Enriching lives through debt prevention

How to manage and recover debt effectively

Capita

Why preventing customer debt can lead to better business outcomes

Can improved data and insight help collections services truly support customers by preventing debt through earlier intervention, and improve clients' relationships with their customers as a result?

Tracey Roberts, Business Development Director, Capita Remediation Services, looks at why better interactions with clients in debt can improve the customer experience and help clients build long term trust.

Consumer debt is growing, highlighting increasing challenges for collection services as customers struggle to pay their bills.

But with today's data analytics techniques, we can spot the signs that a customer is in danger of falling into debt and seek to intervene earlier to try to prevent it happening at all.

This approach really does put customers at the heart of an organisation's thinking and focuses on getting the right outcomes for each individual. Our aim is to minimise the flow of debt through to those later stages. This is beneficial for customers as well as our clients who have a better opportunity to retain customers for the future.

Through Capita's debt management services, we're making it easier for businesses to prevent, manage and recover debt effectively.

Here are five lessons we've learned that could have significant impact on how organisations engage in debt collection activity, and why embracing debt prevention - rather than seeing debt as an unavoidable business vicissitude - is the way forward.

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Business Development Director
Capita Remediation Services

1. Debt is growing...

Today's market is complex for our clients and their customers. The average household debt in the UK, excluding mortgages, is currently around £15,000 and getting bigger. Meanwhile the uncertainty of our economic environment leaves many customers wondering where that's going to lead them. Debt is becoming an increasing problem, with the accompanying risk that more people will be tipped into vulnerability.

Against that backdrop we have to find a balance between helping our clients recover debt, but doing it in a way that supports customers who are really having problems in their lives, while still meeting a range of meticulous regulatory requirements.

£15,000
Average household debt

...so collections activity needs some new approaches

Previously collections work has been a primarily process driven environment. However, we're utilising new ways of working with new technologies, augmented by data, that allow us to be more interactive and take earlier steps to protect our clients' relationships in supporting their customers who are in debt.

In our experience debt prevention is key. There is a significant opportunity for improvement coming from early prevention of payment issues, rather than subsequent action to recover later stage debt. Prevention not only provides a better customer experience but supports customers in vulnerable situations, reduces the overall level of debt and reduces the cost of debt recovery.

2. It's easier than ever to fall into debt…

Sadly, some customers may start falling into debt following a life changing situation that no amount of intervention can compete with, for example, a serious illness, a death in the family or a loss of a job. Debt charities estimate that if the average person in the UK lost their job today, they would have enough savings to last them for just six weeks. Also statistics indicate that every half a per cent increase in the base rate of interest can potentially put another 250,000 households in the UK into debt.

…but data analytics can spot the triggers

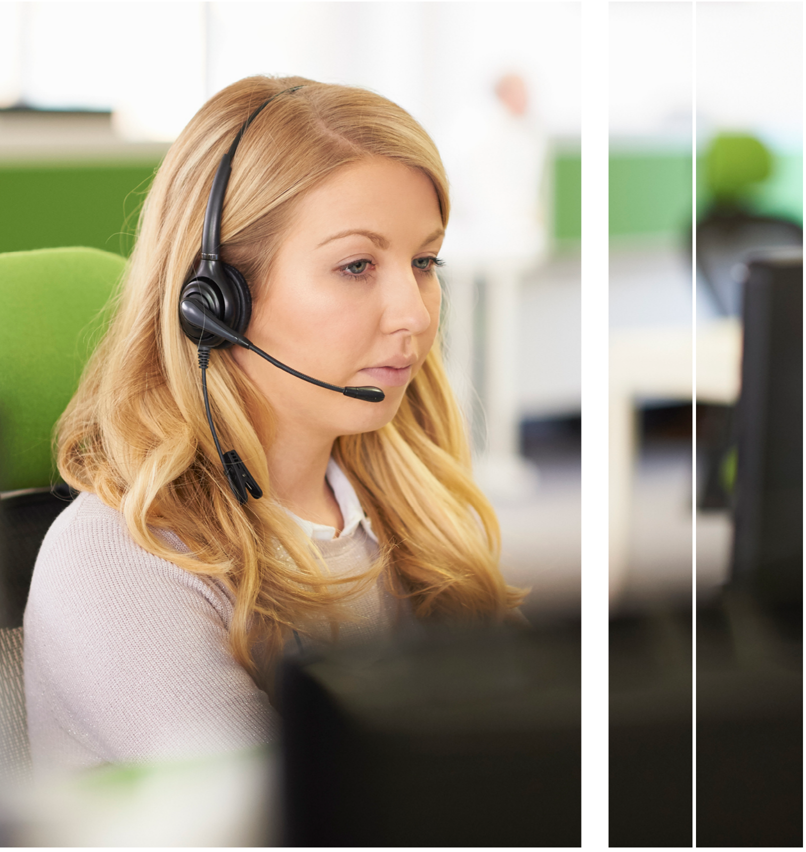
However, data analytics technology means we can look back at customers who have fallen into financial difficulties - especially late stage debt - and identify the signposts and triggers that led them there; the triggers that can be acted on.

Through a combination of data and analytics and training specialist staff to identify those who are starting to fall behind, organisations can offer more pro-active and practical assistance to help clear debt in an affordable manner.

3. Regulatory requirements add challenges…

When we talk to our clients about what success looks like for them, it's two-fold. Inevitably, it's about successfully collecting their revenues, but also working with their customers in a way that retains them and builds advocacy and a profitable, long-term relationship. And for that, early intervention is really important.

But for the organisation, all this needs to happen within meticulous regulatory requirements. Balancing those conversations and getting the right outcome for everyone within those requirements can be challenging.



…but it is possible to work within them

Of course, those regulatory requirements are there for a reason and have to be followed. But it's important to go further to understand the customers' concerns – the human impact - and the cause of the debt in the first place. If you do that well, you can create a culture where agents can recognise that customer needs are paramount while meeting the regulatory standards, effectively adhering to the 'spirit' of those regulations in a way that truly helps customers.

4. Businesses are tempted to abandon debt too soon…

When organisations don't engage in the early stages of debt, the customer can quickly be passed on to a debt collection agency which damages the client relationship and ultimately results in the loss of that customer. In addition, we have seen growth in the debt purchase market, which is effectively a point of no return. Our aim is to offer customer engagement strategies to our clients that embrace earlier engagement in preventing the flow into later stage debt.

> **"With earlier support from charities and Citizens Advice, customers could restructure their finances."**
>
> **Tracey Roberts**
> Business Development Director
> Capita Remediation Services

…but there are more solutions to be explored before that happens, with potentially better results

If there were more early interventions, and perhaps more signposting to support for people who cannot pay, we believe less of that debt would flow through to the end stage. And importantly, with earlier support from charities and Citizens Advice, customers could restructure their finances before they get too bad, reducing vulnerability risks.

This is obviously an enormous benefit to the individual, but has real payback for businesses too, in building trust, loyalty and the opportunity of a sustained and profitable relationship.

5. The situation is constantly shifting…

The uncertain economic environment is causing those debt triggers to shift constantly.

Customers will likely encounter complex life situations that can trigger debt, but there isn't a one-size-fits-all solution here as those triggers will also vary from industry to industry.

…but technology and data analysis will help keep up with the pace of change.

And by using these insights, we are doing some encouraging work with clients to produce detailed strategies around debt prevention, or pre-arrears as it's sometimes called.

We have to factor in that people tend to have an order of priorities in how they pay things – mortgages and rent before utility bills, for example. And by gathering publicly available external data, we can augment the analytics we have to create a richer picture and keep us – and our clients - more informed on that developing economic environment.

Ultimately, we are trying to encourage our clients to reimagine how they can engage sooner, gain a deeper understanding of the how the problem has arisen, and come up with a repayment plan that is appropriate and will work for them and their customers. Crucial to the success of that ambition is the talent of our agents. Having what can be very challenging conversations with customers about their finances and their debt calls for an exceptional set of 'soft' skills.

We definitely see an appetite for this among clients. If you have the opportunity to improve the way in which you support customers to retain a profitable longer-term relationship, why wouldn't you?

As the UK's leading provider of business process management and integrated professional support service solutions, our 73,000 dedicated staff across the UK, Europe, South Africa and India help make processes smarter, organisations more efficient and customer experiences better. We create better outcomes by applying talent and technology   for you, your organisation and our communities.

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