

Contact is key

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How often do you return home to find a pile of envelopes strewn on the doormat? Personal loan offers, local restaurant fliers, mini cab companies, and underneath all that, a real letter, from the bank. When each of us receives so much post, it's perhaps understandable that a computer generated arrears letter is missed. Perhaps even more understandable that it's ignored if one partner is hiding the mortgage arrears from the other.

The job of managing mortgage arrears is made harder by this fact. It's not just the borrower's attention lenders must contend with, but personal problems which often stymie attempts to sort arrears out. People today rate their financial obligations in a very different order from twenty years ago. Mortgage payments used to be the very first port of call for a pay check. Now, increasingly, we're seeing people pay their credit card debts first. There are various reasons for this – failing to meet unsecured debt will often have a much more immediate impact on a person's life. You can't buy food, petrol or clothing if your credit card is taken away. But it takes months for lenders to take away your house if you fail to meet your mortgage payments. This is where debt collection agencies with experience of both secured and unsecured debt arrears management can help lenders maximise their returns.

In the early nineties, the last time mortgage arrears peaked, lenders communicated with customers by post, and by phone. Now there are multiple channels of communication. Traditional mail still has a place in the credit collections process, but with Facebook, Twitter and MySpace now topping the popularity polls, even ahead of "traditional" email, what hope does a letter alone have?

With arrears and possessions rising at a steady rate, this is a question all lenders must consider carefully. Customers are more financially savvy than



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they were, and lenders must adapt to the times. The government and FSA have put a lot of emphasis on treating customers fairly – particularly homeowners who are struggling to pay their mortgages. Together with increasingly fractured communication methods, this has prompted a return to basics. People respond to people.

Clarity combines traditional lettering and dialler collection strategies with new, innovative technology to target customers effectively. We can email or text customers and they can contact us at a time that suits them. In fact, in the past three months, we've found that using new collection strategies such as texting or emailing borrowers directly has boosted the number of incoming calls we receive from customers in arrears. About 65% of our time is spent answering calls – a new phenomenon in debt collection. All in all, this makes for significantly more effective collection. Because 65% of our calls are inbound, more than 65% of our calls are conversations with the right person who actually wants to engage in a conversation about their arrears situation.

Collection strategies which rely too heavily on traditional methods can be a bit more hit and miss – collectors can spend valuable time calling when no-one is there, the contact details may be out of date and even if they get through to the customer, there is the likelihood that the borrower won't feel comfortable discussing their arrears at that particular moment. Crucially – and this is what sets Clarity apart in this market – we believe in finding ways to make the collections process more efficient and our Fieldcall system helps lenders to communicate with customers quickly, directly and fairly. It is a paperless process and leaves a clear audit trail for the lender.

As the mortgage market consolidates further and the government takes yet larger stakes in Britain's banks, making repossession a last resort is no longer the strongly suggested course of action for lenders – it is now written in

stone. As a result, arrears management is now that much more of a minefield for mortgage lenders.

Fieldcall helps lenders to manage arrears with this in mind. It's a web-based platform which links lenders directly to our panel of field debt counsellors. Fieldcall also provides lenders with a comprehensive reporting system, enabling the lender to track field counsellors' progress. The system collects data tracing customer interviews and reports on customers' individual circumstances – the entire process is managed on-line.

More than just increasing efficiency, this system means lenders have a straightforward way to justify to the courts that they have exhausted every possible course of action before resorting to repossession. With the introduction of mortgage Pre-Action Protocol, being able to prove that a possession action is indeed the final step in trying to solve a customer's arrears problem, is mandatory.

Clarity has embraced technology in more ways than just contact methods. Using our litigation segmentation tool we're able to identify which accounts have the greatest propensity to default. Targeting these accounts early before borrowers even go into arrears can prevent customers from burying their heads in the sand and can help them to avoid arrears completely. Borrowers respond best to open communication – providing specialist counselling support to customers is not just TCF-compliant, it makes commercial sense for the lender as well.

Arrears management is an expanding sector in the British mortgage market – lenders must find ways to manage their customers fairly. Clarity is an accredited debt collection agency which benefits from expertise in both the unsecured and secured markets. Combined with our unique litigation segmentation and Fieldcall tools, we can help lenders manage the arrears process efficiently and cost effectively. **MFG**