

# Ethical Collections

## *Two Years In...*

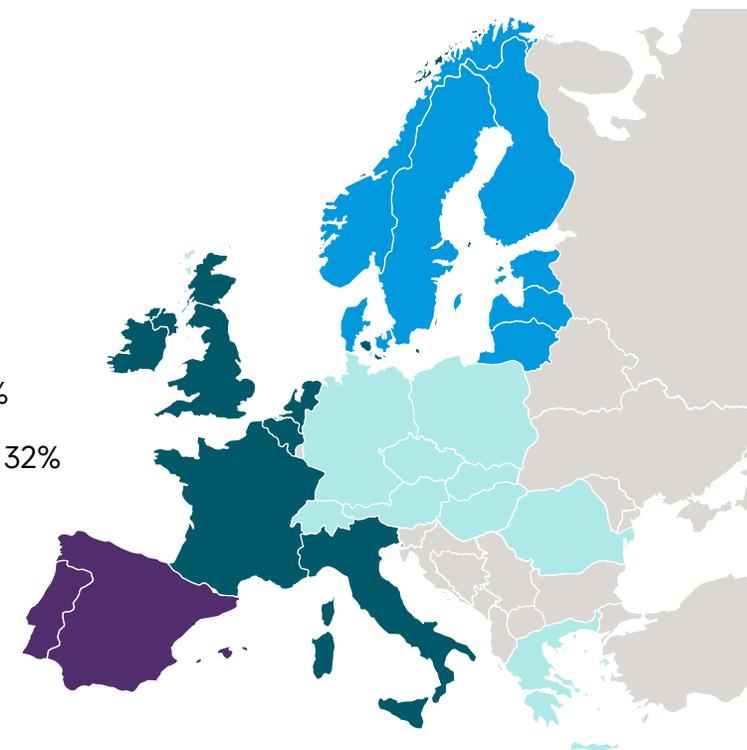
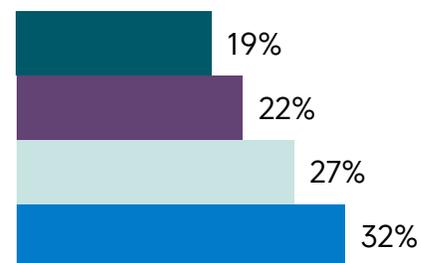
# Intrum group

## Largest pan-European Credit Management company

- Combination of Intrum Justitia and Lindorff
- Listed on the Nasdaq Stockholm
- Business units in 25 countries
- Partner network in 160 countries (international service line)
- Strong BPO / outsource experience
  - Data services
  - Early arrears
  - Carve outs
- Focused on strategic partnership development leveraging core skills

## Balanced presence across 24 countries in Europe<sup>1</sup>

### Revenues Contribution<sup>2</sup>



<sup>1</sup> 25 countries including Brazil

<sup>2</sup> as of FY 2017, excluding Intesa Sanpaolo JV

## Debt purchase and third party servicing provider

- Acquired by Intrum February 2017
- FCA full permission April 2016
- 5.7m accounts processed
- £700m invested in portfolios
- Driving growth across a range of industry verticals
- Market leading customer service credentials
- Motivated and empowered employees



## Offering an end to end solution

Early arrears BPO	<ul style="list-style-type: none"><li>Early collections interventions focused on improving cure rates and customer retention</li></ul>
DCA	<ul style="list-style-type: none"><li>Contingent option as part of strategic relationship</li></ul>
Debt purchase	<ul style="list-style-type: none"><li>Acquisition of non-paying and semi-performing assets (internal, external, DMC)</li></ul>
Public sector JV	<ul style="list-style-type: none"><li>Transferring FCA best practice into local authority collections</li></ul>

# Call for change - the ethical challenge

## UK Councils are under more financial pressure than ever, but so are a lot of their residents

- In the last decade the number of individuals seeking assistance from the advice sector in respect of local and national government debt has **doubled**
- Conversely, the number of individuals seeking assistance from the advice sector in respect of financial services debt has **halved**
- The approach to debt collection is inconsistent between:
  - Local authorities
  - Service areas (partly due to legislative remit and seasonal targets)
  - The public (unregulated) and private (regulated) sectors
- Mounting pressure to cut costs and increase recoveries due to decreasing budgets lead to:
  - Poor resident experiences, and failure to identify vulnerability
  - Lack of investment resulting in 'one size fits all' approach, with more and more debts ending up with enforcement agents as a matter of routine
  - Increased cost to the council in the long-term

“Debt collection practices of public authorities have been described as ‘worst in class’; debts are often pursued over-zealously, uncompromisingly, and with routine recourse to bailiffs. This approach risks driving the most financially vulnerable people into further difficulty.”

**Treasury Select Committee, July 2018**

# Starting the shift

## Establishing best practice for public sector debt collection

- Common underlying causes of poor practice?
  - Lack of data or cross-matching ('single resident view')
  - Funding pressures and short-term incentives
  - Lack of internal focus due to high demand for services
  - Lack of regulation oversight...?
- However there are examples of good practice, indicating a move forward:
  - The introduction / adoption of the Council Tax Protocol
  - A move away from using Enforcement Agents as a standard recoveries tool
  - Adoption of the Standard Financial Statement (however only 19% of LAs use this or other form of income & expenditure)
  - Joint ventures with the private sector

“Making progress on society’s biggest problems requires governments to make better use of data, involve citizens, invest in employees, and collaborate with other sectors.”

**Government by design: Four principles for a better public sector**

# Ethical debt collection – private & public sector joint venture

**Hammersmith & Fulham Council and Intrum joined forces to launch a revolutionary joint venture to end the two-tier treatment of residents in debt**

Hammersmith and Fulham



- Public sector innovation
- Business Intelligence services
- Contract management

## Ethical debt collection

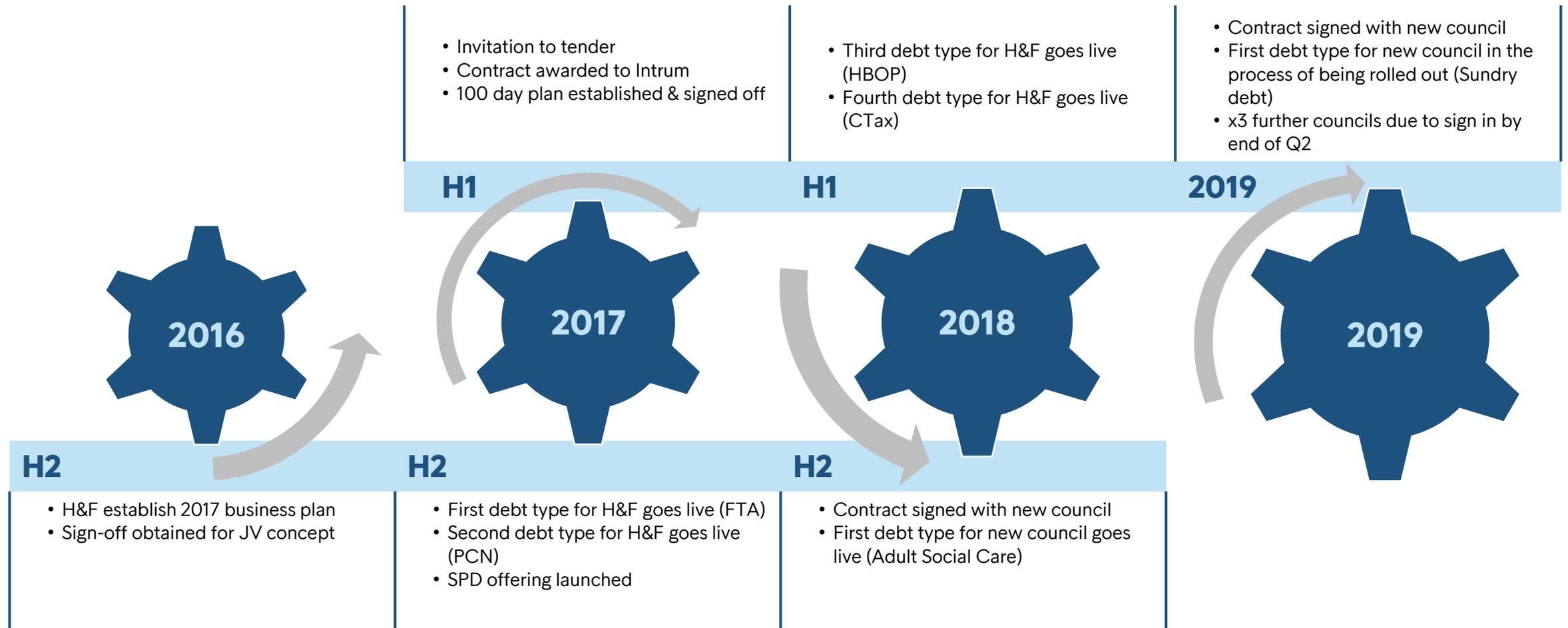
- Bringing FCA regulated practice into the public sector
- Leveraging investment in technology, people and analytics
- Focused on optimising returns whilst delivering an enhanced resident experience
- Designed to offer a fully outsourced solution for all debt streams
- Framework Agreement permitting other LAs to call-off services

Intrum



- Collection operations & strategy design
- Technology & resource
- MI & data services

# Evolution of the Joint Venture



# How we are different

## Operational excellence



Call centre



Trace & locate



Customer care



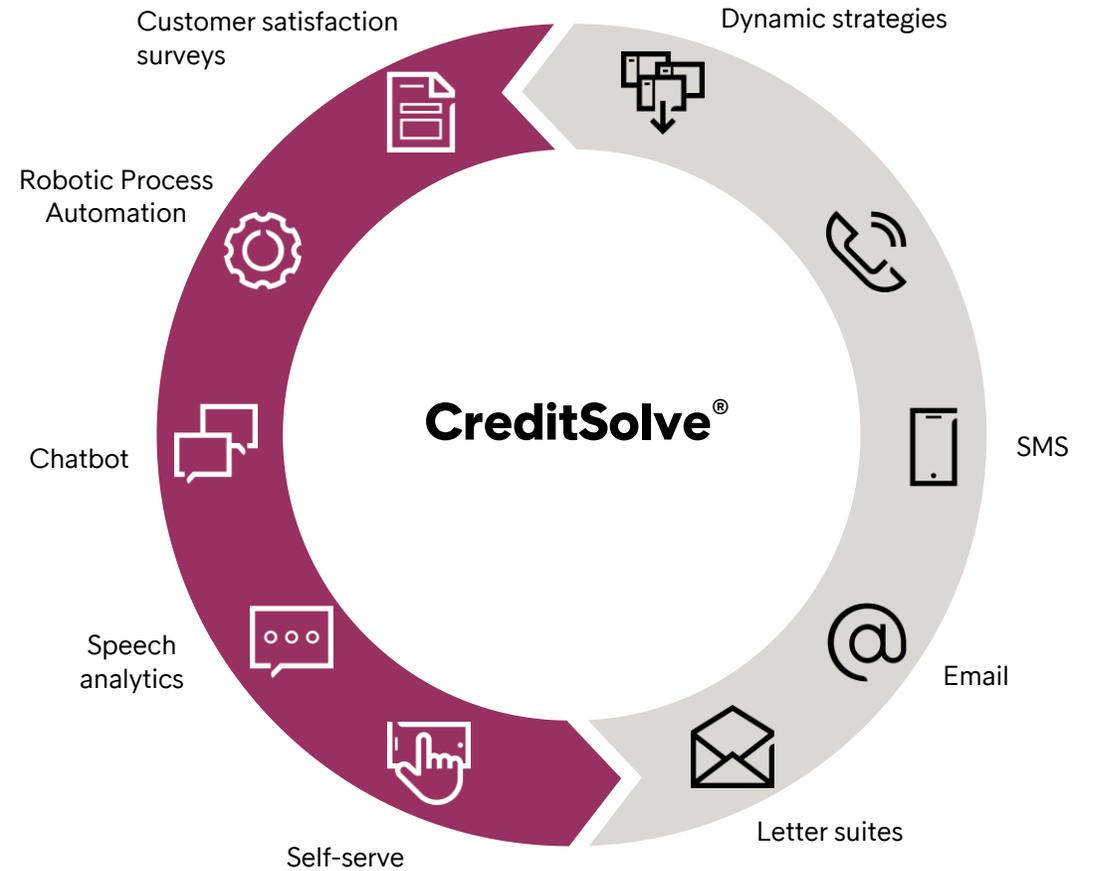
Reconnection



Governance framework

**intrum**

## Intelligent customer engagement



# Successes to date

## Key highlights of the initiative thus far in the journey...

- **£18.2 million** in uncollected arrears placed since July 2017
- **£3 million** returned to the public purse (on a net basis)
- **£0** additional costs to the resident (c.13% cost to the council, deducted from collections)
- **549** residents identified as potentially vulnerable that may otherwise have been subject to inappropriate recovery tools (such as Enforcement Agents)
- **<0.5%** difference in overall Council Tax collection rates as a result of stopping the use of Enforcement Agents
- **Three** councils on board, with three more in the pipeline

"I was very happy with how your advisor dealt with my problems and the help is given me with my debt management and the stress level that I have been alleviated of. I thank you very much and I will keep up with the payment"

"Excellent, amazing and satisfied services, I'm more than happy for the second time. Thank you"

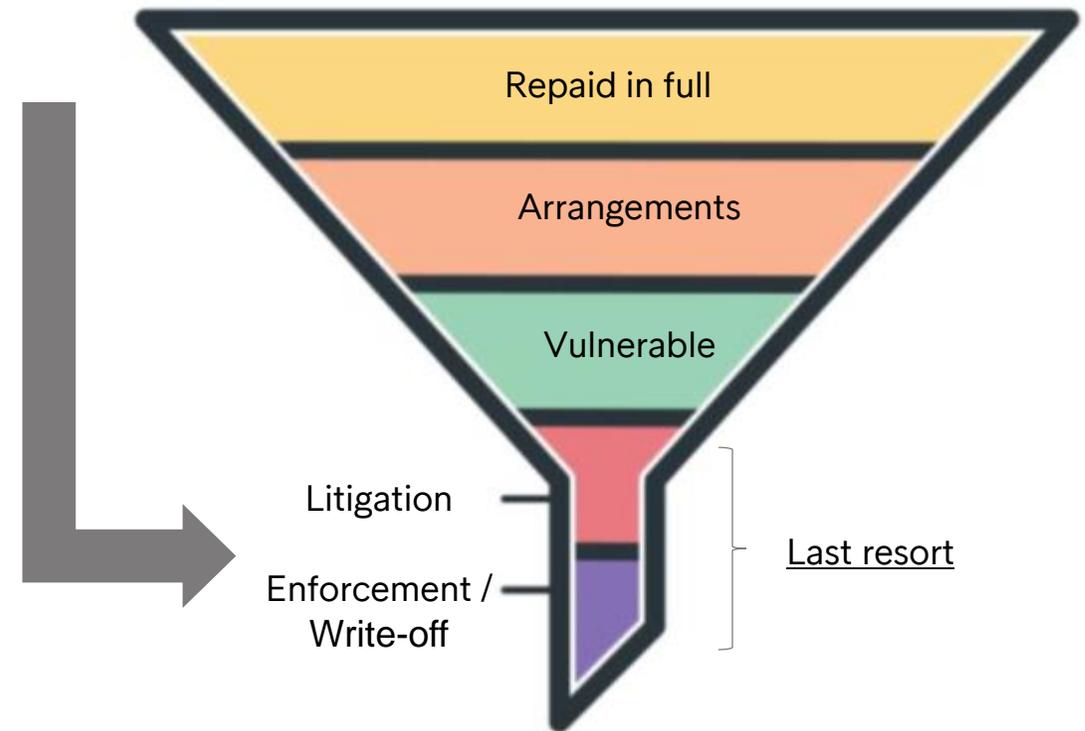
"Our research shows that while the overall use of bailiffs by local authorities is increasing across England and Wales, there are councils working extremely hard to improve their debt collection practices. Hammersmith & Fulham are leading the way in showing that this can be done – and we look forward to working with the council and many other local authorities to support them in addressing this challenge"

*Money Advice Trust*

# What we have learnt

## Evolving the solution to ensure it optimises results and delivers against each Council's objectives

- Engaging with residents at the right stage is critical
- 1 in 4 post-bailiff cases we have received have repaid their balance however...
- Enforceability is an appropriate outcome for some residents
- Repayment plans are maintained with <5% breakage
- On average, 20% of residents engage via online tools (i.e. 'self-serve')
- Identified vulnerability has resulted in non-financial additional support
- Incorrect calculations of arrears are corrected, resulting in overall reduction of indebtedness
- Use of data to inform strategies / engagement drives improved collections and improved resident experiences



# Case Studies

**Debt:** Out of year Council Tax (2017/18)

**Original balance:** £1,115.83

- 82 year old resident receiving a pension
- Previous non-payment resulted in additional cost of £108 as a result of a Liability Order
- Enforcement Agents were asked to attend the property without success
- Account assigned to Ethical Collections, where all collection tools were engaged
- Resident was taken through an Income & Expenditure assessment resulting in an affordable repayment plan of £150 per month
- Due to a change in the resident's pension they contacted us to reduce their plan to £100 per month.
- Vulnerability identified due to age / health concerns therefore ring-fenced to Customer Care
- £900 paid towards their arrears to date, and remain up to date with their current Council Tax obligations

**Debt:** Housing Benefit Overpayments (multiple)

**Original balance:** £6,470.53

- Balance made up of four invoices
- Internal recovery activity (invoice, reminder, benefit clawback where possible) exhausted
- Account assigned to Ethical Collections, where all collection tools were engaged
- Resident was taken through an Income & Expenditure assessment, which confirmed that they were in arrears with HMRC and water. They were sign-posted to free money advice and a hold was placed on the account for 4 weeks.
- Following advice the resident was able to set an affordable repayment plan of £20 per month
- Due to an increase in the resident's wages they were able to clear two invoices in full
- £550 paid towards their arrears to date

# Group Discussion

**What can attendees do to bring Local Authorities into the MALG family?**

**intrum**