportunity that exists here is very significant as the basic market for NPLs already exists, so bringing in skills and expertise from more developed markets can make a huge difference. In addition, some of the main purchasers are already active in South America (such as PRA and Encore) and we'd expect their presence along with the investment funds to accelerate the expected market growth.

The asset sale market is evolving and we are likely to see a number of exciting developments over the next 12 months – so watch this space.

Nick Ollard
Director of Global Asset Sale Services at TDX Group

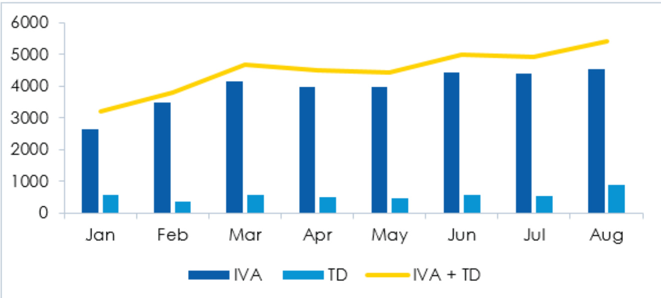
Source: *https://home.kpmg.com/xx/en/home/insights/2016/05/non-performing-loans-fs.html

Insolvency Market Trends

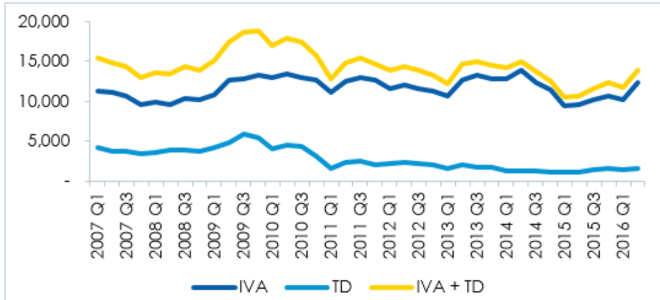
The latest insolvency market trends, data and insight brought to you by TDX Group

Volumes of new personal insolvency solutions continue to rise. Compared to July, combined IVA and Trust Deed volumes in August increased by 9.7% (fig. 1).

2016 monthly view (fig. 1)



Long term view (fig. 2)

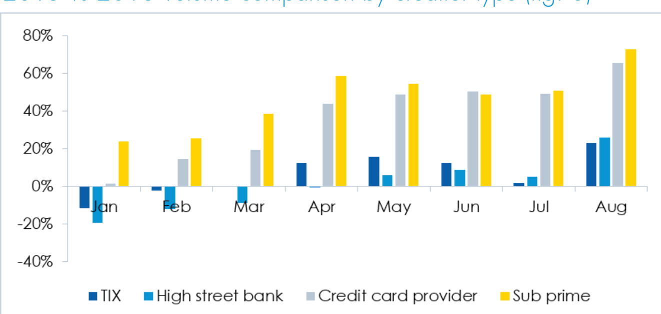


Volume overview

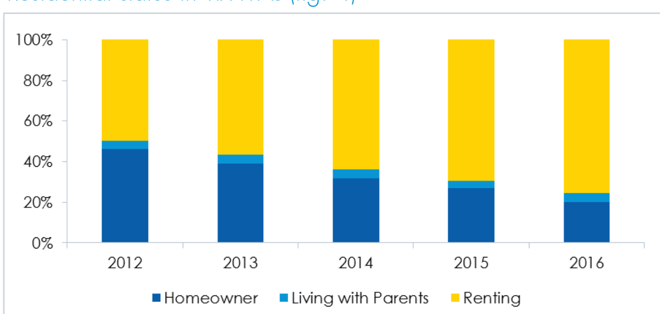
In the last three months, there have been 16,230 new personal insolvencies; the highest levels since Q4 2010 (fig. 2) driven, as previously highlighted, by:

- The ongoing FCA process of authorising Debt Management Plan (DMP) providers leading to consumers being more likely to be recommended personal insolvency.
- Mono-line personal insolvency providers who are not focused on FCA authorisation being able to invest in marketing and acquiring new customers.
- A natural growth in demand for debt solutions as a result of increased unsecured lending in the near/sub-prime space over the last few years, with consumers entering a new solution far more likely to have credit card, near prime or sub-prime debts (fig. 3).

2015 vs 2016 volume comparison by creditor type (fig. 3)



Residential status in TIX IVAs (fig. 4)



Consumer profile

Since 2012 we have seen an ongoing shift in the profile of consumers in personal insolvency solutions.

Now, almost 75% (compared to 50% in 2012) of consumers entering personal insolvency are living in either private or social rented accommodation (fig. 4).

Since the recession, retail banks have focused new lending on low risk consumers with assets and higher incomes. Also, consumers with mortgages have been benefiting from record low interest rates, a competitive mortgage market, rising property prices (although house prices fell back in July) and the ability to release equity from their property to manage their unsecured debts.

In comparison, over the same period near and sub-prime consumers living on lower incomes and generally living in rented accommodation have significantly increased their use of unsecured credit products. Figures published by The Money Charity state that unsecured debt is £186.6 billion up from £176.2 billion at the end of July 2015, an increase of £207.14 for every adult in the UK.

Richard Haymes
Head of Financial Difficulties

Financial difficulties

Protecting the most vulnerable consumers during uncertain economic times

In June the nation voted to exit the European Union and since then we've witnessed significant change; a new Prime Minister, interest rates cut to 0.25%, the FTSE 100 reaching a 13-month high on 08 August at 6,829 and the Bank of England cut the 2017 growth forecast from 2.3% to 0.8% – the biggest downgrade to its growth forecast since it started inflation reports in 1993.

Going forward, the Bank of England predicts the economy will be 2.5% smaller in three years' time, that unemployment will rise (although only marginally), inflation will rise, real income growth will slow and house prices will decline.

What does this mean for our economy longer-term?

It's still probably too early to say, and the outcome of all this change will unfold over the next few years. But one thing is for sure, it's likely to present us all with both challenges and opportunities.

Since the Brexit vote I have been spending a significant amount of my time considering how this event will impact people at risk of and already in financial difficulties. There are a few key points that stand out for me.

> One in six people in the UK is over-indebted, but less than one in five of them seek debt advice…unsecured borrowing is growing at a rate of 6%.

Firstly, the Bank of England has reduced interest rates to a record low of 0.25% and has pledged £70 billion of additional quantitate easing (£60 billion through buying Government bonds and £10 billion of corporate bonds)[1]. This clearly has pros and cons. Of the 11 million mortgages in the UK, around 1.5 million automatically track the bank base rate, so for these households this will mean an average £22 monthly reduction in mortgage repayments.

For people managing their financial difficulties through a debt solution like a Debt Management Plan (DMP) or an Individual Voluntary Arrangement (IVA) – our data shows that 40% of people in IVAs have mortgages – it will help with sustainability and could enable them to increase their repayments. However, for those people living on income from pensions or savings their finances will be squeezed and they may be more likely to struggle.

Secondly, the pound has dropped against the US dollar which is likely to drive up inflation over time. For people living with or at risk of financial difficulties this may result in a higher cost of living and put them at greater risk of unmanageable debts. A recent survey by YouGov[2] showed that 'a third of middle-class people would have to borrow money to pay an unexpected bill of £500'. For people already managing their financial difficulties through a debt solution, this could lead to an increase in broken arrangements.

However, this may be balanced by the news that the Treasury has abandoned targets to restore Government finances to a surplus[3] by 2020, as a result of the requirement for additional borrowing to ensure economic contraction, which could slow the rate of contraction of the welfare state and balance some of the impacts of inflation.

The Money Advice Service published research[4] in March which highlighted that 'one in six people in the UK is over-indebted, but less than one in five of them seek debt advice' and BBA retail banking statistics[5] show that unsecured borrowing is growing at a rate of 6%, couple with low wage growth and the contraction of the welfare state – all of which begin to place an even greater burden on consumers.

> 50% of people with debt problems tend to wait at least a year before seeking advice, so the most effective way to support consumers during these uncertain times is to look out for early warning signs.

Research by debt charity, StepChange[6], shows that 50% of people with debt problems tend to wait at least a year before seeking advice, so the most effective way to support consumers during these uncertain times is to look out for early warning signs. Creditors should act quickly to most effectively target their support at the people with the greatest need and put treatment paths in place which both reduce the chance of financial difficulties and provide repayment solutions which can be effectively managed.

Arrow Global released its Debt Britain 2016 report[7] earlier in the year, which looks at the state of personal indebtedness in the UK and the consumer debt industry. The report includes an econometric forecast of consumer defaults which shows that there will be a 17% increase in households in default by 2020.

> …the most effective way to support consumers during these uncertain times is to look out for early warning signs.

Alongside these economic factors, the debt solution market continues to go through significant change. Combined IVA and Trust Deed volumes grew significantly in Q2 2016 when volumes were around 27% higher than totals for the same period in 2015. The Trust Deed market in Scotland has grown even more significantly with volumes rising by almost 35% compared to May. There are two main drivers behind these increases:

1. The ongoing FCA authorisation process for the debt management sector is moving consumers who would have been offered debt management solutions to personal insolvency providers. In July, Jonathan Davidson of the FCA stated that of the 293 debt adjustment or debt advice applications received by the FCA 89 commercial providers are still awaiting full authorisation, 120 applications had been withdrawn and 13 applications had been refused.
2. Volume is being driven by a roll through from an increase in new lending seen in the last few years, particularly from near-prime and sub-prime lenders.

It is too early to be certain if the trend seen in the first half of 2016 is an anomaly or the start of a long-term trend, but looking out over the next 12 months, we can expect to see increasing volumes of personal insolvencies through 2016/17, whilst DMP volumes (both new and back books) will continue to fall. It is time for all creditors to closely monitor their personal insolvency portfolios, particularly the new entrant volumes.

> …even greater pressure on consumers already in and at risk of financial difficulties in the coming years, so all players in the consumer debt community: creditors, servicers and debt advice/solution providers will need to be proactive…

On an extremely positive note, breakage rates have reduced year-on-year. Whilst a dramatic change in the economy would impact the consumer's ability to pay, the industry has demonstrated some clear improvements around actively managing those in IVAs, helping to pre-empt and solve issues which will benefit all during this period of uncertainty.

So what does this tell us?

There will obviously be even greater pressure on consumers already in and at risk of financial difficulties in the coming years, so all players in the consumer debt community: creditors, servicers and debt advice/solution providers will need to be proactive in offering innovative additional support to their customers in order to help them achieve better outcomes.

Simple steps to help provide additional support, include:

- Ensuring that creditors really know their customers through the use of internal and external data to identify anyone in or at risk of financial difficulties. This isn't a nice to have, it's a must have. Whilst a customer may be managing their credit commitment with a specific organisation effectively, they may be struggling to meet the demands of other creditors; including utility providers and short term high cost lenders. Without reviewing external data, the first opportunity creditors will see this is when a customer disengages and moves swiftly through the collections and recoveries process, leaving creditors with no options but to intervene and help.
- Developing strategies which enable customers to easily reach out for additional support. Taking action early gives consumers more options and simple action now can avoid longer-term problem debt which normally results in recoveries action and poorer outcomes. If creditors don't engage and support their customers it is more likely that they will seek debt advice, including accessing personal insolvency solutions, this can often be the right solution for customers but at this point creditors have limited control of the outcome.
- Actively managing third part debt management portfolios. With personal insolvencies on the rise, the effective management of customers in IVAs, Trust Deeds, Bankruptcies and Sequestrations is challenging. The debt management community is moving through its most fundamental change in history and consumers will need support to navigate a changing environment.

Richard Haymes
Head of Financial Difficulties at TDX Group

Sources:

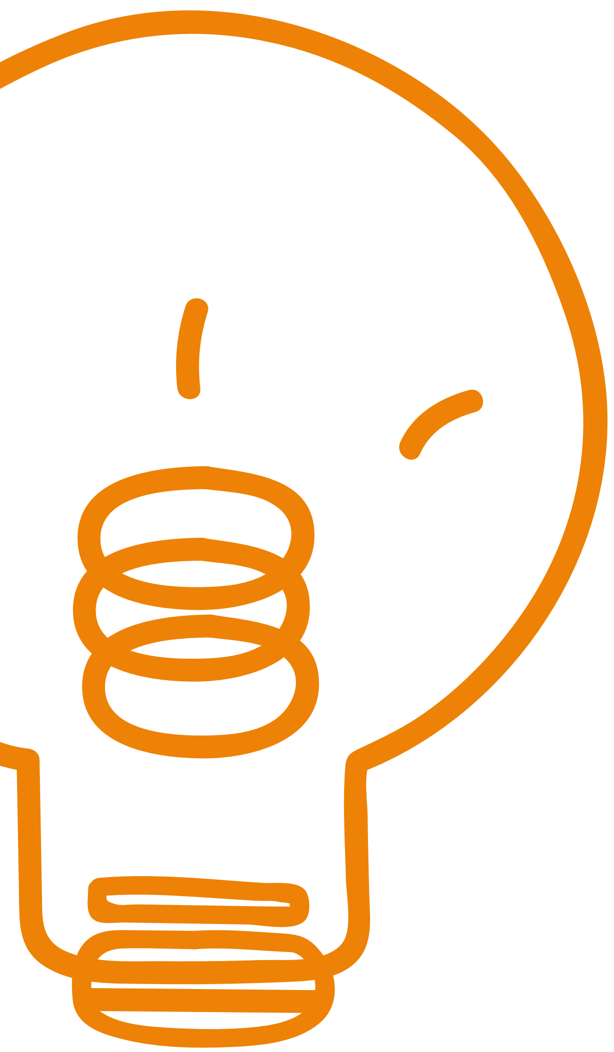
1. Pound falls as Bank of England hints at fresh stimulus measures, 30 June 2016, www.bbc.co.uk
2. Third of middle classes too short of cash to pay a £500 bill, 07 June 2016, www.thetimes.co.uk
3. Osbourne abandons 2020 budget surplus target, 01 July 2016, www.bbc.co.uk
4. Press release: One in six adults struggling with debt worries, 10 March 2016, www.moneyadviceservice.org.uk
5. May 2016 figures for high street banks, 24 June 2016, www.bba.org.uk
6. Waiting for debt advice, www.stepchange.org
7. Arrow Global Debt Britain 2016, www.arrowglobal.net

Product development

Collaboration and communication: the key to crystallising customer needs

Having managed products in a range of industries from media to finance, there is one thing which I'm always asked: "How can we launch the next big industry changing product?". Which means I'm continuously on the lookout for the next game changing, industry leading innovation which will impress our customers and partners. Product managers are always under pressure to be innovative, it's part of the job description, but the risk is that innovating for innovation's sake often results in products that may please the developer because they use the latest technologies and the sales team because they have something new and shiny to present to potential customers, but it won't do what all products should strive to do – solve a problem for a customer. This should lie at the heart of everything we do.

On a recent training course we were asked what we would do in the following scenario. In one hand we had one orange and in the other hand we had two demanding customers both asking for the orange immediately. This was the only orange in the world, so what could we do in this situation to satisfy both customers? My colleagues and I came up with a whole whiteboard full of options for how we could best use the orange. We could cut it in half and get them to share. We could use the seeds from the orange to grow more oranges. We could even eat the orange ourselves and pretend there was no orange to begin with! However, none of these options would result in a satisfactory outcome for the customers. In the end the answer was simple. What we needed to do was ask the customers what they wanted the orange for. This would have resulted in the first customer saying they wanted the peel of an orange to make candied orange peels and the second customer saying they wanted the juice of an orange to add to a cake recipe. In this scenario knowing the problem that these customers were trying to solve would have resulted in the single orange satisfying both of their needs. Simple!



Product management should be all about problem solving and really getting under the skin of what the needs and frustrations of our customers are (regardless of whether those customers are internal or external). All too often customers ask for a specific solution, and in order to please them we build the requested solution only to find that it doesn't quite do what the customer really needed. Customers are experts in their business line and we are experts in ours. The best products therefore should be created collaboratively with the customer detailing the problems they are trying to solve, providing us with the full context and our teams proposing creative solutions based on industry knowledge and the right technologies and systems.

Regardless of how well we think we know our clients' needs or because we have worked in the industry for years, nothing beats "voice of the customer". At TDX Group, we use voice of the customer ourselves and recent developments to our TIX (The Insolvency Exchange) platform are based on feedback from clients and this has delivered improved functionality for all TIX users.

The simplest way to understand what a customer needs is by asking the right questions. This isn't necessarily: What do you want? It can be: What is the problem you are trying to solve? How are going to use the product? Who is the end user? What are the impacts of rollout and implementation likely to be?

The key then is not just taking the customers word for it. Findings should be backed up with data so that a real benefits case can be created, with tangible metrics that can be used as measures of success, whether that's cost saving, time saving, reduced complaint levels or improved liquidation rates.

The customer should also be taken on the product development journey by delivering the product or functionality in prioritised increments so that releases are de-risked, benefits are delivered faster and the customer can provide a continuous feedback loop.

It's this collaboration and being really clear on what problems the product will solve which will really drive innovation and enable organisations to meet the right goals. When a customer asks what a product can do, it is the value proposition that they care about not the product features, and if we are innovating the right product for our customers' needs we should be able to demonstrate that value proposition in an instant.

Shivani Mistry
Head of Platform Management at TDX Group

Partner power

The way to truly optimise your debt recovery

Most large creditors, be it in financial services, energy or the public sector, use external Debt Collection Agencies (DCAs) or Business Process Outsourcers (BPOs) to collect on overdue accounts. There is nothing new about that, but what is interesting is the many different approaches and reasons a Creditor chooses to add a flexible partner into the process and how this decision can vary significantly by organisation.

Some creditors opt for third party support from as early as day one of delinquency for certain product types, whereas others have lengthy periods of internal collection activity up to day 120 and beyond, before deciding to place debt out to an external party.

Why the different approaches?

For many organisations it's a question of resource, based on the internal capacity of the collections team or that resources may be required elsewhere. For other businesses it's a question of risk and personally managing that customer relationship for as long as possible, in order to add value and retain control.

What are the benefits of using a partner?

When used correctly there can be significant financial benefits associated with partnering for collections, including increased levels of recovery and reduced operational expenditure. However, organisations must take care to select a partner who provides the right level of control, has the correct oversight frameworks in place to ensure that the best outcomes are being delivered for the end customer, and that risks are minimised for their business.

Technological advancements mean we live in an age where data is readily available and this data allows businesses to better understand their customer base. The unique way in which our organisation is structured, using Equifax data and TDX Group delivery capabilities, means that we know more about the relationships creditors already have with their customers and have a holistic view of their financial circumstances, so we can offer a more positive customer experience and can also provide better returns for creditors.

How does data help?

By applying analytics this data is turned into true customer insight – driving more purposeful segmentation, identifying groups of customers which can be fast-tracked to DCAs and excluding unsuitable accounts to help reduce cost and risk within your organisation.

And because we work across a wide range of industries, we can spot themes emerging and use our knowledge to devise specialist treatment paths targeted at specialist segments and drive the best performance in recoveries. For example, our data can help creditors to identify customers who are in financial difficulties, enabling them to tailor their strategy to improve the customer experience, such as signposting the person to a debt charity for appropriate advice and support. We believe that treating customers fairly not only delivers better outcomes, but can also improve performance as the customers who are unable to pay and therefore not suitable for collections activity, can be removed from that process minimising cost and removing potential brand risk.

Better insight enables companies to treat each customer in the most appropriate manner, which in turn drives increased collections, with lower risk, at lower cost and achieves an enhanced experience for customers.

So, what does the future hold?

As an industry, we need to move away from linear and rigid collections processes which define our recoveries model based on timeframe alone, into a world where a more agile approach is taken at a point where the latest information is used to drive the best-next-action.

Debt collection activity remains an important part of the consumer lending ecosystem and by partnering with the right data and technology provider, creditors can improve recovery rates whilst also retaining oversight and ensuring that the best interests of customers remain front of mind.

Matt Wallis
Solution Designer at TDX Group

TDX Group insight

On our blog, The Debt Exchange, we discuss a range of topics impacting the debt industry right now. Highlights from our most recent posts are summarised below and to read the full articles just visit www.tdxgroup.blogspot.co.uk

Bank of England interest rate cuts

Richard Anderson, Head of Advisory at TDX Group

Extract from 8 August 2016 post

On 04 August, the Bank of England cut interest rates for the first time since 2009, to a record low of 0.25% and also announced the biggest cut to its growth forecasts since it began making them in 1983. These measures designed to stimulate the economy come off the back of uncertainty caused by the EU referendum result and downward pointing economic markers, like the Purchasing Managers' Index (PMI).

An interest rate cut is one lever the Bank of England can pull to attempt to rouse the UK economy, but the situation clearly creates winners and losers depending on an individual or a household's financial circumstances. Mortgage-holders will see some benefit so long as they aren't on a fixed rate. Savers and pension-holders will see a decline in their earnings as rates drop. Whilst most loan-holders and credit card users won't see any changes as those rates tend to be fixed.

A turbulent economy creates uncertainty and an increase in the risk associated with it. So, if that is the case, it is likely that debt will become more of a focus for lenders and more to the point the servicing of that debt.

To read the rest of this blog post please go to www.tdxgroup.blogspot.co.uk.

How do you report on your customers post sale? Whose best interest are you considering?

Nick Ollard, Director of Global Asset Sale Services at TDX Group

Extract from 11 May 2016 post

Reporting to Credit Reference Agencies (CRAs) on your customers' accounts post sale has been one debated by the industry for a number of years. The process of how this is done is often based on what is deemed the easiest and quickest solution, meaning there is no one standard approach. We believe this inconsistency is unfair. It feels as if this is one of the last hangovers from the days where highest price and speed of transaction (ask no questions) were industry standard practice.

The inconsistent approaches adopted can mean consumers find that what is recorded on their credit report is dependent on who is selling the debt and who is buying it. In a world where customer treatment and fair outcomes are at the heart of everything we do, is it right that the sale of an account may show up differently on a consumer's credit report and therefore the impact on their ability to manage their financial affairs will vary?

There are currently three accepted methods in the industry on how a credit record can be transferred from a seller's to a buyer's CRA portfolio.

If you're interested in the three methodologies: "Delete and re-add", "Full Transfer" and "Flag and re-add", visit www.tdxgroup.blogspot.co.uk for the rest of this story.

The science of process improvement

Paul Sibley, Head of IT Process Improvement and Tony Palminteri, Lean Process Improvement Specialist at TDX Group

Extract from 18 May 2016 post

It's 2016 and surely everything that will be invented has been (apart from teleportation and time travel)? We know how to do everything the best way and with the best methods and tools and everything is just a re-hash of an old method – Spotify for example, just a do it yourself radio station!

So why worry about trying to improve things? Why try to find a faster, cheaper, better way of doing our jobs? Surely it's just better to get on with the work, answering queries, chasing clients, producing our products and providing client services. Change just messes things up, slows things down and confuses people and no changes ever stick longer than a week, or a month at most, then people just get bored and go back to the way things were … sound familiar?

It's natural to fear change, to upset the routine and rhythm of daily life – you probably don't have time in the working day to implement a change and why should you? It's not your job to help improve things; your job is to get stuff done and out the door so SLAs are met, targets are hit and services delivered.

To read the rest of this piece on process improvement and understand how to make marginal gains, simply go to www.tdxgroup.blogspot.co.uk.

Let's talk contact not placements

Richard Anderson, Head of Advisory at TDX Group

Extract from 21 July 2016 post

One of the items of debt collection data that needs to be reported to the FCA on GABRIEL is 'stage of debt placement' – in other words, how many times a debt has been placed for collection with debt collection agencies (it's commonly known as recycling). Once a creditor has exhausted in-house attempts to recover money owed on an account, they will often place it with debt collection agencies. Typically a three-placement strategy is deployed meaning if the first agency is unsuccessful at gaining payment, the account will pass to a further two agencies, usually at ~90 or ~180 day intervals.

In capturing this data, the FCA is seeking to understand the risk associated with debt placement, which we wholeheartedly support. However, the reporting of this data is far from straightforward because the way data flows between creditor and agencies is not as complete as it should be (and this goes for the whole customer lifecycle – not just between in-house collections and out-source recoveries – but that's a topic for another blog!)

To find out how organisations can capture more customer journey information in one place and to read the rest of this blog post please visit www.tdxgroup.blogspot.co.uk.

COMPANY NEWS

Appointments

UK Country Manager, TDX Group

Kirk Fletcher has been appointed UK Country Manager at TDX Group. Kirk is a commercial leader with over twenty years' experience in business intelligence and information services spanning sales, marketing, P&L ownership, strategy execution and operational management. Prior to joining TDX Group, Kirk was Managing Director of three business units at Experian (Consumer, Business Information and Automotive) having spent nearly two decades with the organisation. He was also a Non-Executive Director of The British Chamber of Commerce for two years and ran his own consultancy business for five years.

Director of Government and Public Sector, TDX Group

Sunil Shahaney has been appointed Director of Government & Public Sector at TDX Group. Sunil has over thirty five years' senior/board level experience devising operational solutions and managing functions in private, public-private and public sector environments. In his previous role as Director of Debt at the Cabinet Office, Sunil ran the UK's debt management transformation programme and was integral in setting up the Indesser joint venture between the Government and TDX Group.

TDX Group secures full FCA authorisation

On 06 May, TDX Group was granted full authorisation by the Financial Conduct Authority, demonstrating that the business is operating to the high standards laid out within the regulations, reflecting its commitment to the debt recovery sector and to playing a key role in achieving the right outcomes for consumers.

Make the Connection

"Tour de TDX Group" riders spin their way to £20,000

In June, a team of intrepid TDX Group adventurers set off to complete the "Tour de TDX Group" a total of 700 miles in seven days. The avid cyclists embarked on the challenge of their lives which saw them visit every TDX Group and Equifax office in the UK, in order to raise money for their Charity of the Year, the Children's Bereavement Centre. The Tour began at the company's offices in Nottingham city centre, travelled south to London, then across to Wales, via ferry across the Irish Sea to Wexford, up to Dublin and back across to Liverpool before returning to Nottingham via Leeds. The terrain was rough and the weather was unkind, but the team were delighted to raise £20,188 to help the centre to continue to offer extremely valuable support to families in need.

Charity fashion show scoops cash for local children's charity

A first in this year's charity calendar was the "TDX Group Charity Fashion Show" where guests bagged themselves high street brands at discount prices from stores including Next, River Island, Monsoon, Gap and Topshop, with discounts of up to 75% off normal high street prices. A team of glamorous, volunteer models took to the catwalk and everyone had a great night – raising £1,024 for the Children's Bereavement Centre in the process.

Children's Bereavement Centre

MAKE THE CONNECTION

Everybody wins.

www.tdxgroup.com/csr

DEBT INDUSTRY NEWS

Our round-up of some of the headlines from the past few months

DIGITAL COMMUNICATION

One in four consumers prefer digital communication

A recent study by Echo Managed Services found that a quarter of consumers would prefer businesses to contact them through digital channels (such as SMS or email) in order to settle their debts, particularly when these are linked to an online payment portal.

The research found that a third of consumers would respond best to a letter, however 40 percent of those surveyed said a telephone call would be most likely to prompt them to pay.

Lloyd Birkhead, Managing Director of Echo Managed Services, said: "Understanding how to communicate with each individual customer, and putting the control back in their hands by allowing them to select which contact channel they prefer can dramatically increase payment rates, and ultimately lead to reduced instances of debt in the first place."

Source: Credit Strategy, 31 August 2016

TDX Group comment:

"Consumer contact preferences have changed phenomenally over the past 10 years with the proliferation of online tools and social media. This broadening of channels provides the opportunity for creditors to develop strategies to identify customers who are best engaged with via digital-only approaches or to combine digital with traditional strategies in order to achieve desired outcomes. By approaching individuals at a person level rather than treating consumers as groups of people who have similar characteristics, companies can truly begin to make customer level decisions."

SME DEBT

SMEs wrote off nearly £6 billion of debt last year

Small and medium sized businesses (SME) across Britain wrote off a combined total of £5.8 billion of debt in the last financial year, according to research by Direct Line for Business.

More than 80 percent of the 728 companies who took part in the analysis still have balances outstanding from their debtors, with the average business estimated to be owed £63,000.

A surprising fact highlighted in the research is that 40 percent of SMEs who have written off unpaid debts in the last financial year claim that they don't even know how much money they are owed.

When asked why their business had decided to write off unpaid debts in the last financial year, the biggest reason, cited by 29 percent of respondents, was that the supplier had become insolvent and was therefore unable to pay the debt.

Other reasons why companies wrote off debts were that businesses didn't want to ruin customer relationships, they didn't have the time to chase up debts and they simply didn't know how to go about claiming the money owed.

Source: Credit Strategy, 24 August 2016

TDX Group comment:

"According to the Federation of Small Businesses, 99.9 percent of the 5.4 million businesses in the UK are SMEs, they generate roughly half of the total turnover in the private sector and employ approximately 60% of the UK workforce, so their success is integral to the fabric of British business. These figures are quite alarming and as an industry we need to equip SME's with the collections and recoveries tools to help them manage the money owed to their business."

DEBT SUPPORT

Charity deluged with 300,000 calls between January and June from people seeking help with debt

Debt charities are being deluged with calls from people seeking help with credit card repayments, overdrafts and personal loans. Between January and June, more than 300,000 people called the StepChange charity, each with an average debt of £13,826. Four in ten callers did not have enough money to pay their essential bills and credit commitments each month.

Data also shows younger people are increasingly likely to fall into debt. The charity warned that zero-hour, part-time and temporary contracts are contributing to people's financial vulnerability, with volatile incomes making it hard cope with sudden, unexpected expenses."

Source: Daily Mail, 06 September 2016

TDX Group comment:

"It's no surprise that these figures have spiked and that more people are seeking debt advice - and due to the current economic climate it is likely that even more support will be need over the next few years. In addition to those already in debt, as many as 5% of people do not have any savings at all, making them particularly susceptible to unexpected financial shocks and the most likely to fall into debt suddenly. As an industry, we must be vigilant and look out for the early warning signs of financial hardship, then act quickly in order to give customers support in order to avoid longer-term problem debt."

DEBTS 'AFFECT CHILDREN'S MENTAL HEALTH'

Families should be given breathing space to repay debts otherwise the stress can affect children's mental health

The Children's Society suggests that an estimated 2.4 million children in England and Wales live in households with problem debt and are at greater risk of having poor mental health than those in debt-free homes.

The charity said the problem was particularly acute for families trying to juggle a number of debts, leading to calls from bailiffs, utility firms and councils.

Debt meant that some children were unable to socialise or take part in events like sports or school trips and could miss out on birthdays, family gatherings and holidays, according to the society's Damage of Debt report.

Youngsters also felt embarrassed for not owning things that were considered normal by their classmates. There could also be guilt, anxiety and a sense of failure for being unable to help parents deal with their debts and they may also have to live with family arguments."

Source: BBC, 22 September 2016

TDX Group comment:

"We agree with government that more free debt advice should be provided and aimed at helping families who are most at need. Families should be given the time and support they need in order to fulfil their debt obligations in a manageable way. Only by having the fullest view of a consumers financial circumstances can the right, and most effective, strategies be determined."

If you have any feedback or comments about the Debt Review please get in touch: info@tdxgroup.com