

Powering customer-centric collections at ANZ

Automated decisioning enables personalised customer engagement, quickly and consistently.

ANZ has transformed its Retail Credit capabilities by leveraging Experian's PowerCurve suite across the Credit Lifecycle. One example of where this has driven benefits is in the area of automated funds transfers for customers in arrears.

Early stage collections and funds transfer

Realising benefit from deploying new capabilities stems from a mixture of your current state, the enrichment of the process and system you already have, the quality of your data, and finally, the end-to-end use of the system. Arguably competitive advantage will come from two of these four sources.

ANZ saw several exciting opportunities to rethink their collections process, at a customer level, by being the first global adopter of PowerCurve Collections.

This paper is the first in a series that creates some insight into how to get the most value from PowerCurve by simply rethinking your current processes and integrating, or rethinking, these processes into an out of the box solution such as PowerCurve Collections.

“You can get the most value from PowerCurve by simply rethinking some of your current processes and integrating them into the collections ecosystem.”

- Jason Humphrey, Chief Risk Officer

ANZ took time to understand the use and functionality of PowerCurve Collections as an out of the box solution then looked to maximise the value without significant customisation.

In assessing current state vs future state of collections ANZ identified several key areas of collections PowerCurve can enhance:

Actions and record keeping
Arrangements and note capture
Work allocation and user access management
Search capabilities and operational views
Communication
Bankruptcy management
Skip trace
Insurance claims
Strategy deployment and treatment
Fraud management, disputes and complaints
Operational dashboards
Recoveries and third-party agency management
Document storage
Compliance
Early stage collections and funds transfer
Deceased customers
Strategy data exchange
Dialler and telephony integration
Provisioning, charge off and write of management
Late stage collections
MIS and reporting
Hardship management
Customer self service

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This paper focuses on one of these use cases and is especially relevant for banks that are able, under codes of banking practice or local legislation, to digitally transfer or offset funds as part of the banking service and T&Cs the customer agrees to.

Previous Current State

Under the old Collections infrastructure, any form of automation was heavily reliant on the use of macros and manual processes and checks.

In the case of funds transfer, a macro was used to scrape information from the source system for information relating to the deposit and loan product. This application assesses approximately 3,000 installment personal loan accounts in a run (~120k in Collections at any one point), prior to PowerCurve ANZ did not have a solution for Mortgages (unlike Personal Loans). It relied on Operators to manually complete the process on behalf of customers.

There were 4 major flaws identified:

1. Due to the time it takes to scrape information for each account, the overall population was quite limited to high risk and high delinquent accounts
2. The process was heavily resource intensive, as each potential funds transfer was manually reviewed and processed by an Operator
3. Due to accounts being manually reviewed by Operators, the possibility of discretion and judgement meant there was an inconsistency in the rules being applied
4. The data being scraped from the source system was limited to 14 fields. Any enhancement to the macro, to get further data points, was quite onerous and challenging.

How funds transfer works in Australia - current vs under the PowerCurve ecosystem:

Due to the vast amount of information being consumed within ANZ's Credit Risk Data Hub (CRDH) it allowed users to create a fully automated end-to-end strategy, that not only meant an increase in transferred volumes, but due to the richness and accuracy of the data, a more transparent and accurate process. There were 4 significant benefits with this new design:

1. Unlike in the previous current state, where data was only being consumed and used at the account level, CRDH allows strategies to be built based on account, customer and group level. The following complex configurations have been engineered within CRDH, through a combination of account, customer and group level information. These configurations have become a direct input into the decision engine, allowing the strategy to flow seamlessly end-to-end.

Government Transactions in the Deposit Account



Previous Current State Process

A time consuming macro would trawl through transaction descriptions to identify government payments. Although there was a reasonably high level of accuracy, the time this process took, reduced the overall effectiveness.



New State Process

CRDH calculates a government transaction field at the customer level. This information is obtained at batch, meaning the exclusions can be completed at the start of the day, ensuring the funds transfer process occurs in a timely manner.



Benefits of New State

- Compliance
- Customer experience
- Delinquency benefit

Direct Debit in the next 2 days on other loan



Previous Current State Process

There was no inbuilt process to check of upcoming repayments across other facilities. By not having this process inbuilt, it often led to rework.



New State Process

A group level assessment is conducted every time a funds transfer is completed, ensuring that no other account in the group is expecting a direct debit in the next 2 days.



Benefits of New State

- Compliance
- Customer experience
- Less internal rework

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2. There is no manual intervention required. From the source data acquisition, eligibility assessments within the Decision Engine (PowerCurve Customer Management), files being processed by the Payments System, to notifications being sent to the consumer, this is all completed automatically without any resource requirements.
3. Although there are numerous exclusion rules in place, the full portfolio is assessed for funds transfer opportunities, enhancing the opportunity to reduce delinquency on these accounts.
4. The flexibility within CRDH and the Decision Engine allows for greater opportunities in the future, as strategies can be refined and enhanced due to data availability.

ANZ ensures that the customer is left with a balance in the account as part of their logic for accounts that are nominated for direct debits (Overdraft limits are excluded from the 10% and exclude any account that has had a funds transfer in the last 7 days).

All major exceptions are excluded (Insurance, Hardship, Fraud, Bankruptcy, Deceased, Complaints, Sensitive, Natural Disaster, customers post hardship under a 6-month repayment process before re-aging), as well as any account under arrangement.

Summary benefits

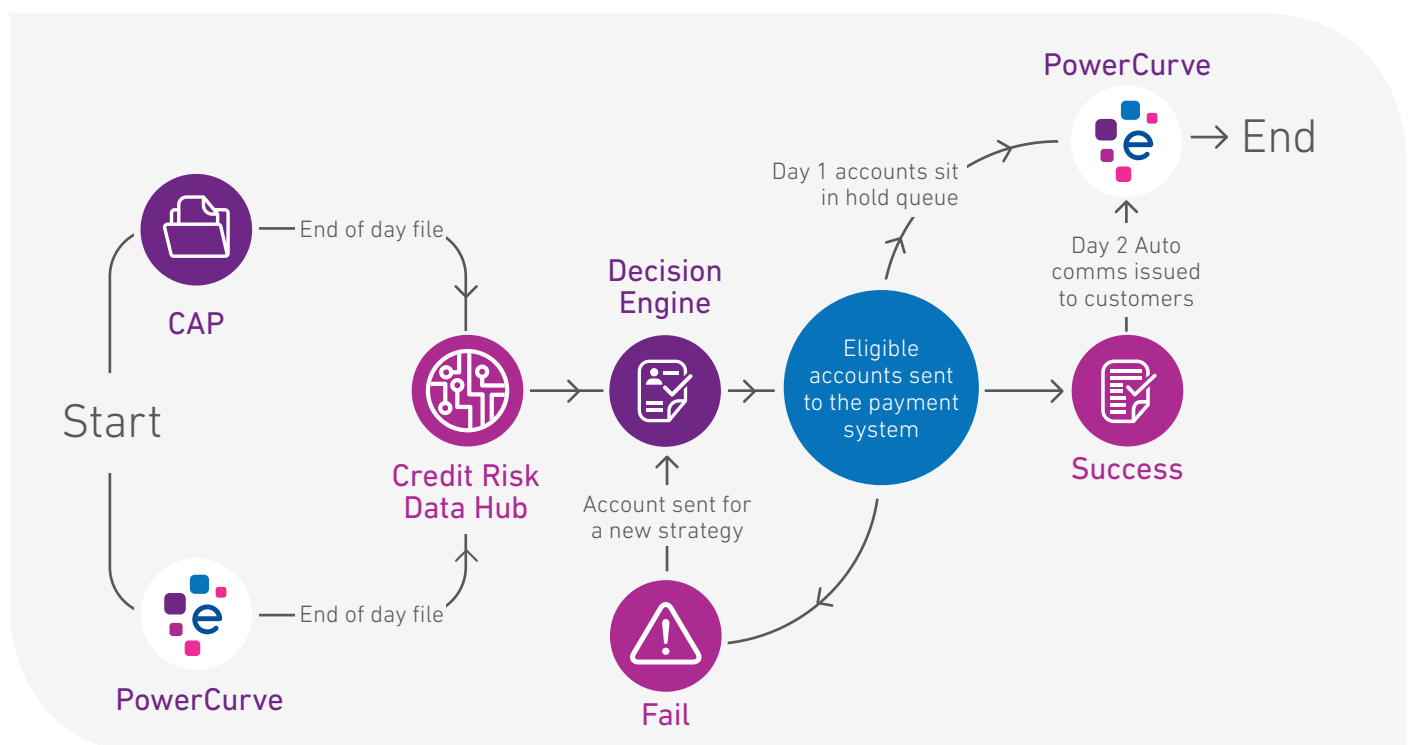
(using a Personal Loan and Home Loan actual examples)

Personal Loans

Using the previous collection system and manual processes accounts less than 30 days delinquent on average would have approx. 81 manual funds transfers per day to offset the arrears (average amount \$225 per transaction) across associated daily Personal Loan balances of \$1.09M. For customers greater than 30 days in arrears this number was approx. 16 manual transfers per day with an average transaction value of \$406 across associated balances of \$204K.

Automating this process as part of PowerCurve Customer Management and PowerCurve Collections ANZ has seen a 102% increase in identifying customers (less than 30 days) that can have a funds transfer of \$186 on average across a daily arrears balance of \$2.1M (97% increase). For accounts greater than 30 days ANZ has seen a 127% increase in identifying accounts with an after daily transfer of \$356 on average across a daily arrears balance of \$446K (118% increase).

Personal Loans – Offset/MPP Process



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Mortgage Loans

Using the previous collection system and manual processes accounts less than 30 days delinquent on average would have approx. 12 manual funds transfers per day to offset the arrears (average amount \$1,695 per transaction) across associated daily Mortgage loan balances of \$5.6M, for customers greater than 30 days in arrears this number was approx. 11 manual transfers per day with an average transaction value of \$1,907 across associated balances of \$4.9M.

Automating this process as part of PowerCurve Customer Management and PowerCurve Collections ANZ has seen a 356% increase in identifying customers (less than 30 days) that can have a funds transfer of \$747 on average across

a monthly arrears balance of \$282M (251% increase). For accounts greater than 30 days ANZ has seen a 7% increase in identified accounts with an after daily transfer of \$1,650 on average across a Monthly arrears balance of \$72M.

This has resulted in a 5% decrease in the 1-29 day arrears bucket for mortgages, 86% of customers remain current 30 days post the transfer.

Not only does this process provide a way to ensure operational activity is minimised, this process also improves associated arrears reporting by identifying more accounts to cure, minimises collection provisions by stopping the role through to higher arrears buckets and reduces capital requirements. Finally, there is also a customer benefit by automating the funds transfer that arguably occurs as part of a collections phone call or customer contact.



“Automating the funds transfer process through PowerCurve has more than doubled the volume of transfers, reducing operating costs, arrears volumes and consequent provisions and capital charges. Due to the richness and accuracy of the data, a more transparent and accurate process has been established, resulting in a consistent customer experience in regard to collection management.”

Jason Humphrey, Chief Risk Officer

About the author

Jason Humphrey is Chief Risk Officer for Australia at ANZ. This role is responsible for the delivery of credit risk life cycle strategies from the point of acquisition through to collections. In this role, key performance indicators are around capital and provision improvement strategies to loss, simplification and returns indicators.

Prior to joining ANZ, Jason was the Head of Retail Risk for GE Capital Asia covering Australia, New Zealand, Japan, Korea, China and India.