Key highlights

From our latest credit risk roundtable event:

Do customers have a need to borrow more?
20th February 2012

At our recent roundtable event focused on the topic of 'Do your customers have a need to borrow more?'. We discussed, is further borrowing affordable for the consumer? Would borrowing from you rather than another lender make further borrowing more affordable? And does keeping a high proportion of a customer's borrowing on your 'book' enable credit risk to be more effectively controlled?

Below is a summary of some of the major take outs from the day:

Lenders are under more pressure than ever before; lenders have reacted by tightening lending criteria and targeting customers with the higher range Delphi scores and within the more mature customer demographics.

These pressures take the form of new and emerging regulations such as responsible lending, and the development of the FCA from 1st April, as well as competition from alternative lenders, and consumer and media persuasion.

Customers are savvier than ever before, with influence from the media, and price comparison sites put them more in control of their financial services options. You may be doing less marketing and abandoned low risk category groups, but short term lenders have filled this vacuum and will continue to do so until lenders innovate, offer simpler alternatives or regulators reduce the 'fear factor'.

The fear factor

Regulators claim not to want to induce fear from their stricter compliance laws, but lenders are sure to react with tightened policies, which may lead to a reduction in lending and groups of individuals missing out on mainstream finance options.

Economic factors

Katherine Meredith, Experian's Head of Business Intelligence said the general story is that consumer demand is remaining flat across the board.

Mortgage Prisoners

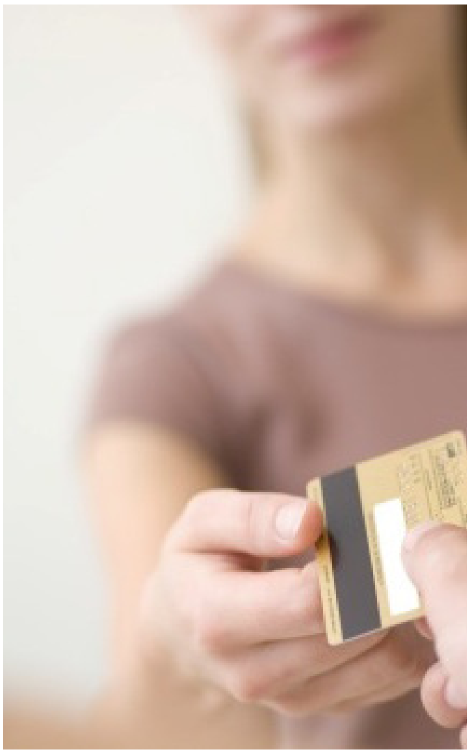
There is a huge population of people who opened up mortgage loans pre-credit crunch, and have come off fixed rate an onto standard variable rates - these are now struggling with rises in rates. Regulators say there is a need to make special arrangements for these people, but this is a delicate balancing act, and you have to be brave to relax down payments and elevate their affordability.

Who will lend to customers with the lowest Delphi scores?

As everyone is trying to get customers with the highest credit rating and affordability, a group of customers are left behind and desperate for credit. Many short term lenders have filled this vaccuum, and many are paying pack on time, so will mainstream lenders and Credit Unions begin to see the value in this group of customers? With better affordability measures coming into effect, all lenders may feel more confident lending to this group.

Changing customer profile

Many lenders are seeing a shift in their customer profiles. The younger generation who were due to see a rise in unemployment - but didn't, are becoming an increasingly lucrative customer demographic for all lenders to keep an eye on in the coming year ahead. The risk criteria needs to be relaxed to get this population lending again.



To find out more or register to attend a future roundtable event, please get in touch with Kerry Leech, Events Manager
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