



Case Study

How do you maximise ROI from an aging portfolio of consumer regulated debt?

The DCA sector is often criticised for processing only those debts which offer least resistance to collect leaving the lender to recover the more difficult debt by second placement at high fee percentages. Partnering with a DCA which adapts its work flow to the nature of the debt means a lender can lower costs and maximise collection rates and thus ROI from a debt portfolio.

The problem

DHR Capital Limited acquired the debt portfolio of the liquidated pay-day loan company Toothfairy Finance. Toothfairy Finance had collapsed with heavy criticism from the Office of Fair Trading (OFT); at the time the OFT was responsible for regulating the consumer credit industry.

As a consequence, many customers believed their debt had been ruled illegal and therefore written-off and thus they believed that they had no commitment to repay either the capital or interest.

After placing the portfolio with a traditional DCA for 18-24 months DHR Capital

approached ACS with the request for help to recover the debt still unpaid.

When ACS received the portfolio it comprised debt of significant age on which no repayments had been received for a several years. Furthermore since the collapse of Toothfairy Finance the customer community had built strong social networking links and was very resistant to any repayment approach.

The solution

ACS specialises in collecting debt in highly regulated sectors where debtor vulnerability is often an issue. This includes short term loan regulated consumer debt from individuals. Its



work-flow operations are flexible and designed to enable the collection process to be tailored to the nature of the debt and the personality and beliefs of the consumer.

- It eschews the uses of automatic diallers in favour of assigning collect-negotiators to specific debts.
- It follows a customer centric and personal approach aimed at finding a solution for the debtor - this results in high collection rates and better customer experience.
- It places emphasis on understanding the customer community beyond the demographics of the individual customer to include broader community issues.
- It uses this understanding not to reject or prioritise specific customer types but to inform its communications with the customer so that they feel valued and understood.

The traditional approach to collecting consumer debt is to write scripts and design work flows for the type of debt and the demographics of the consumer.

ACS's approach extends this by developing scripts and work flows informed also by the perceptions, beliefs and influences of the consumer. This more detailed insight allows collector-negotiators to respond to objections and relate to the customer with greater focus and empathy than in the traditional approach.

Advanced Collection Systems

Established in 2000, ACS provides credit management and debt collection services. Further information and resources including copies of "How To" guides are available on its website.

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The outcome

The Toothfairy Finance debt portfolio continues to generate a return for DHR Capital. This has been achieved through amicable settlement - more than 50,000 written communications have been sent to customers, none have resulted in complaint to the regulator.

Tony Slome, Operations Director for DHR Capital commented,

"Whilst operating within the FCA regime ACS have proven to be a formidable player in this highly competitive sector and I would not hesitate to recommend ACS to any lender or debt purchaser."

The key to successful recovery

ACS attributes this success to its strategy of personalising the collection process for the customer. Its processes are informed by detailed research of the customer community.

In the case of the Toothfairy Finance debt portfolio ACS spent time to understand the perceptions of the customers from comments in social media and on the debt forums relating to the collapse of the pay-day lender. This, and a team skilled in negotiating amicably collection, was the key to maximising the ROI for DHR Capital from one of the more difficult debt portfolios in the industry.