



## From shock to strategy

Converting lessons from the  
COVID-19 pandemic into positive  
actions for a more resilient and  
robust collections operation

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# What we've experienced so far...

**Stage one:** shock and panic

**Stage two:** assimilation and planning

**Stage three:** preparing for the new world



Both lending and debt collection have been disrupted over the last month and previously reliable models and strategies will be tested going forward. Hundreds of thousands of customers are on reduced salaries through the Government's furlough scheme. Many have lost their jobs. Millions have taken payment 'holidays' or reduced repayments that will soon have to be reckoned. Three months may not be long enough for customers to get their finances back on track.

- **Three out of five (62%) of UK consumers are currently being impacted financially with younger generations particularly affected**



stay home

stay home



- Three out of five (56%) of impacted customers have not yet contacted their lender to discuss options

Some sectors have been hit much harder and are likely to take much longer than three months to recover their resilience. This is particularly the case for retail, hospitality, arts and entertainment where job losses are still increasing. There are also regional variations, for example, holiday destinations like Cornwall that rely heavily on the summer months for the majority of their annual income.

As COVID-19 special measures end, there is no guarantee that furloughed workers will remain employed and more businesses may fail. Customers that have taken payment breaks will have to start paying again with the deferred amount added onto monthly payments or loans may have to be re-factored. Are current strategies able to account for the new variables?



# What are the challenges and how do we overcome them?

**The right level of forward-thinking and planning and investment in technology could make the difference between sinking or thriving in the mid to long term.**

Those debt collection departments who had pushed ahead with digital transformation were much better placed to cope with the lockdown disruption. This ranged from an easier change to remote working and better availability and quality of online customer services, to the ability to quickly and easily test and alter new strategies as events unfolded. Telephone-dependent organisations heavily reliant on outbound dialling were put under pressure, and worried customers who couldn't get through to register changed circumstances expressed their frustration on social media.

- **Digital organisation: 1200 I&E forms taken over a digital portal in one month.**
- **Non-digital organisation: Approximately 45 minutes per form over the phone, equivalent to 900 man-hours or 6 agents working full time for a month.**

With the potential for inaccuracy increased as agents under pressure rush to complete I&E forms, there is the danger that arrangements will be based on incomplete or inaccurate information and prove unsustainable or even unfair.

- **Payments via digital: 50%+ increase in customers using digital portal to pay in full, make a partial payment or promise to pay during the first month of lockdown.**

## Looking at the wider picture

Looking beyond the financial situation, numerous customers will have suffered illness and bereavement. Some may suffer the after effects of COVID-19 for several months or may have suffered lasting damage to their health.

Customers with mental health challenges or in stressful domestic circumstances may have seen their situation worsen and those with existing health conditions may be subject to extended self-isolating, affecting their ability to return to work.

**“Vulnerable consumers need help to overcome the barriers created by their circumstances so they can engage easily and effectively. This means designing and delivering products and services with vulnerable consumers in mind to avoid creating or exacerbating vulnerable situations.”** Ofgem

- **3.7 million adults live in households which couldn't cover living expenses for under a week if they lost their main source of income**
- **65% of impacted customers worry about repaying bills and loans. 25% are planning only a partial repayment of their arrears post-crisis.**

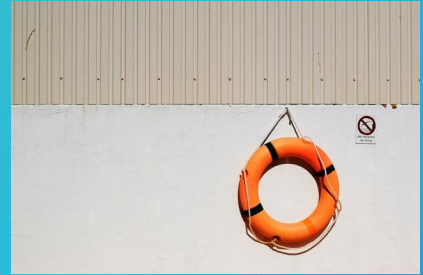
## Going forward

### Where do we need to act?

#### Continuing hardship

There is the potential for hardship volumes to peak again at the end of the 3-month payment breaks if special measures continue or job losses continue. Until the economy settles down, it would be prudent to gather structured information regularly using low-cost digital means (standardised and accurate).

Along with billing information, this can then be run through a decisioning engine to create appropriate, consistent strategies based on up to date information about every customer. Regulators will be monitoring the responses to consumer hardship closely.



“Our rules give firms the ability to consider their arrangements and customers’ circumstances. We welcome firms reviewing their current arrangements to address the evolving situation while managing the risks to their employees, customers and the impact on the market.” FCA



# Keep the lines of communication open

Following the avalanche of communications around payment breaks, is your organisation prepared to keep the lines of communication open, in a way that is both appropriate and cost-effective? When payment breaks and special measures end, what strategies do you have to keep the dialogue with customers in difficulty open via low stress digital channels?

Communication is going to be front and centre of any new approach, including reaching non-responding customers in a timely and appropriate way with messaging that incentivises them to connect. These messages need to be constructed around what is known about the customer.

**There is the opportunity to reform the nature of customer communication in debt management so that it shows a supportive, collaborative and continuing interest in the customers' wellbeing and monitors the affordability and suitability of arrangements. Future disruption or difficulty can then be picked up and managed effectively, earlier.**

# Enhance resilience

Managers will already be thinking about new strategies to manage increased requests for forbearance, especially from the most affected sectors.

They will be ready to ease customers back into normalised payments after payment breaks, furloughing or reduced hours. A one-size-fits-all solution is unlikely to achieve the best results in such variable circumstances. The journeys offered to customers will need to be contextualised according to their circumstances and changed when their circumstances change.

Ideally, there should be a **champion/challenger** approach to testing strategy in order to offer responsive services, and to independently change and adapt them at will to improve effectiveness.

The disruption we are experiencing raises the question of whether credit bureau data is capable of moving quickly enough to continually inform segmentation. We could see a leap forward in the use of more dynamic data analytics using machine learning.

# The end goal

The digital readiness of collections departments has been tested. Technologically, we have jumped forward 10 years in one month and there is no going back.

Digital self-serve has paid for itself over again in this crisis. As the situation develops further, If your core system can't move with the times, the next year will be hard going and costly. Many incumbent legacy systems, although comfortably familiar, are tightly controlled by their suppliers and have proven to be slow and costly to adapt to changing circumstances, leaving collections managers frustratingly unable to innovate and improve just when they need to most.

Resilience can only come through preparedness and today, that means immediacy, control and the smart use of data.

**“Lenders can take steps to increase institutional resilience. By strengthening collections capabilities and embracing digital communications, they will be better prepared to address any further increase in delinquencies that may occur.” McKinsey**

## Sources

Transunion Hardship data

<https://content.transunion.com/v/financial-hardship-report-uk-week-three>

Ofgem vulnerable customer guidelines

FCA COVID-19 guidance to firms

McKinsey

<https://www.mckinsey.com/business-functions/risk/our-insights/going-digital-in-collections-to-improve-resilience-against-credit-losses>



## Ways we can help

COVID-19 digital hardship evaluation tool  
Prioritised agent lists configured using your rules

collaborate<sup>↔</sup>

Digital self service on any device 24/7/365

collect<sup>↔</sup>

Manage customer interaction from self-service through to agent engagement and automated follow up on a single platform in real-time

contain<sup>↔</sup>

Automated litigation, DCA panel management and debt recovery



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