



A Different View

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This is a very difficult time for all concerned in the consumer credit industry, both in the sales and collections environments. In the sales arena a significant majority of lenders are restricting the business that they are undertaking, and in the collections world it remains increasingly difficult to generate the level of liquidation that has been historically.

In the debt purchase world the landscape has changed even more quickly, there now being only a small number of players who have the ability and the inclination to purchase portfolios, albeit at price levels that, for many sellers, are unattractive.

In addition, there is an increased and increasing regulatory interest in the conduct of the industry, as witnessed by the OFT's approach with some major players and there are constant rumours about which businesses in the sector are about to go under or are in breach of their banking covenants.

It is therefore the perfect time for me to look into my crystal ball and give you a view as to how I think these changes will affect the industry over the medium term.

First, I think that consolidation in the sector is now not only a foregone conclusion but it is also essential. The debt collection industry in particular is still fragmented, with many businesses having grown massively during the good times although they have still remained, essentially, lifestyle type operations. There is no doubt at all that to survive moving forward there will be a need for businesses to have scale not only to perform, but also be 'whiter than white' from a compliance perspective.

In the debt purchase sector the reduction in players and pricing will have a profound effect on the way that debt sale is perceived. There is no doubt that it has its place but the inflated prices paid in the past will have a legacy effect where, from a balance sheet perspective, selling will lose much of the allure for lenders that it has had in the recent past. Those players that remain will have at the forefront of their minds not only the life-time liquidation potential of portfolios but also the fact that should they buy large tranches of debt from one source, they will be assuming a disproportionate risk and lose the balance in their portfolios that many have had to date.

In terms of the lenders' in-house collection activity, there will be a temptation to take under-utilised sales teams and

convert them to collectors. After all, what could be easier than telephoning people and asking them for money! This strategy has failed in the past and it will fail again unless this transition is made in a skilled and expert fashion, ensuring that the personnel involved are fully committed to their new roles and understand the value that it can add to the organisation.

The shape of the market will therefore change with, I believe, a situation where there will be a smaller number of larger players, quite possibly adopting a hybrid approach by being a purchaser and a contingent based collector, while simultaneously developing other related services in an attempt to create the ultimate 'end to end' credit management business.

For those who achieve this there will certainly be the opportunity to enjoy a bigger slice of a bigger pie and ultimately, this is therefore a fantastic time for the players in the sector who have the vision, the ambition and the access to capital to grow their businesses.

The golden age for debt purchasers and collectors is over but, and never forget this, the golden days are always behind us. There is no doubt that 2009-12 will be a golden age for some come 2013!

Stran's Snacks

And now the food ...

Well I'm back on the restaurant trail and I am pleased to report that the twins seem to be following in their father's footsteps by gratefully eating every morsel that is put in front of them and getting very grumpy if they are not fed when they want to be!

This quarter, however, I am going to recommend a chain of restaurants called San Carlos. These are based around the country and I have now eaten in several of them – and I have been very impressed every time. The food is high quality Italian and all of the restaurants have that 'frequented by footballers, ladies who lunch, plutocrats and gangsters' type feel that we people from Essex appreciate so much!

Choose to eat at one of their establishments and you won't regret it.



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