



A Different View

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So it looks as though interest rates are going to climb above the level predicted by all of the economists; the money supply is out of control, thereby pushing up inflation; the markets have already factored in the interest rate rises so the pound is flying against the dollar – which of course makes exporting more difficult. The net result of all of this is that disposable incomes will drop, house prices will crash and the only people left smiling in the UK will be the credit, collection and recoveries managers who will once again have to save the world while renegotiating their salary packages. It's enough to make an old debt collector weep with joy!

Against this backdrop of economic chaos the whole of the UK adult population is indulging in the latest social craze called 'Bankmail'. This is really good fun.

What you do is write to your bank and admit that you did go overdrawn without agreement, meaning that they had to contact you or pay the cheques you guaranteed with your bank card, pointing out that you understand fully that you opened the account knowing that you shouldn't do this, and that if you did you would be charged a fee at the published rate. You add that, in hindsight, you think this is totally unfair and you want all of your money back.

Now comes the really fun part. You then 'cut and paste' a 'Bankmail' letter from a consumer website which, to paraphrase, includes the message: "If you don't give me my money I am going to go to the newspapers or I'll start legal action".

Then a few days later you get a cheque from your bank and you go and tell all your mates to do the same thing; what a crack?!

At the same time, your neighbour opposite, who has always been very careful with his money and has never gone overdrawn, is also writing to his bank. He is not sending the wizard 'Bankmail' letter. No, this is a very serious complaint because suddenly his bank wants to remove his free banking and charge him for the privilege of having an account. He cannot understand why his bank isn't making any money out of current accounts anymore.

Of course, if only he had a word with the man across the road he would find out how to get his bank to pay him. It's easy! Spend more money than you have, wait to be charged, and then send a 'Bankmail'!

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What this says about our attitude to debt and financial prudence I'm not really sure. What I do know is that the credit professionals who are trying to save the world now have to do so in a totally different environment than they ever have before.

One of the themes to which I keep returning in this column is the need for the credit management industry to find new and innovative ways to rise to the challenges of the day. However, this can only be achieved if lenders and asset owners are prepared to 'authorise' new approaches and adopt an attitude whereby they are prepared to pay for quality.

The UK debt collection industry is built on a tradition of 'no collection, no fee'. This is an approach that has not changed in decades.

When times are getting tough it is harder to obtain payments, but there is an opportunity to collect information. This data is incredibly valuable and can be used in numerous ways to maximise future payment prospects, build scorecards, refine

lending policies, identify trends, and so on. Retailers invest huge amounts of money to obtain data through the use of loyalty cards; it is universally accepted that data is power and that you should protect your data fiercely for fear of your competitors gaining a competitive advantage.

Why then are lenders and asset owners so reluctant to pay for something that could be so valuable to them over the medium term? There can only be one answer. A paradigm shift is needed to recognise that when rising to the challenges ahead the debt collection industry needs to be incentivised in a more holistic fashion to 'add value' rather than just collect money.

Cash may be king but information is power – I would ask those of you who read this column (yes, both of you!) who have influence within your organisations to think about the way you reward your debt recovery teams and partners, and to bear this in mind next time you are reviewing results.

Until next time ...

Garry Stran is Chief Executive of Clarity Credit Management.

