

A Credit Union Perspective on Servicing and Collections

Benchmarking Survey 2022

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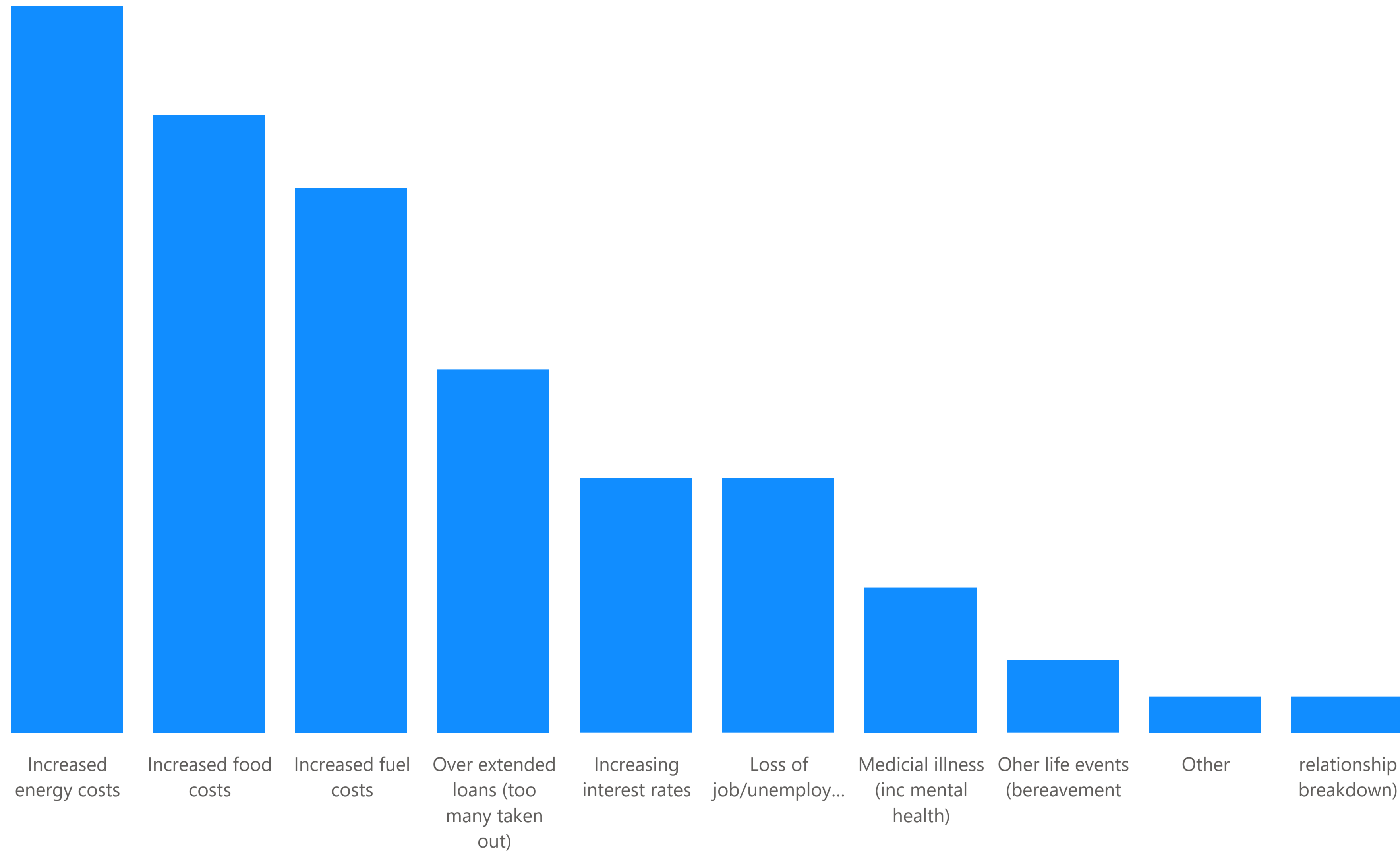
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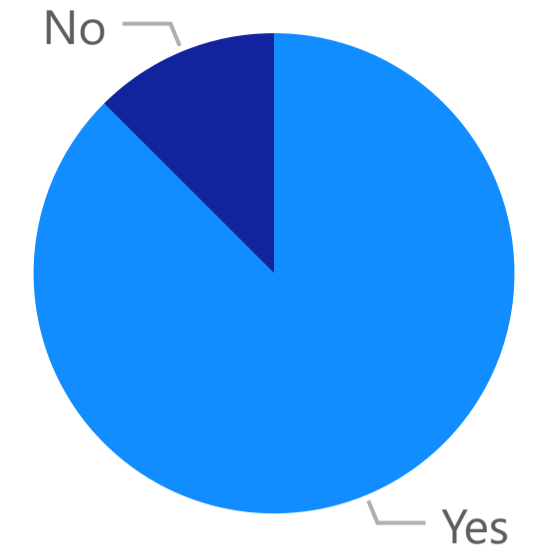
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What are key challenges facing members in arrears at the moment?



Have these challenges changed?



What has changed?

- Topping up existing loans
- Cost of living
- Follow on pressure from the pandemic
- Rises in energy and fuel costs
- Employment instability
- Concern for the future
- Changing spending habits

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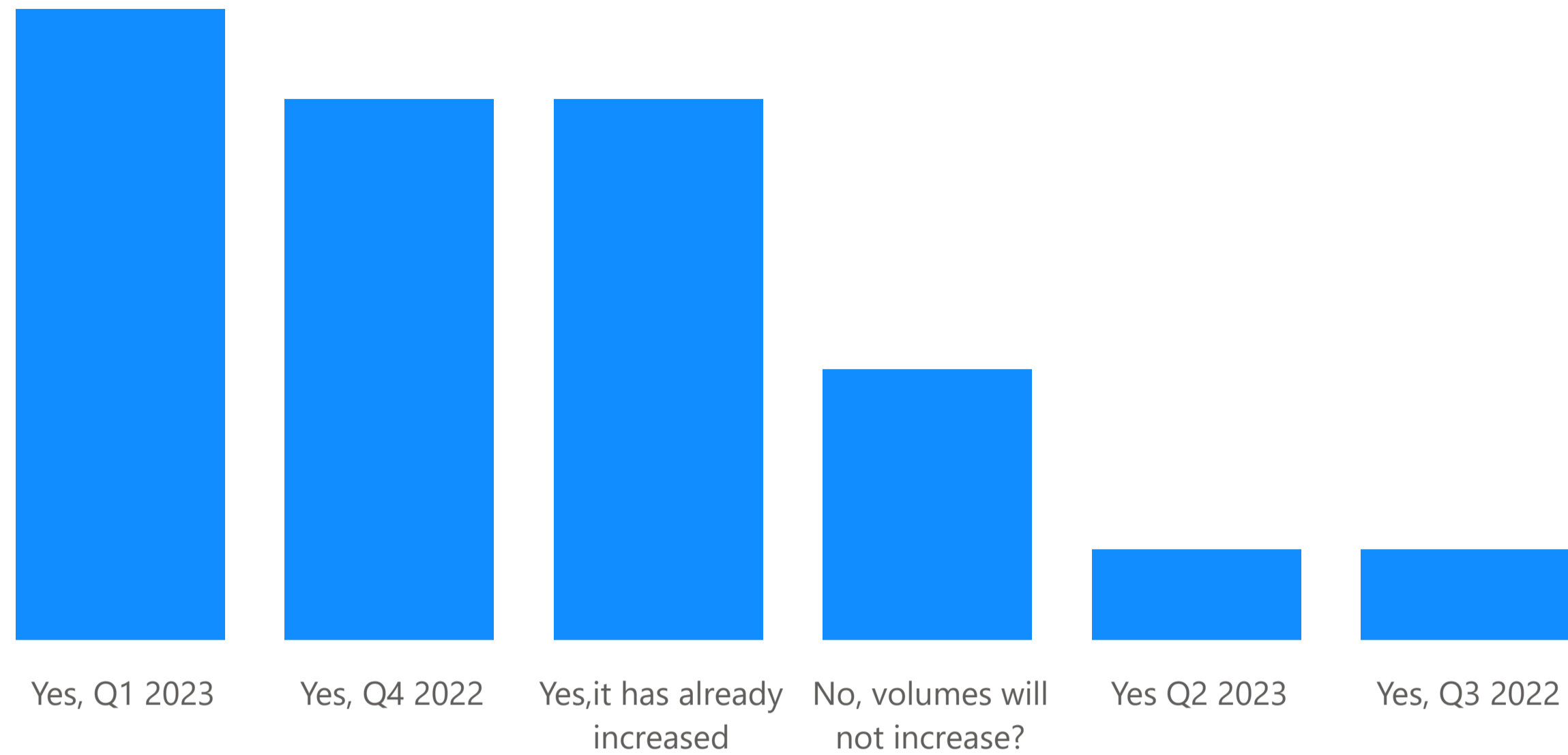
Supporting

STOPLOANSHARKS
Intervention . Support . Education

Survey Support



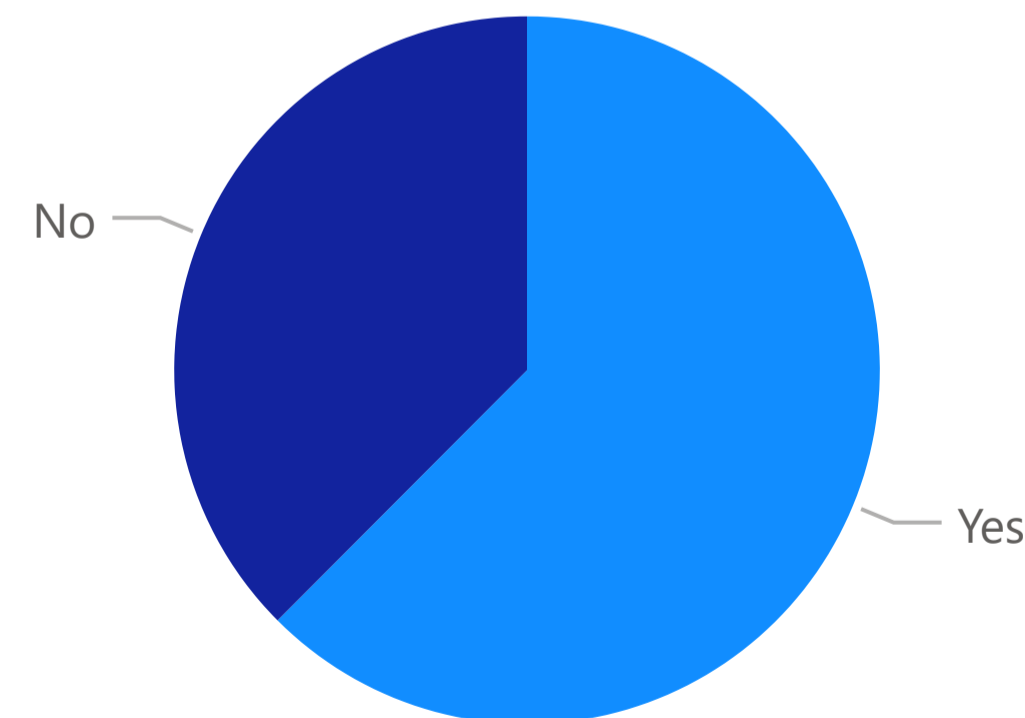
When are you expecting volumes to increase?



What is driving this increase?

- Future changes to energy bills
- Small disposable income, so energy price changes having significant impact
- Prioritisation of fuel/food costs over other payments
- Pay not keeping pace with increasing costs
- Debt Management companies, who charge for services
- Difficulty dealing with unexpected cost such as white goods replacement

Do you watch for leading arrears indicators?



What are some good leading indicators to watch for?

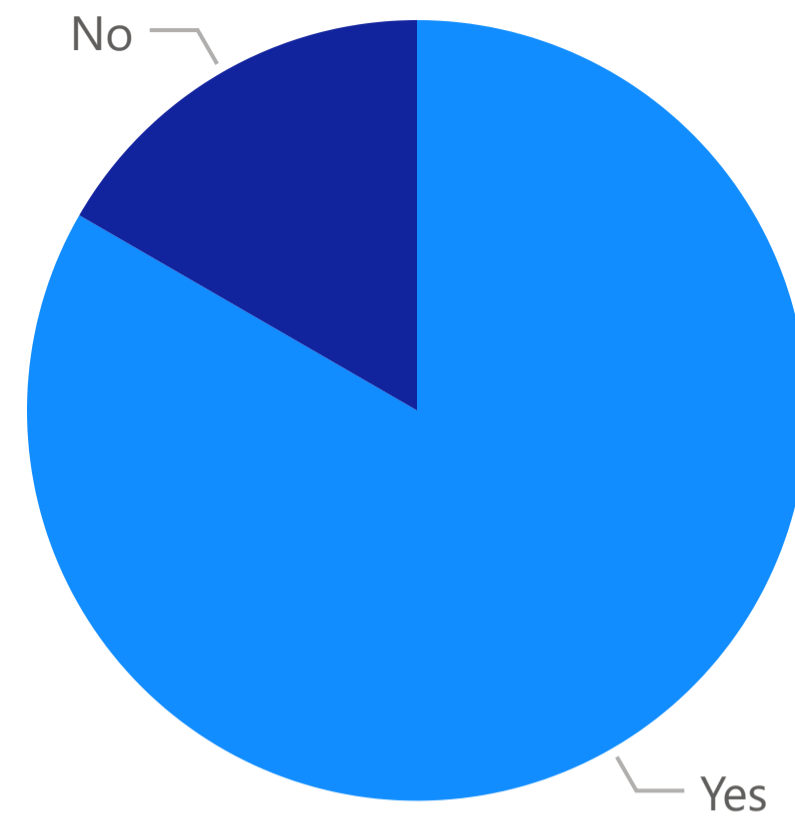
- Number of financing applications, increasing credit usage
- Increasing expenses
- Early pension withdrawal
- Changes to benefits, standing orders or direct debit returns
- Employment changes, including in the local area
- Late payments, payment holidays, reduced payments
- Loan top ups

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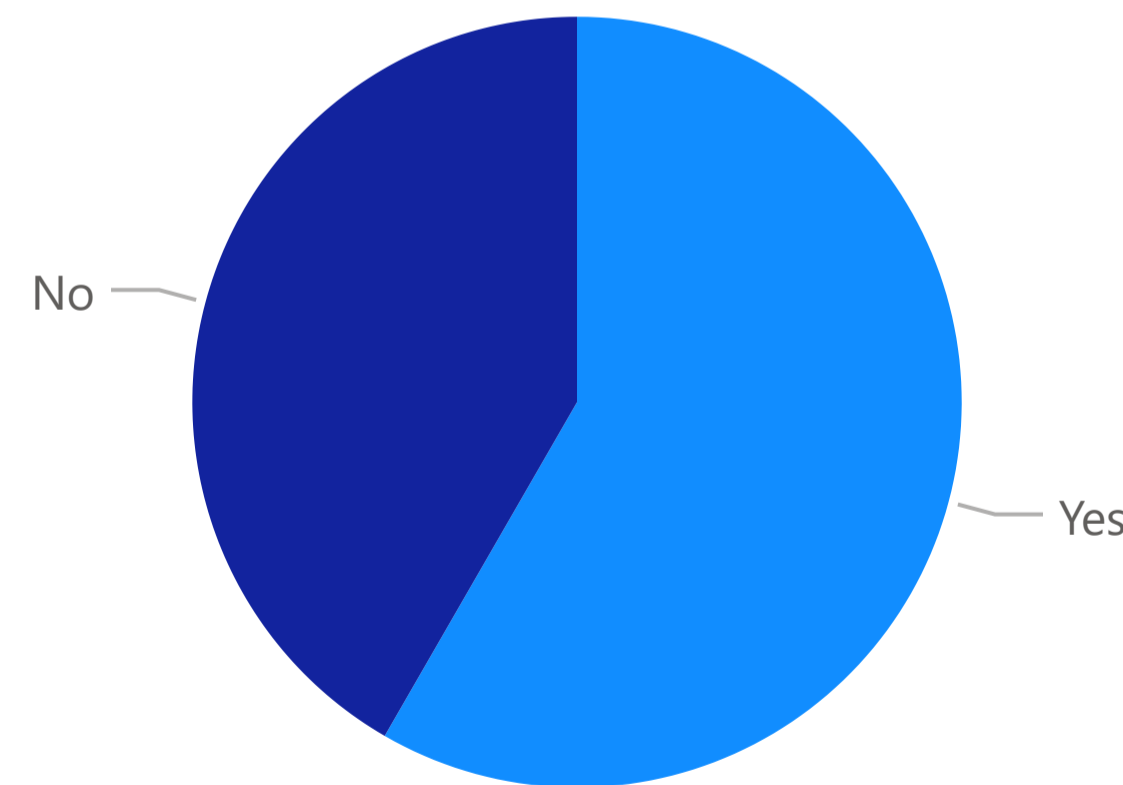
Are levels of vulnerability changing?



How is this changing?

- Families becoming increasingly vulnerable, due to reduced disposable income
- Financial challenges now affecting a new demographic
- Cost of living now affecting new members on low incomes who were previously managing (not necessarily on benefits)
- Greater use of BNPL to spread payments
- Increase instance of gambling
- Fear for the future, the unknown, and being able to manage, increased anxiety
- Financial hardship triggering other vulnerabilities (inc. mental health)

Are members turning to alternative forms of credit?

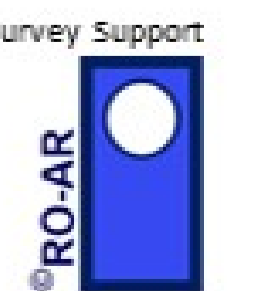


Which alternative types of lending are members turning to?

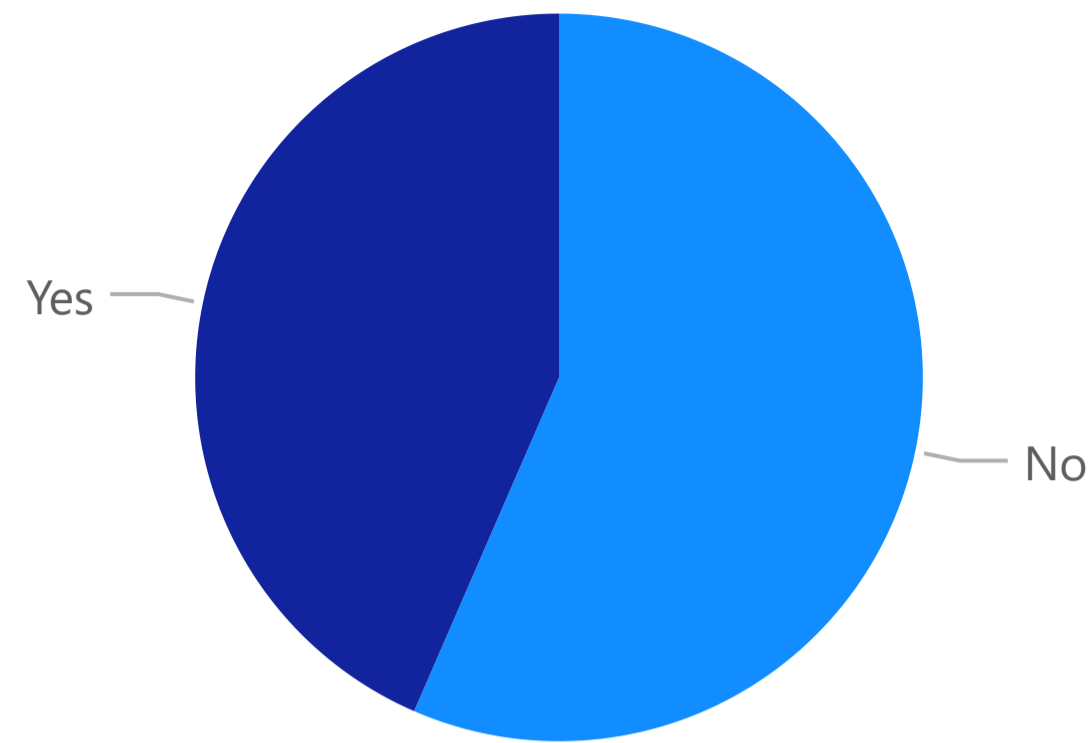
- Friends, family, more credit union applications
- Short term high cost loans, pay day loans, high interest sub prime lending
- Buy Now Pay Later (BNPL)
- Loan Sharks
- Home credit
- Early pension withdrawal

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Changing member expectations of service?



How are members expectations of service changing?

- A high level of expectation for support
- Changing expectations of forbearance, with no evidence of financial shock
- Digital (& mobile) seen as normal now, an expectation
- Instant decisions and instant release of funds
- Low expectation of the need to anticipate future escalating costs in lending decisioning

What are the key challenges you face today to maintain great service?

- Unable to provide loans due to affordability of member
- Confidence around member future affordability
- Balancing face to face vs online servicing needs (still meeting all needs)
- Keeping the personal touch when needed
- Volume increases and handing the volume to maintain service
- Funds for growth
- Increased regulatory compliance and associated requirements
- Staffing issues. Keeping good directors, volunteers and staff
- Awareness of credit unions within society (not changing perceptions)

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