

# Financial Vulnerability Identifier

Analysing debt portfolios to identify vulnerable customers



Public sector organisations are increasingly looking to identify financial vulnerability to help ensure the fair treatment of customers in arrears and avoid pushing the wrong cases to enforcement.

Indesser can help you segment your debt portfolio to more accurately identify customers who are showing signs of financial vulnerability, enabling you to implement debt recovery strategies which are appropriate, proportionate and fair, and in line with the industry best practice.

The proportion of people reporting debt problems related to public sector organisations has almost doubled from 21% to 40% in the last five years<sup>1</sup>. It's clear there is support within government to reform the way public sector debt is recovered following The Ministry of Housing and Local Government (MHLCG) pledge in April 2019 to offer vulnerable people "greater protection from aggressive debt enforcement"<sup>2</sup>.

The difficulty lies in identifying those cases where there are indicators of vulnerability. Data relating to health issues and life events is not readily available. In addition, customers are sometimes unwilling to disclose their financial status and often don't recognise they are financially vulnerable, making it difficult to identify without access to their full financial picture.

Furthermore, as many as 61% of people who face additional charges resulting from public sector collections action borrowed more money as a result<sup>3</sup>. Implementing appropriate treatment strategies based on an assessment of financial vulnerability can help avoid pushing customers already struggling into a debt spiral they may find difficult to escape.

“30% of the UK population<sup>4</sup> could be classed as having low financial resilience due to factors such as low or erratic income, over indebtedness and low savings.”

## What is vulnerability?

The Financial Conduct Authority (FCA) defines vulnerable customers as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care" and they identify the key drivers of vulnerability as:

- Health issues
- Life events
- Low financial resilience
- Low financial capability

These drivers of vulnerability are likely to be complex, overlapping and transient. This can make it difficult to identify vulnerability without expert insight and analysis based on comprehensive data.

## How Indesser can help

To help you identify financial vulnerability, we have used our unique expertise in managing Government debt to develop a predictive Financial Vulnerability Identifier specifically for the public sector. This uses a range of data sources from leading UK suppliers to provide an assessment of cases within your debt portfolio, highlighting those at risk of financial vulnerability, or those who are already in financial crisis.

Our solution adds real insight to your existing debt recovery operation to enable fair debt resolution. It is designed to help you apply the most effective and appropriate treatment strategy depending on the debtor's levels of financial vulnerability.

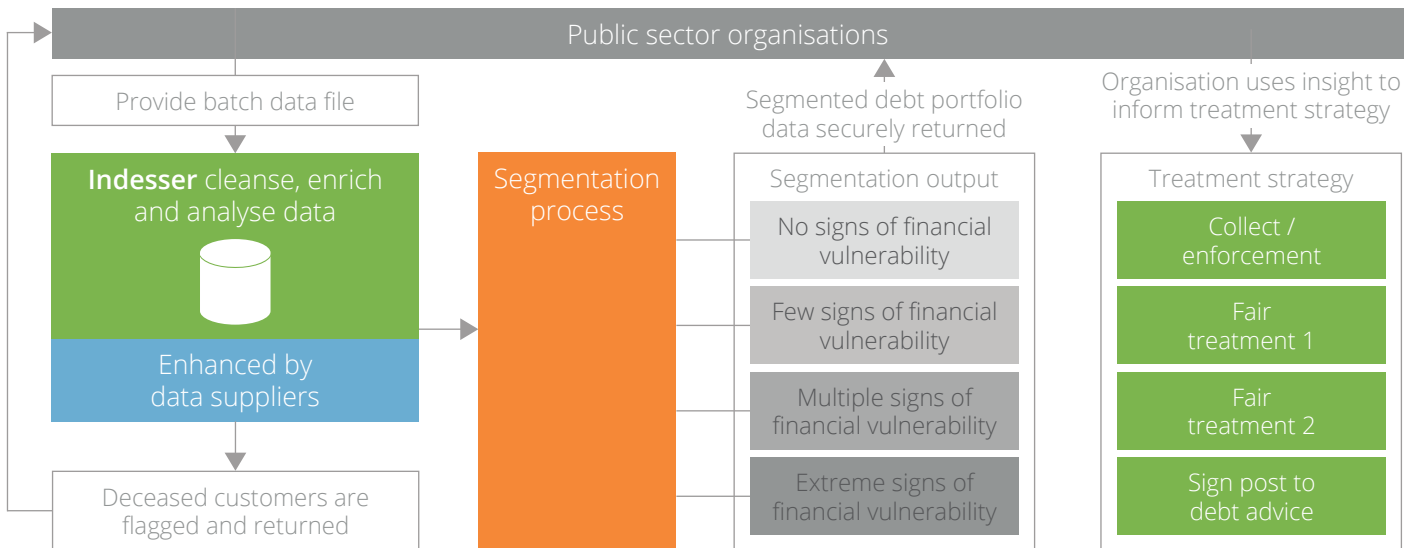
<sup>1</sup>Source: Tackling problem Debt report - National Audit Office (2018)

<sup>2</sup>Source: Fair treatment of vulnerable customers consultation paper - FCA (2019)

<sup>3</sup>Source: Council tax debts: How to deal with the growing arrears crisis tipping families into problem debt - StepChange (2015)

<sup>4</sup>Source Supportive Council Tax Recovery MAS (2018)

## Indesser Financial Vulnerability Identifier



Our solution cleanses, enriches and analyses each record in your debt portfolio to identify your customers' level of financial vulnerability based on our detailed financial assessment and returns segmented data back to you. We can also provide consultation to help you to determine the most appropriate treatment for each segment.

### Key benefits

Our solution offers some key benefits to help you to get people out of debt, not just get debt out of people.



#### Better support for your vulnerable customers

We can help you drive the right support and treatment to help vulnerable customers get back into 'financial health' through early and appropriate identification and intervention. We can also help you verify your customers who had previously indicated they are financially vulnerable.



#### More effective case handling

Our data insights offer a better understanding of individual circumstances enabling you to identify financial vulnerability and handle cases more effectively, for example without completing a separate income and expenditure assessment.



#### Maximise sustainable payment plans

We can help you maximise sustainable payment plans through improved understanding. Vulnerability can be transient and we can help review an at risk population to identify changes in a customer's financial circumstances.



#### Implement more effective debt strategies

An improved understanding of your customers' financial circumstances can help you ensure optimum outcomes. There is increasing evidence to suggest that adopting a debt recovery strategy that treats individual customers fairly benefits individuals and can help to boost liquidation rates through fairer debt resolutions.



#### Reduce reputational risk

No organisation wants to be the subject of news stories where a vulnerable customer is adversely impacted by debt collection strategies. We can help you reduce this sort of reputational risk by helping to apply principles of fair treatment.



#### Reduce social costs of debt

The social cost of debt can include increased social care, state-subsidised housing and health issues. A segmented approach to the treatment of debt can help to reduce this impact.

### Offering a range of segmentation options

Our Financial Vulnerability Identifier is just one of a range of customer segmentation services that Indesser can offer to help enhance your debt recovery strategies. Our other services include:

- Propensity to Pay Analysis
- Single Person Discount Verification
- Ability to Pay Analysis
- Tracing and Residency Verification
- Aged Debt Portfolio Analysis

For more information on Financial Vulnerability Identifier, please email [info@indesser.com](mailto:info@indesser.com) or call James Hilton or Rob Shefras on 01157 860 148.