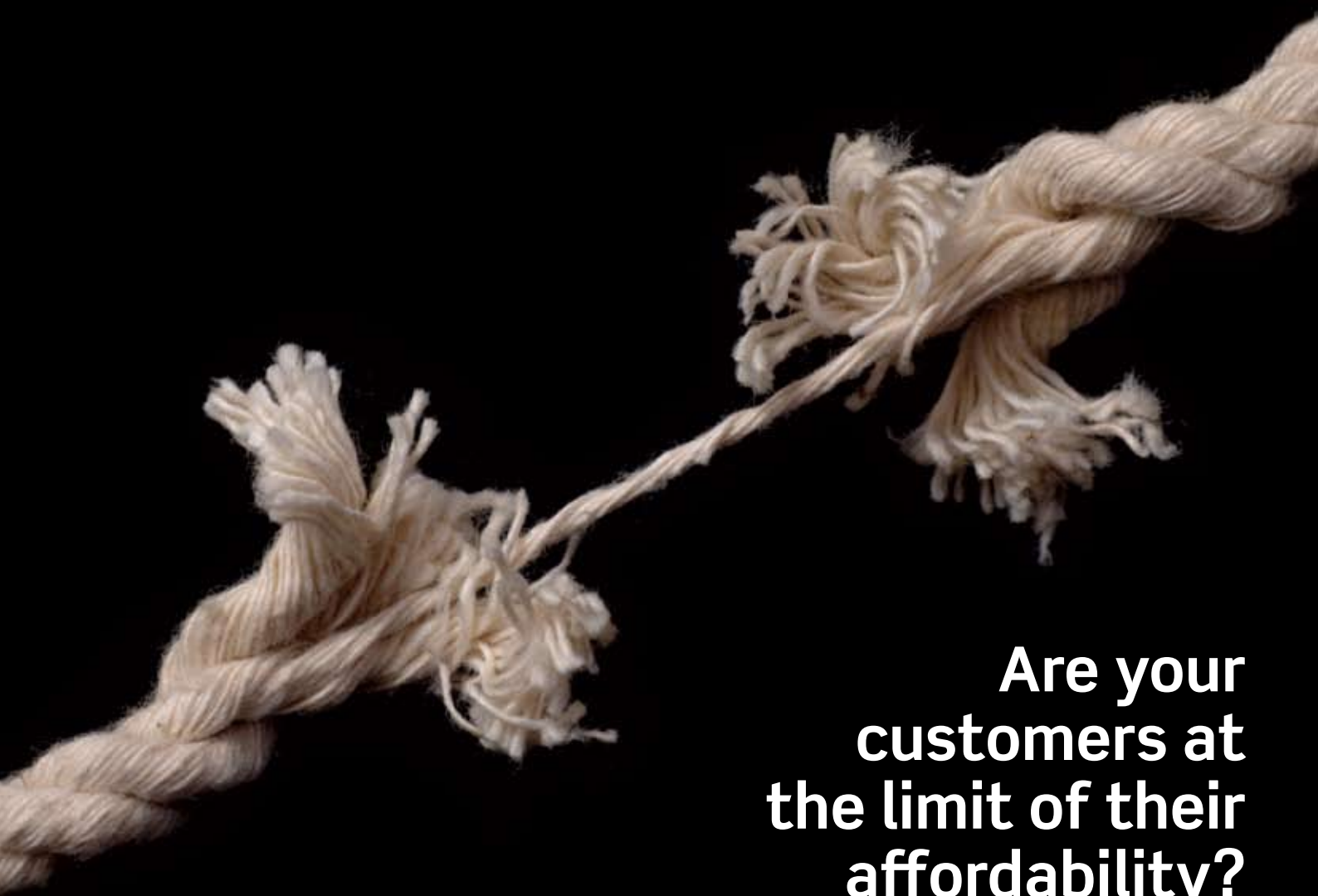

Creditlines



**Are your
customers at
the limit of their
affordability?**

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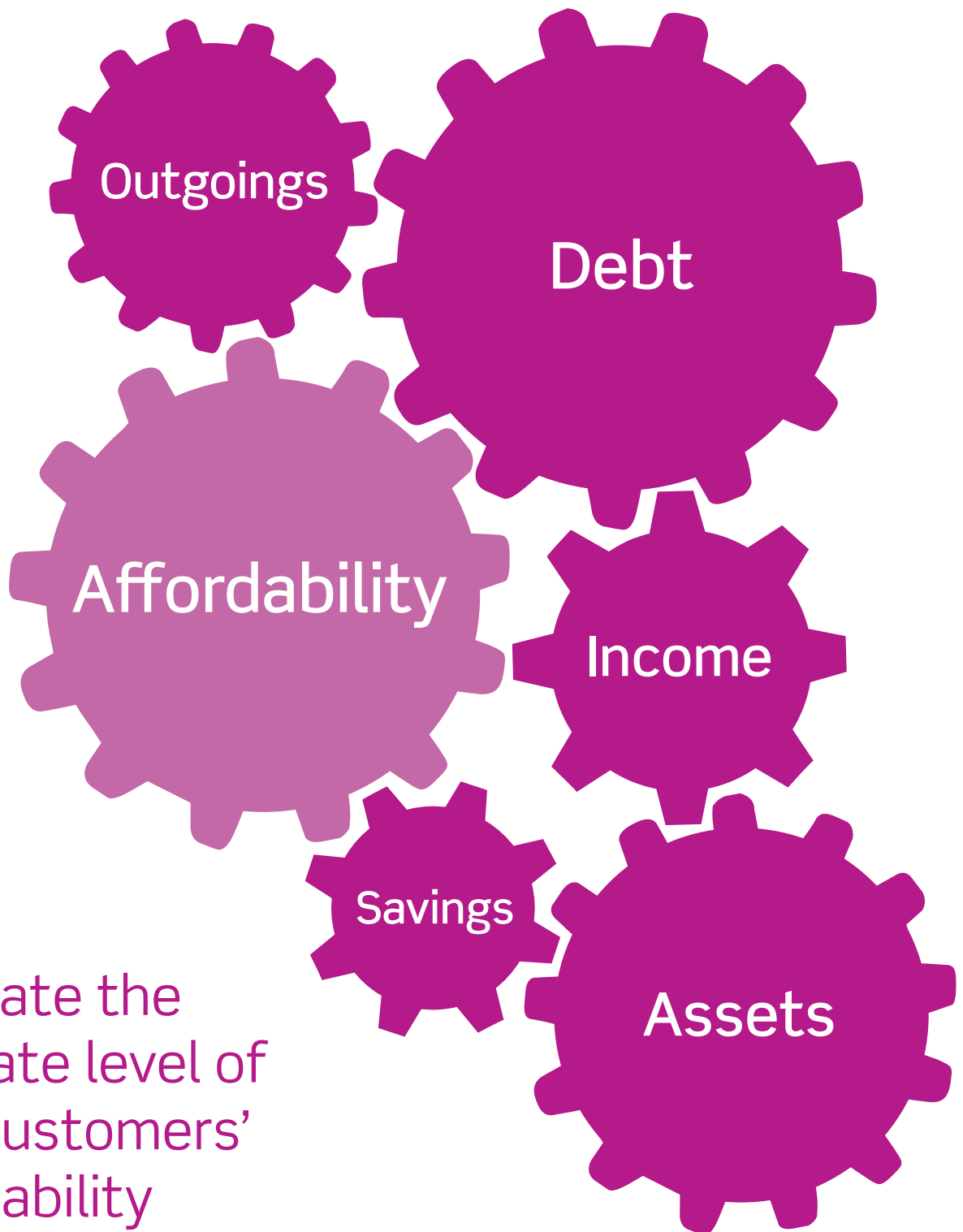
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Callcredit
Information Group

Affordability Suite



Calculate the accurate level of your customers' affordability

Offering unrivalled information about customers' debt-to-income ratios, our unique Affordability Suite enables you to make more accurate and profitable lending decisions.

To discuss your requirements for affordability assessment call 0113 388 4300 or email info@callcreditgroup.com



“ This change in the affordability landscape makes it more important than ever that consumer lending organisations are fully utilising the data to monitor their portfolios. ”

The changing affordability landscape

Affordability assessment throughout the customer lifecycle.

From an economic outlook perspective 2011 is looking like a difficult year to predict. Globally there are signs of some recovery and despite a reversal in the UK growth numbers in the final months of 2010. At least some elements of the domestic economy appear to be heading in the right direction but the picture is far from clear.

However it could be that we are seeing the emergence of a 'two speed' economy. Traditionally this has divided along the lines of Services v Manufacturing or North v South but the 2011 version looks as if it might be Public Sector v Private Sector with the fortunes of the two diverging.

The obvious impact of this on the consumer credit market will be to move the pressure points in terms of those struggling to service their debts. Recent research commissioned by Callcredit revealed that a worrying proportion of British adults would struggle to pay their mortgage if their income dropped up to £300, 25-34 year olds are sailing particularly close to the wind when it comes to credit and many adults have serious concerns about personal finances in 2011. Over the past few years affordability issues have largely been associated with customers

who had borrowed beyond their means but this situation is likely to change. With redundancies in the public sector, benefit cuts, retail price rises and a potential base rate rise some customers who only borrowed a prudent amount at the time will struggle as their disposable income falls.

This change in the affordability landscape makes it more important than ever that consumer lending organisations are fully utilising the data to monitor their portfolios. This monitoring should include both regular checks of the affordability position of existing customers and the deployment of daily alerts data to identify those starting to show signs of stress.

The position in underwriting also needs review as a number of the consumers who will find 2011 challenging will have previously held safe jobs in the public sector and they are likely to have very good credit histories so without taking into account the customer affordability position the optimal lending decision may not be made.

So in summary the economic conditions are mixed and this will lead to a change in the affordability landscape across the UK

consumer base. To react to this lenders need to deploy new tools in their management of portfolios and modify their underwriting approaches to include affordability to effectively operate in this new environment.

This edition of Creditlines will look specifically at the use of affordability assessment at every stage of the customer lifecycle ensuring lending and other organisations are prepared for the shifting economic conditions.

**Graham Lund, Managing Director,
Callcredit Credit Solutions**



On the brink of over-indebtedness

With consumers' finances fluctuating, do you know if your customers are at the limit of their affordability?



Recent research commissioned by Callcredit revealed that a worrying proportion of British adults would struggle to pay their mortgage if their income dropped up to £300, 25-34 year olds are sailing particularly close to the wind when it comes to credit and many adults have serious concerns about personal finances in 2011.

But what does this mean for the credit industry? Could you identify individuals who are close to reaching their limit of affordability or predict those who are likely to reach this limit in the near future?

YOUNG ADULTS RISK CREDIT WOES

The results revealed that the number of 25-34 year olds that have applied for credit in the last year was double the national average

(40 per cent of 25-34 year olds compared with the average of 20 per cent). One in ten (10 per cent) of the same age group also admitted to having knowingly overestimated their income on a credit application, and seven per cent said they had applied for credit knowing that, if it were granted, they could not meet the commitment.

OVER-COMMITMENT AN ISSUE FOR THE MORE MATURE BORROWER

However, it isn't just young adults that the research has shown to be struggling with credit. 12 per cent of British adults said they would be unable to meet their mortgage repayments if their income reduced by up to £300 a month. A worrying five per cent of

45-54 year olds said they would struggle to keep up repayments if their monthly income dropped by up to £100. As many respondents identified circumstances such as job loss or bill increases that had a significant impact on their personal finances last year, mortgage repayments could be put under strain in 2011.

PRICE RISES WILL ADD TO THE PRESSURE

The research also revealed the extent to which personal finances had been put under strain in 2010, with 35 per cent of adults suffering a significant impact on their finances as a result of domestic bill rises and 18 per cent being adversely affected by a rise in travel costs. Consumers continue to be worried about the outlook for 2011, with almost two thirds (59 per cent) expecting

rising food prices to significantly impact personal finances, and 55 per cent of public sector workers worried about the effects of a salary freeze or reduction.

In response to these findings, Graham Lund, Managing Director of Callcredit, commented: "It's very important, for both lenders and consumers, that financial services organisations are using the right tools to recognise when individuals are on the verge of over-indebtedness or are unable to afford credit – including having sight of accounts held by other lenders. This holistic view of affordability will help to support both responsible lending and responsible borrowing, and is essential in stabilising consumer and lenders' positions."

Understanding the relationship between your customer's income and their credit commitments is at the heart of Callcredit's Affordability Suite. This identifies customers with a high debt-to-income ratio using the following indicators:

Unsecured Affordability Indicator highlights individuals with an unsecured debt-to-income ratio of 20:1 or higher.

Secured Affordability Indicator highlights individuals with repayments on secured lending amounting to 80 per cent or more of their income.

Over-Indebtedness Score predicts the probability of an individual becoming over-indebted then defaulting.

The Affordability Check is an online delivery system for the Unsecured Affordability Indicator. It also gives an indication of salary accuracy, summary bureau and single customer view.

So with consumers preparing for a tough financial year, can you confidently say you're fully equipped to tackle the additional risks that come with this? Make sure you are using all the tools available to help you understand your customers and prospects so you can make all your decisions based on the most accurate information.

If you would like to understand more about Callcredit's Affordability Suite visit
www.callcredit.co.uk

Written by Andrea Cox,
Market Development Manager at Callcredit



INVITATION

Innovation in Credit Risk Seminar 24th March 2011

Wellcome Conference Centre, London
Registration from 12.30pm, start at 1pm

Callcredit is delighted to invite you to a free half day seminar focussing on the latest innovations within the lending sector.

Following the success of last year's seminar we will be drawing together industry experts in credit risk and affordability to give key insight into current challenges, issues and solutions.

We are pleased to confirm that as part of this year's seminar we will be hearing a current perspective on risk from Santander.

We will also be gaining a KPMG perspective on the current state of the economy.

All of our speakers throughout the afternoon will be offering insight and constructive advice on a range of topics including:

- Affordability assessment techniques and innovations.
- Smart operational practices.
- Legislation and regulatory matters.
- Multi-bureau and analytics.

Speakers include: **Simon Baum** Chief Risk Officer, Santander; **Nigel Cates**/ **Gordon Ramsey** OFT; **Keith Hale** FSA; **Mike Sergeant** Client Services Director KPMG.

Places are limited so to reserve your place please email catherine.storey@callcreditgroup.com or visit www.callcredit.co.uk/events to register.

We look forward to seeing you there.

Consumer credit: Proposed new regime

The long term future for regulation of the credit industry has come into focus recently with the publication of the BIS/HM Treasury consultation on reforming the consumer credit regime.

The consultation sets out how consumer credit regulation could move from the OFT to a new body, which we now know will be titled the FCA (Financial Conduct Authority). The Government “firmly believes” this transit will deliver the best outcome for consumer credit regulation.

The proposed regime would replace regulation under the Consumer Credit Act (CCA) with a FSMA based model. The FSA regulated firms making up about 17% of consumer credit licence holders will already be familiar with this approach. All licence holders are potentially impacted by the proposed change – including the increased fees which a more intrusive regulatory approach would incur.

Under the new system the CCA would be repealed, and regulation driven by a rulebook. This would be put together following analysis to decide how best to ensure equivalent,

not identical, consumer protection to the CCA. The consultation points to benefits in ease of amending regulation through this approach, to the benefit of consumers and to address unnecessary problems for business. The effects of the Consumer Credit Directive must remain unaltered to ensure consistency throughout the EU.

A Bill to be brought forward later this year would contain the building blocks for the new consumer credit regime. The FCA would be established in 2012 and transition to the new regime would be expected to take full effect by mid 2014.

Further information on the FCA has now been published in a further consultation. Its strategic objective will be to protect and enhance confidence in the financial system. Operational objectives will be to ensure efficiency and choice, consumer protection and the system's integrity. An accompanying duty to promote competition may help to counter concerns that increased demands for consumer protection could inadvertently make it more difficult for some consumers to obtain credit.

Outcomes from that other current talking point, the BIS Review of Consumer Credit and Personal Insolvency, will also be taken into account when firming up plans. In particular, the Coalition's wish to explore “rate caps” on store and credit cards has been seized on by some MPs and consumer groups for extension across high cost credit. This is despite the findings of the relevant OFT Review last year. Whatever BIS's response, we can expect that political activity will continue to ensure debate on this subject in the coming months.

For further information please contact Louise Galloway, Head of Industry Relations, Callcredit at louise.galloway@callcreditgroup.com

“
The Government “*firmly believes*”
this transit will deliver the best
outcome for consumer credit
regulation. ”



Affordability in Marketing

Pulling the trigger

At the point when someone is considering a purchase, their value to marketers rockets. Whether their purchasing decision is the result of a contract coming to an end, moving home, reaching a milestone year, changing financial circumstances or some other life event, the race is on for credit and marketing professionals to act upon this information with the most timely and relevant messages possible.

It used to be that profiling consumers and pigeonholing them into segments was good enough. This age old practice of predictability has moved on somewhat. It is no longer enough to make assumptions on past behaviour, although it is recognised that past credit history impacts on future lending. Instead, modern targeting is much more about making informed predictions as to what an individual will do next. Being first off the starting block in this way allows us to do so much more for the customer experience.

Multi-channel consumers are throwing masses of information into cyberspace for brands to capture and action. We can see from a person's interactions, where they meet, what they say, when they say it, which devices they use and what content they consumed. It is a given that this self volunteered information is given with the full permission of the individual. But to distil this information down into actionable insight is where the real value lies - especially if all signs point to a key event in the customer journey.

For example, does a comparison site search for credit indicate a likely switch or signal a baby on the way? Maybe they are getting divorced or starting home improvements? This behaviour in isolation will never provide enough depth to act on, yet when combined with historic, operational, transactional and interactional insight it can add up to a whole lot more. This real-time "trigger" data is top of many companies' wish lists, especially when it is their own customer in question. Imagine if you knew that one of your most profitable customers with high life time value, low cost to serve and owning multiple products was showing signs that they may defect from your brand at anytime. Wouldn't you want to pull the trigger and save the relationship and its value?

Signals, patterns and triggers are key business development areas for Callcredit Information Group. In 2011 we are bringing to market the UK's most comprehensive pre-move home trigger. The trigger identifies individuals who are either thinking of moving, moving or have moved and are settling into

their new home. In other words, people who are likely to be seeking credit! What's more Callcredit are securing trigger data for the entire renter and mortgage market.

Combining these triggers with risk, affordability, personal insight and one of the UK's most comprehensive holistic address databases, empowers you to make the best next offer, with a timely, relevant message through the preferred channels, resulting in improved acquisition and retention rates.

Callcredit are the only company in the UK that bring all of this together - with the benefit of the SHARE database, real-time alerts and holistic addressing. The client doesn't have to do anything other than engage in a Proof of Concept. This light approach to engagement is proving very successful as a no risk, low resource way of proving a return on customer investment model.

Kevin Telford
Strategy Director
kevin.telford@callcreditgroup.com

“ This real-time “trigger” data is top of many companies' wish lists, especially when it is their own customer in question. ”



Consultancy and Analytics

The second half of the last decade has seen an unparalleled change in the world of Credit Risk Management...

Extremes in economic conditions, significant changes in both consumer and lender behaviour have led to many practitioners reviewing their capabilities and validating their approaches.

Portfolio Risk Managers are eager to understand the performance of their portfolios compared to their peers and the effectiveness of their strategies. Statisticians are keen to understand the robustness of their models and how customer behaviour challenges their theories. Senior credit Executives want value from the data they purchase and are keen to understand the macro trends shaping and influencing the industry.

The Consultancy and Analytics discipline within Credit Solutions has worked with a number of major clients in providing assistance in both optimising their data assets and strategies and providing insight and expertise in shaping how they approach matters going forward. A dedicated team of Credit Risk and Collections Consultants now provide a range of analytically based

professional services to compliment a clients own capabilities. Well versed in the latest analytical approaches, industry themes and decision strategy optimisation techniques each Consultant provides specialist domain expertise to aid clients in maximising the vast amounts of data at their disposal as well as providing a view on wider industry best practice and trends.

Engagements have been completed for a number of major retail banks, monoline card issuers, debt collection businesses and specialist lenders with each activity delivered by a Consultant under a defined methodology, examples of which include:

- Analytical studies appraising the behaviour of borrowers following a significant event (e.g. becoming insolvent, declined for credit, having their facilities reduced or being pro-actively marketed) have helped clients validate their strategies, deliver insight and ensure processes are robust.
- Model development and strategy optimisation for a variety of business purposes has delivered real commercial

value to clients at various components of the credit lifecycle – credit risk, pre-delinquency, affordability, collections, attrition, etc.

- Bespoke benchmarking studies comparing key performance indicators against a defined peer group have helped clients identify strengths and development areas across their businesses.

Adrian Haines, Head of Credit Risk, Royal Bank of Scotland: “Callcredit’s Consultancy team have recently supported us on a number of engagements providing valuable insight and expertise. Their flexible approach and ability to understand our specific needs has provided real benefit to our business and I look forward to working together in the future.”

For more information how Consultancy and Analytics can support you through these times of change then get in touch at callcreditconsultancy@callcredit.co.uk and see how our Consultants can add value to your business.

Catch me if you can

Make sure you know the facts about impersonation fraud

Impersonation fraud is not a new phenomenon – if you look back in history you will find many examples of it. John Wells' book 'Princess Caraboo' is based on a true story from 1817 of a disorientated young woman who was found wandering the streets speaking a foreign language and claiming to be a princess from the island of Javasu in the Indian Ocean. She claimed that having been captured by pirates, she jumped overboard in the Bristol Channel and swam to shore. She was treated like royalty by locals until her cover was eventually blown, and she was unmasked as a poor cobbler's daughter from Devon.

The 2002 Stephen Spielberg blockbuster movie 'Catch Me If You Can' was based on the life of serial impersonation fraudster Frank Abagnale Jr. He carried out cheque fraud by impersonating such professionals as airline pilots, doctors and lawyers. And in 2001, Manchester United fan Karl Power managed to join his team before their Champions League game with Bayern Munich, successfully posing as team member Eric Cantona for their pre-match photo.

In each of these cases, the protagonist had to display unwaveringly confident self-belief in order to deceive others. This is something

very few people would be able to achieve. However, the modern ways we do business with consumers, in which our interactions are progressively faster and more remote, present highly attractive opportunities to carry out impersonation fraud, negating the fraudster's need to adopt such a high risk impersonation strategy as that used by Abagnale. These days it can all be done electronically from the safety of the fraudster's home, which enables the culprit to detach any emotion from the criminal act.

As consumers, we increasingly demand that our interactions with service providers (such as banks, credit card companies, retailers, insurers, etc) require as little interaction from us as possible. The requirement for us to carry out actions such as visiting a service provider's branch to present documents to verify our identity is generally viewed as a hassle.

As a result, more and more firms are looking to adopt paperless straight through processing of customers, causing them minimal intrusion while protecting themselves from impersonation fraud.

By John Cannon, Head of Product Strategy, Financial Crime, Callcredit

When we at Callcredit took the time to ask our customers what they wanted from such impersonation checks, in virtually every case three characteristics were fed back to us:

1. The check should be instant and available 24/7.
2. The check should provide a high confidence level that the person is who they say they are.
3. The check should be as unintrusive as possible for the customer, and not undermine a positive customer experience.

Case study: CallTrace



PRUDENTIAL

Prudential needed a solution to help them reunite relocated customers with their assets.

Prudential plc is an international financial services group with significant operations in Asia, the US and the UK. Serving approximately 25 million customers and with £309 billion of assets under management.

The Challenge

- To identify a solution allowing Prudential to undertake tracing activity to locate customers they believe have moved from the current address Prudential hold for asset reunification.
- Requirement needed to run a trace on a large number of customers.
- Access to an on-line system allowing Prudential employees simultaneously to carry out investigations on customers, looking at varying search combinations of name/postcode/last known address/date at residence. The individual facility needs to also be used to find spouse details.

The Solution

The challenges facing Prudential called for a solution that would allow a batch and on-line system to work simultaneously.

Callcredit's intelligent CallTrace product met Prudential's requirements to locate customers who have moved from the listed current address, using a stand-alone, web-based batch service. The innovative system traces individuals in seconds against various data sources, so is crucial in simplifying what can be a protracted and onerous process.

As CallTrace is a batch service it gives Prudential the necessary flexibility to run traces on a large number of customers as and when they need to. Callcredit offer this product as a one-off or as an ongoing service, which means that Prudential were able to select which option best suited their needs.

The combination of Callcredit's batch tracing solution and online CallTrace product allows Prudential's employees to carry out valuable simultaneous investigations. The web-based



system can deliver search results extremely swiftly and is available to Prudential 24/7. As well as supplying Prudential with useful report information about address links, residency and deceased details it also supplies information about associations such as a spouse and other associates; data essential for Prudential.

Benefits

By using Callcredit's CallTrace, Prudential achieved the following benefits:

- 26% of individuals searched had an address link.
- 9% of individuals were found to be living as stated at the given address.
- Highly cost-effective – CallTrace is charged on a no trace no fee basis, if a no trace or no match is returned this will be displayed.
- Flexible – the batch service is available as a one-off or as an ongoing service.
- New address links available on a daily basis if required.

Mark Laybourne, Fraud Prevention Manager at Prudential said:

"We had a list of specific tracing requirements that were essential for our business and Callcredit were able to deliver all of them. We are delighted with the services they have provided as they

not only deliver exactly what we need, but they can deliver it in a swift and flexible way. We have already benefited from using CallTrace and expect to continue to reap the benefits in the future."

If you would like more information about Callcredit's CallTrace please call 0113 388 4300 or visit www.callcredit.co.uk

Can you afford not to know your customers affordability?

A recent YouGov survey commissioned by Callcredit showed that 28 per cent of British adults are worried that salary freezes could significantly impact their personal finances, with this figure rising to 55 per cent amongst public sector workers. With consumer finances at risk of fluctuating, it is essential that you have the best view in the marketplace of individuals' affordability so you can optimise your collections by targeting those who can pay.

Callcredit's Affordability Suite includes a powerful score which ranks an individuals' likelihood of being able to afford their

commitments in the future. In trials with clients the score has proved to be a powerful tool in identifying those with a high probability of rolling forward and those with a high propensity to self cure.

With this extra insight, you can proactively contact customers who have an improved affordability position to increase their repayments, or recognise swiftly if a customer's position has deteriorated and may need to be rested. Our research has found that individuals' with the highest scores generate the highest average payments.

These informed strategies can reduce costs and increase efficiencies as you target the right people at the right time.

If you would like to know more about our Affordability Suite contact us:

Email: james.syron@callcreditgroup.com or call: 0113 244 1555



Acquisition brings process benchmarking to CIG



On 30 November Callcredit acquired process benchmarking ltd (pbl) a successful small independent consultancy business based in Chislehurst Kent. Since 1994, pbl has been providing unique benchmarking services to blue chip organisations including major clearing banks, building societies and other financial services institutions.

This form of benchmarking complements the existing products and services offered by Callcredit including credit risk, affordability, fraud and verification solutions. Graham Lund, Managing Director at Callcredit said: "The purchase of process benchmarking ltd shows our strong commitment to investing in the future growth and expansion of Callcredit. We

approached pbl on the recommendation of our mutual clients and are excited to be working with such a unique and innovative company."

The success of pbl is based upon a strong customer driven culture. Andy Lloyd, the new Managing Director of pbl explained that their special approach to benchmarking is to bring together groups of clients interested in understanding their comparative performance and what constitutes best practices, particularly with respect to consumer credit risk, collections and other key customer facing processes such as account opening, complaint handling and fraud prevention. Each group undertakes a tailored work programme designed by them to extract the optimum benefit relevant to their challenge or sector. Typically, this will include:

- Sharing, on a reciprocal basis, up to 1,000 items of totally anonymised numerical benchmarks every month for quantitative comparison of process and portfolio performance, exposure and outcomes. No customer data is exchanged during this process.
- Meeting regularly under a controlled and structured agenda to discuss best practices and topical issues, looking for ways to improve risk management processes and the treatment of customers.

- Extracting important information and insight to understand key market trends in best practice which drive tangible benefits.

As you would expect when benchmarking in this arena, compliance with both the letter and the spirit of anti-competition regulations is essential. Lucy Vella, Director and founder of process benchmarking ltd comments "we continue to take legal advice to ensure our activities remain pro-competitive and provide our clients with the best practice insight they seek in a rapidly changing market. For example, we will never stray into areas of pricing, margins, fees or future strategy."

Typically, clients of pbl are senior people with a clear vision of their strategy but also have an eye for detail, an appetite for continuous improvement and want an independent view of where they stand. Their clients understand that you can learn from both large and smaller operators in their market. Their faith in this approach is reflected in a string of testimonials contained on the pbl website, see www.processbenchmarking.co.uk, where you can find more detail on pbl's activities and how to contact them.

Andy Lloyd, Managing Director, pbl ltd

Callcredit Charity Challenge 2011 – Trailtrekker!



We are pleased to announce that the Callcredit charity challenge for 2011 will be the Oxfam Trailtrekker. We will be taking on the gruelling 100k walk on 4th/5th June in the Yorkshire Dales in aid of Oxfam, all proceeds will be going towards helping people out of poverty.

To sign-up or register your interest in the event email michelle.burley@callcreditgroup.com or contact your account manager at Callcredit.

Macmillan selected for Callcredit donation

Macmillan Cancer Care has been picked to receive a £500 donation from Callcredit Information Group.

Callcredit asked recipients of its Christmas e-card to nominate a charity they thought deserved a New Year donation and Macmillan Cancer Care was picked from the responses. Andrew Jarvis, Commodity Sourcing Manager at HSBC recommended the worthwhile charity.

The donation will help Macmillan Cancer Care to improve the lives of people affected by cancer; providing practical, medical and financial support and pushing for better cancer care.

Graham Lund, Managing Director of Callcredit said: "During the festive period it's easy to get caught up in the celebrations and we wanted to do something that recognised those going through a more challenging time. We were delighted that so many people took the time to nominate a charity and it's a pleasure to make this donation to such a good cause."

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