Creditors, IVAs and Consumer Duty

Improving outcomes for all

Webinar: 1st May 2024

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So welcome, everyone. And thanks everyone for joining this morning. So today we've got a webinar, this is gonna be talking about creditors, IV A's and consumer duty, and it's run by consumer duty services. And with us today, with us today, we've got Peter Wordsworth, who's the Director of Community consumer duty services, we've got Kevin Still, who's the director of consumer duty services, we're gonna have a video from Ken Doherty, who's see over fin vents where they've done some of that some analysis. And we've also got John Fairhurst and Ellie MacKinnon joining us from Payplan, as well, really, as part of a panel. And what this webinar is really going to concentrate on is, is really what what's the changing landscape for IVAs? And how does that we've had a lot that's changed in the in the market? And how does that change in terms of creditor voting, and particularly looking back in terms of what the impacts be from the consumer duty implementation, so conduce consumer Duty has been implemented, how's that gonna start to impact some of the IVA processes that we look after. And what the team have done is they've got some data, that's really helpful analyse some of the behaviour that's going on, I think Peters going to walk through some of that, and then talk a bit about some of the technology that can be used to really assess some of the IVR challenges that are going on. And then towards the end of the the hour and a half, 90 minutes or so, we're going to have a panel discussion, which, you know, John and Addy have kindly joined us for as deep experts as well, just in the process, really to talk about some of the issues that the data really raises, and what does that mean going forward as well. So there's a lot for us to talk about, I posted something on LinkedIn before Peter. So there's some really interesting data. And I've had a bit of a preview of the data, there's an interesting data, particularly around things like voting behaviour, and what that means from a creditor point of view, which I think was thought through. And just by way of introduction, and Kevin, I know you're going to talk about this, I think in your slides, I just put just some of the what's happened in terms of some of the insolvency volumes there on the bottom left, and some of the conversations we've had around all of the changes and intervention that's happened within this market, be it Google Ad changes, consumer duty that you and I have spoken about an awful lot, and then even more recently, around some of the DRR changes and threshold changes. And I know you're gonna be talking about some of those sorts of what does that mean in terms of a regulatory point of view as well. So with that, Kevin, I was going to hand over to you just to talk through, what's that changing landscape of IVAs, and what does that mean, in terms of particularly things like with a background of consumer duty as well, I just put

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your slides up, I think you're driving me today is keep me on the straight and narrow, if you don't mind. So I've got limited slot. Before I hand over to Peter, we've got quite a few updates very recently, I'll try and put those into context, really in relevance for today's session. And if you can just move me on to my first slide, Chris, then I'll look at this around some of the evolving pitch that we're getting from the regulator, and how this applies to regulated firms. So today is very much around a creditor perspective, rather than an IP perspective, we ran a face to face event on the 27th of march down in grant. And we're begin to get a flavour of where all this fits together, when you look at some of these speeches, that although the duty started from the end of July last year, and we've got another deadline in July for closed products, that affects debt purchases, and many of the creditors this July coming, this message that it's not a once and done, and embedding the Duty has really only just begun, and that you have to be able to evidence as good at outcomes with your vulnerable customers, as you do with your general population is now really being tested. So I think we've gone through a bedding in process and almost like a phoney war. But we're beginning to see now data requests, and we were just talking about that before the session started. And the delivery of sort of key words. Now evidence is fundamental outcomes is another piece of the language that we need to be looking at high quality management information. But in the context of today's sustainability is absolutely critical. Whether that be a time to pay arrangement, whether that be a debt management plan, whether that be a self arrangement, or whether that be an IVA. And when we get on to some of the management information requests for regulated firms, you'll see the scale that this is being looked at. And you've got to describe some of this as big data where the regulator wants a picture of the whole marketplace. And that puts an enormous onus on firms to be able to match that within their own business operations. So we could just move me forward. Chris, please. So looking at that round some of the messaging on corporate governance and everything really starts at the tone from the top. And in the sectors that we're looking at at the moment where we're seeing many instances here, where the regulator is looking at how frontline staff are incentivized, and Is that likely to deliver good outcomes? Is it likely to create conflicts of interest between essentially the goals of the firm

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Which might be profit and shareholder return versus outcomes to consumers? And ultimately the regulator's do, how do you assure yourselves, this is actually happening, particularly if you outsource many aspects of your service. So it is no surprise that this week the FCA have announced in their regulatory bulletin, that they're about to start undertaking a multi firm review. And indeed, just this morning, I've had confirmation that process has actually started. So 400 firms will be selected. And that will be then drilled down to a smaller sample in the old term. And the challenges I highlighted there in red and yellow challenge firms who offer poor levels of support to customers, including those with characteristics of vulnerability. So a term Peter likes to use a lot is looking at the wrinkles within different processes. They've started to look at things like complaint handling, they've started to look at how insurers right off vehicles do they bar to their customers. And similarly in here, RI VAs and niche within the whole arrears management cycle that now are going to generate more focus, but from the creditor side, rather than necessarily the IP side, who are subjected to their own scrutiny from their regulatory professional bodies like the IVA and the insolvency service. So there is very much a joined up theme to a lot of the things we're looking at today. And as a result of that, we've had great collaboration from the FCA, the insolvency service, and the regulatory professional bodies that Peter will talk about. If he can just move me forward. Please, Chris. I've mentioned there's a lot going on, we've just had the latest business plan from the FCA that builds on the three year plan and the plan from last year. And top of the list, basically, the supervisory work is beginning, they're going to look at whether firms have embedded this within consumer support journeys, particularly around consumer understanding. And when we look at about the feeding frenzy that's about to start with regard to motor finance, and discretionary commissions. Not only is it about whether the Commission's weren't explained, it's going to be around the original affordability. Did somebody understand what a balloon payment was, and all the other characteristics of a credit agreement. So you can just see that all of these elements are beginning to take on a really true perspective, both in terms of are you presenting messages that are understood by your consumers, and your fair value assessments, particularly if you've got a debt management for providing advice in advance of something going into the IAV process. We then had PS 24. Two I'll come on to that in a minute. But in terms of transitioning the temporary guidance coming out of COVID into permanent regulations and guidance around borrowers in financial difficulty, we also have the review of Dell vice rules, again, with direct cross reference with the vulnerability guidance, which is also under review this year, across the whole market.

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I should have highlighted the persistent debt rules, particularly recently as several card providers have reduced their minimum payments. And there have been many challenges as to whether that aligns with the consumer duty objectives. But the final one is particularly relevant. And what we're seeing is a lot more cross sector collaboration. So the UK regulators network covers the likes of OFGEM of what have come, as well as the FCA and government and are also looking at around telling me once tight strategies where people have got multiple debts, and I'll cover that in a little bit more detail. The slides are available after today. And I've tried to embed the key links that are relevant to all of this, including recent updates to the vulnerability guidance plans for this year. And the UK RN and FCA regulation notices about debt recovery, particularly with people with multiple debts. And there has been very recently a consultation around updates to the financial crime guidance as well. And victim survivor is another key area that they're talking about. I'll touch on that in a minute. If you can just move me forward quickly, Chris.

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So we talked about the vulnerability guidance review. The bits I've highlighted in red I think are particularly relevant and that relates to frontline staff. So the skill and capability of staff, their understanding their explanation are all good messages around delivering sustainable debt remedies. And we need to look at all of this not just necessarily the IVA proposals, whether something has been mis sold, but every element of it that makes a

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proposition sustainable. And that will be your financial promotions and then Neil journey into a suitability statement that says, This is how we have holistically reviewed all of the options available, and how those align with your objectives. And where we're dealing with people in vulnerable circumstances. How is that effectively delivered, so that we can evidence the was good understanding, at the point that a recommendation was taken forward. I've put a little bit here around closed products, because that's super relevant for the deadline of the 31st of July. But it will impact different products in different ways. And for the context of today, we have a number of debt buyers on the circulation, and many will have acquired cases well before the 31st of July 2023. Those cases come into scope at the end of July. So some quite significant portfolios that this becomes relevant to. So if you can just move me forward, please, Chris. So I've just mentioned the UK RN, joint regulator communication on the right, I'm not expecting everybody to be able to read it is the letter from June last year, there's now a replacement one that came in from the 18th of March. The FCA have also updated their financial lives data, which is still saying there is an enormous number of people with multiple creditors who are struggling, who have very low financial resilience. And we constantly then get what can we do about this particularly relative to things like deficit budgets. So income optimization, benefit checking social tariff eligibility, are all becoming the norm at every stage of the customer journey, not just in arrears and debt advice. But increasingly now, in terms of onboarding journeys, which will be very relevant to some of those dealing with those financial resilience clients, like the credit unions, and indeed some of the risks that may be faced in terms of consumers going to illegal moneylenders and how we employ financial education to make sure people are aware of their options. If borrowing more money is not in their best interest, you can just move me forward, please. So there was some surveys run last year. So wave one and wave two, both reports came out for 2023. Wave Two earlier this year in February. And inevitably, these are aligned with speeches by the FCA notably sub Sheldon Mills, and his art of the possible speech on the 20th of February, there is a wave three. And what the FCC is trying to do is determine from small firms, whether they're really getting the message and more importantly, whether they've acted upon this. So at the very top, you can see from wave 280 9% Consider the duty relevant to their firm, which bear in mind they're a regulated firm ought to be close to 100%. But it's significantly higher than the 58% in wave one. What is slightly worrying though, is when you look at the percentage that have actually completed their end to end customer journey, which is less than 50%. And probably more telling in the debt advice sector 7% Didn't think that the vulnerability management was applicable to their business model. So it's quite clearly there's some way to go. But there is a lot of focus now around financial promotions, communications, particularly in the sector I represent, where firms may have a commercial profit seeking intent that only 16% have completed this journey, which when Chris reference things like Google, the debt packages ban from last year, everybody should be pretty clear in their own mind. And in February, this year, we had the introduction of financial promotions, approver permissions. So if you're approving, advertising on behalf of somebody else, outside of your group, or appointed representatives, is very relevant. And we're seeing a lot more mystery shopping from the regulators around this now. So it's a big joined up picture that we learned to look at. But then going on to that into pre contract information and contract reviews. We'll see in a second that this is still very much in its infancy. And I see this as a big trip wire as we go into the concave review for the debt advice sector, where we need to be looking at all of this joining up with the creditor sector where some of the recent communications around borrowers in financial difficulty. look at whether consumers are confident in terms of their journey into debt advice, but that is equally applicable to creditors as well. The conclusion was outcome monitoring is still the hardest item to implement. I would probably suggest that

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Fair Value assessments are as well, if you can move me forward, please, Chris.

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Now, just to put this message into context, one of the questions there was, to what extent if at all have you made changes to contracts with new or existing consumers to meet the requirements of the consumer duty. So for debt solution providers, this is critical. And you can see here very worrying situation that 62% have actually not started. And we are really some way into the existing open cases. So I think there has been an element of forbearance from the regulator, but I think they will continue with their view that these are our expectations. And that is going to be applicable into all areas where they've highlighted and you can see here different sectors as to how far they've embraced some elements of the duty, high cost lenders will feature inevitably in this as well credit brokers, in terms of their appetite to introduce where borrowing may not be the best solution for an individual. So if you move me forward, Chris, please. So the DLCO letter that came out in March to a number of consumer lenders, including the credit unions is very relevant, because within it, they've highlighted a number of areas of concern. Some of those I've ringed on the right there. But I've also picked out some selectively extracts, where the FCA look at what they regard as sludge practices. In many instances, these may be firms trying to drive down cost in order to maintain financial resilience, but that how that aligns with delivering consumer outcomes can often become very obscure. So use things like AI and open banking. Is it an OP x objective? Or is it actually an innovation objective to complement a lot of the other areas that they may be looking at, to deliver tailored journeys to different customer cohorts, we're seeing that also aligned with financial crime, cyber resilience, operational resilience are going hand in glove now with some of the vulnerability management challenges, and they've highlighted victims survivors. But equally, we're seeing some of those actually, looking more like they're a conduit for crime, money, mules and the similar, but also within this sort of economic abuse, economic crime, as well as illegal money lending are fitting into these categories. So those firms typically dealing with the bottom quintile of the UK society, are likely to see more of these types of clients. And that can become very relevant to this whole holistic view of how you undertake and set up your risk management framework. Be in terms of Peters segue today, I think the key element here is you need appropriate governance in place effective oversight. And that needs to be incredibly data driven. So a lot of the things we're looking at today is not just looking at sampling of one in x, it's how you have a view that all your outsourcing arrangements, your whole end to end supply chain is under control. And you understand where the highest areas of risk actually are. If you can just move me forward, please.

18:27

So there are a couple of elements that are identified explicitly in that letter. And at the time I did this presentation, first time around, which was just over a week or so ago, we were in the situation that we were still waiting on these policy statements, two of them have now landed. So particularly in relation to PS 24. Two, which is borrowers in financial difficulty. firms. Now I've got until November to implement a number of factors, which includes better collaboration with the debt and vice sector, more robust affordability assessments, and treatment of vulnerable customers, where they put a big cross through particularly in particularly vulnerable and open the spec spectrum of risk right up to just a generic vulnerability, where the FCA his view was from the sample from July, this still represents over 50% of your book. Now, reality says that, and John may want to comment on this later. When you drill into this. It's a much smaller percentage that need tailored forbearance, but you still need to identify the individuals that require that. In addition, there's what's called product sales data that was consultation closed last November, and they have moderated this I have to say, in response to a number of trade bodies. My trade buddy did respond to this. But this is data at the whole portfolio level, every single credit agreement from onboarding and then every quarter puff

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formance data, and that performance data includes debt remedies like IV A's, but also DMPS as well. So the likelihood is the regulator's going to have a much better view of the journeys, whether there are poor journeys, and there are poor outcomes. But for the first time, probably better data beyond the credit reference agencies into that journey into debt remedies. And the advice process just before two of the late withdrawals were data around vulnerability, and data data around whether somebody had sought debt advice. So I think they viewed that as too complex, there were a lot of push backs from creditors. Nonetheless, the product sales data, if you haven't seen it, is well worth a read because it's directly relevant relevant to what we're talking about today. We just moved me forward, please, Chris.

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So just as wind up and provide a segue into Peter, the March insolvency figures have just come out, they've shown a bit of a dip in terms of the IAVA volumes and even breathing space took a little bit of a dip. But what we're beginning to see is IV A's sort of around upwards of the 55,000 a month mark, breathing stays still heading as a trajectory, upwards of 8000 a month.

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The Dr. O changes. And again, I don't want to steal any of John's thunder, he commented on this at the last face to face event, the impact of removal of waiving the fee, which took place the beginning of last month, and the increase in the limit, both of level of unsecured debt and the vehicle allowance from the end of June. So there are a number of things going on, some of which can influence the overall picture. And I'll leave that to some of our experts a bit later on. I just finally take one of the slides if you can move me to it please, Chris, that Dave Holland from the IVA presented at the face to face event. To put all of this in context, from the volume IV providers represent around about 250,000

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IVs. As at the end of the last year, there is a very significant amount of debt 6 billion under management, that average disposable incomes are around about one pound to 125 pound a month on a debt balance of 30,000. That varies from provider to provider. But there's a remarkably low number of homeowners in that I think Dave remarked that was 10% the latest step change figures suggest there are 18% and I attended a money plus event last week, where their homeowner book is more like 33%. So that is one of the elements that we discussed at length, the last event, why are there some are so low a number of homeowners. And I hopefully the guys today can shed some light on that. So that's my part. I don't know whether I'm on time or not. Christina, ultimately, you're pretty on time. But I have a question. Actually, I suppose one thing which was so it seems if I was to summarise it that the FCA has done some surveys, it feels like the rollout of consumer duty probably hasn't been as fast as they would want it. So it's probably slower than then the implementation has been probably slower, relatively was desired. But the supervision is increasing. And so that's why they're recognising that and they're doing increased supervision to basically go in and start to look through each of the elements. And they're also producing introducing new regulations. And there's evidence in pieces just so it's almost like the temperature's rising in terms of that implementation, checking implementation and making sure your data correct in terms of understanding what the impact is in terms of consumer outcomes. So it feels like we're in this sort of like increasing temperature kind of environments at the moment and across the whole of the the customer lifecycle. Yeah, just to put that in perspective, the product sales data was originally a deadline at the end of this year for the big bank book, they have given a small concession of six month extension for large firms and a slightly longer extension for smaller firms. So there is an impatience there to get more insight. But there's a recognition and hence the pushback by large firms and trade bodies, that we've got a lot on our plate at the moment with operational resilience and other challenges that give it give some firms a chance where the cost of compliance is rising and rising. Okay, okay. And I suppose the product sales data acts as a bit of a backstop, which is then the regulator's then got the day to then be able to then be able to double check as well, which was a bit of an aha moment for me. So Thanks, Kevin. I was gonna move on to Peter. Now, Kevin, no, you're going to you're going to drive on. Okay. It's Peter. So you're going to talk a bit about what that means in terms of the creditor voter and some of its current creditor voting sorry, and some of the data that you've been able to look at it with consumer duty services. Yeah, thanks, Chris. Okay, so today, following on from Kevin sort of update, just wanted to talk about the changing landscape for IVAs, because today is very much we'll

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Looking at this very much to whether to a creditor lens, we've got an IP event on the 15th of May in Manchester, we'll be looking through this very much to the IP lens. And and then we've got a number of IPS on attending today. And they're very welcome. We are what this is today. So looking at through that lens specifically. And what we wanted to highlight to creditors because you know, a lot of creditors who use outsourced their voting sort of pieces are a little detached or removed from the IVA piece, and wanted to talk about what is what has happened, what has changed. So they can understand the context in what where they are today, why it's very different from where they've been maybe for the last sort of five to seven years, and what they need to think about doing in light of that. So that's very much sort of the focus for the day.

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But before we start looking at what's changed, we thought we'd take a quick look at what in terms of the market, we've been through a very, we've been through sort of five years a quite a quite a hot market in terms of IVAs in terms of growth, we see that in this graph here. And from a creditors point of what is what it was quite a pain, quite a painful period for that sort of 2016 to 22, we saw significant growth in the volumes of IPOs that were substantively driven by the use of heavily incentivized introducer firms. And that's something which the which has now been looked at as we'll talk about in a minute. That drove a surge of volumes in terms of IVAs, we saw a reduction in the value of contributions. And mixed in with that we did see some some poor practices evolving, as we often see in an overheating market, or we saw allegations of MIS selling, we saw some quite defensive positions being taken by creditors in light of that, and some quite negative views in terms of IVs being taken. And we saw increasing failure rates, the latest sort of insolvent figures out there, current failure rates about 33%. So we are we haven't been in a great place from a creditors point of view. And we've seen quite a lot of stock disengagement as a result of that. But I think it's really important as we look forward to where we are today and how we need to change things in the light of those changes, because we are in a very different world. And we were even as recently as 2022. Given we just go on to the next slide, please.

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We wanted to see where as a result of that said, where we'd got to in terms of voting. So we started to take a very data driven approach to the analysis. And for the first time, we were very grateful for the cooperation, we want to take a data driven approach we needed to secure data, we were very grateful for the support we've received from a number of the larger IP firms across the industry to give us a data significant sample size to look at this. So this analysis is based on close to 100,000 IVAs, going back to 2000, sort of 17 up to 2022. And we're looking at what the voting practices have historically been. And what we see across all accounts is quite a consistent view across the three major sort of voting agents with a sort of 60 to 60, sort of 68% approval rate. But I think the thing that surprised us was not so much as a 17 18% rejection rate, but that one in five, so about 20% of all accounts are not getting voted on at all. So we see that as evidence of some creditor apathy, having crept into this, this is a sort of a can be quite an intensive process. So we were surprised to see the level of non voting taking place. So I think that it was that was the first surprise for us. We then did some analysis to look at what would happen, how was that impacted where creditors had a blocking vote. So where they had where their combination of accounts, gave them a sort of 20 25% vote, so they were able to effectively block it? What impact did that have, there were some quite surprising results from what we saw. The first was that we saw a massive reduction in the rejection rates from creditors creditors, where they were their negative vote would effectively mean that the denial of the IAVA or the refusal of the IVA seemed much less willing to actually reject their rates. So we saw the sort of rejection rates dropping from circa 18%, down to two, two to 5%. So a significant drop there. We also saw perhaps not surprisingly, a reduction in the no votes failed from 20% down to sort of 14%, so 25% reduction in that in those nonvoting cases. So it appears two things were happening here to us. The first was that when creditors were put in a position whereby they were potentially having their finger on the trigger, they were less willing to negatively vote. And thirdly, that they when they actually were they were actually had to focus on this a little more, they were able to vote on significantly more cases than they had historically done so. So that was quite informative in terms of what was happening. We then looked at equity

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and how creditors were treating cases with equity. And where we saw the equity was less than the debt value, are we sort of pretty consistent view across all the three agencies. And with a sort of relatively high approval rate and a relatively low sort of projection rate, we're taking out the Restrict out the no votes in this to make it clear with clear review of it. What we saw, however, when there was equity was greater than the debt, we saw a significant change in voting behaviour between particularly two of the sort of the voting agents. And this is very important in terms of the future for us going forward. Because for a number of creditors, and for a number of people who are on the call today, they will either purchase portfolios that are placed with different voting agents, or they will have split their portfolios across more than one voting agent. And I think what's going to become very difficult for them is that if they are seem to be voting for on one account and against on another, it is very difficult to put that in, put that into a consumer duty environment. So I think there is cause for concern there in terms of perhaps looking at more harmony across your voting strategies and policies were those more than one out voting agent being involved? Okay, so that is where we are today. The message key message from consumer duty services today is that it's really time for a refresh in light of what has changed. Historically, we know that we've got voting taking place on well established and published policies from the voting agencies, IPS, know what those policies are. And what we're seeing is sometimes I think John can may comment on this later on, we're seeing proposals not missing accounts not being proposed for an OVA, where they know that those fall outside of established voting policies, and that, again, feels quite counterintuitive. In a consumer duty environment where we've been through a full debt advice process, we have identified this as being a good outcome or the best outcome for the consumer. But we know it falls outside policies for certain creditors, and therefore they're not getting proposed. So I think that is something that's quite hard to sit in the new world. We don't judge or make any opinion on that in terms of where historically, creditors and their voting agents have been. Because we're looking at that in the context of where creditors and voting agents were in the result of that sort of overheating market. And we've seen, as we said, some kind of defensive policies being evolved over time. And also said it was we've seen from the non voting, we've seen some pretty clear signs of creditor disengagement. So we don't make any sort of criticism of that, because that is where we were. And that is perhaps understandable in the context of what we've historically seen. But I think it's really important as as day to day that we're taking creditors take a very fresh, look at this, understand what those changes have been a while there's changes that have taken place, and to refresh their current practices in light of that to ensure they remain compliant. So what are those changes? If we go into to look at those? Clearly, as we've referenced, already, we've seen the introducer firms were being been banned. And we know that there are certain practices out there that perhaps looking to circumnavigate those or whatever. But certainly that's had a significant influence in terms of the volumes and processes being deployed. The insolvency service has launched an investigation into the alleged mis selling now we know that publication is going to I think when we last spoke to the insolvency service carbonated stretching to come out with their their report probably in about July of this year. So we'll see what that has to say. But it's certainly something that now they are focused upon. And obviously all the IPs are aware of that. And I think that is focusing everybody's attention is in that regard. So I think we will see better practices going forward. We've seen a significant drop in the volumes of IVAs back down to really 2017 2018 levels, as Kevin said earlier on there now around about 5005 and a half 1000 cases a month is where we're seeing so back to sort of 2017 2018 levels. We're seeing the treatment of equity being simplified and protocol IVAs, we're looking to there's been a lot of work done by the insolvency service and supported by the IVA in terms of looking at how they can change treatment of equity to simplify that. So it's easier for consumers to understand that. And as Kevin mentioned, we've seen a significant increase in the Dr. O limits and car valuations and the abolishment of feet of fees. And we expect that to squeeze the sort of bottom end of some of those IPOs that we saw being pushed through in the heady days of 2022. And finally and perhaps most insignificantly consumer Duty has been introduced and when it when consumer duty was first was being rolled out and being discussed and we are looking at their implementation plans.

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There was a little debate within the industry about whether this actually applied in respect of IVIG is regulated not by the FCA, but by the insolvency service and by the regulated bodies. And that was something which we specifically asked directly to Sheldon Mills, when Kevin and I were attending the stock change event back in September.

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And we got a definitive, we wanted clarity on that we thought it was really important for the industry to have clarity on that. And in fact, in March of this year, we got a written response. Back from the FCA, we've been working with them, sharing a lot of data sharing analysis with them. And our engagement with them. It has been interesting and working with the insolvency service as well. And they came out with a very clear statement that in response to question, which was does consumer duty apply to the FCA regulated? Doesn't consumer do to apply FCA regulated firms when they are voting in it a proposal or variation? They were very clear that the FCA did expect firms to satisfy themselves their procedures took account of their obligations under the duty to deliver good outcomes for the retail customers. Okay, and that was in line with the cog seven. So there's no doubt that creditors voting have to consider consumer duty and all those implications of it and evidence that I did a lot of change. And I think in light of that change, it's important that creditors now need to reflect on what they need to consider in respect to voting, which perhaps they haven't had to consider previously. So in the New World, which we're now in, what have creditors got to consider that they haven't previously had to, we've now got to consider the consumer outcome in the proposal. And in terms of that, it's one of the fundamentals I think, is that we can appreciate that an IV, which fails within the first sort of two years, or early in its life is a poor outcome for the consumer. In reality, it's also a poor outcome for the creditor and also a poor outcome from the IP firms. So it is to looking at the weather the likelihood or the sustainability of that IVA, and whether when we're voting on it, how are we voting beside which we believe will deliver a good consumer outcome, which will be a completed IVA in terms of that, if that is what the bit considered to be the best solution for that individual. But regulated firms need to evidence that consideration. So it is not simply enough to say yes, we've we've considered that. And of course, we've considered that. But as we all know, the FCA is very data hungry, and it's very data driven and wants to see firms able to point to data, that evidence is that consideration, and then shows how they are measuring their actions in the light of that data and the use of that data to improve future outcomes for consumers. So the challenge, I suppose was how to deal how to deliver that without significant additional cost of administration. Because, as Kevin's already alluded, with the burden of compliance, post consumer Duty has grown significantly. And creditors already have a number of challenges on their plate in terms of product sales, etc. To deal with what we had what we said about in consumer duty was to develop a score, which could be deployed into the market cost effectively, without a significant requirement for development, it resource etc, or new supply arrangements, all of which would be very challenging in the current environment. So we

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look to develop an integrity score, and we've spent the last six months being being developing that. I can't see that Kevin, but I presume it's still sharing it sharing the screen. I think all the slides, I think I think we're going into the recording, aren't we?

38:53

Yeah, sorry. I've got for those that there was a few more a couple more slides, Kevin, I think in terms of that, but if you've got if you haven't got those, I'll talk briefly to them. So we had, okay, so what we were talking about is why we would incorporate that into why you and why you creditors would introduce the integrity score into their voting practices. We've talked about compliance with the FDA requirements. Significantly, what we're looking to do is deliver better outcomes. But the result of that is this is a commercially driven sort of piece in terms of if we have more sustainable IVAs being approved. If we have fewer unsustainable IVAs being produced being proposed or being approved, then we will see better returns from those more sustainable IVA accounts. So there is also a commercial element as well as a as well as the compliance element to this. So I think that's very important for us to bear in mind that this should be about improving returns for all parties in terms of the IVR accounts and their completion. Finally, there's one last slide which I just want to talk to briefly about

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And, and that was a conversation we've had with all the voting agents because we have had a dialogue with a number of creditors, a number of IP firms and all the voting agents in terms of the integrity score, because we're looking to work with the whole industry to get this deployed. And one of the conversations we always have with those voting agents and with those creditors is why wouldn't we simply use a score that could be developed by one of those by their existing voting agent. And the answer to that, and which everybody has got their heads around is that the score has to be wholly independent. In our view, there can be no implied conflicts. So we are not a servicer of the VA, whether it's approved or not, we have no vested interest in that outcome. Not saying there would be any conflict. But I'm saying there is important there is no perceived conflict.

Transcript

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This is hard and difficult, I think is probably as we'll see from the slide, again, presentation. This is an area where we have worked with events very closely to develop a highly predictive score. And that is hard, difficult and not inexpensive to develop. We've developed a school that is voting agent agnostic, so we're looking to vote with all the voting agents on this. And that is, I'm delighted that we had all the voting agents attending our first event in Grantham. And I know we've got Jason on this morning from evolve as well. We are looking to work with all the voting agents that will enable us to give a consistent single view of the customer across the industry that will be important for those debt purchasers. And those creditors who have split portfolios using more than one voting agent, to give them a consistent score and a consistent view of the customer across their portfolio. Finally, I think the two last points is that this will be deployed via the voting agents so that this does not require a new supplier relationship does not require significant IT development. What it fundamentally requires is an update of the voting the IVA voting protocol to ensure that's compliant with the consumer duty and incorporating that score. And to work them with a voting agent in terms of deploying that to vote in accordance with that. And that's what the voting agents ultimately want. They are they will sell tell you time and time again, that they are not there to advise you, they are simply devoting in line with your instructions, as it were. So to simplify that and develop an compliant voting protocol in light to the new environment, I think it's the key message from today. And finally, I guess is that it's how, after about six months of work, it's already in production. And we're now under the sort of testing phase of it. So it's a I'm delighted to say it's a product we should be looking to roll out in the next quarter of this year. And so it is something that is will be readily available to creditors moving forward. So without that, I think I'm now at my time limit, Chris. So unless there's any questions that you want to raise, we can drop over to Ken's sort of video to explain a little bit more about how we went about developing it. Yeah, so we'll, we'll drop over to the video. So Ken can't be here because he was actually on vacation. I think it isn't up to so it's but we what we did do is we did record something earlier. So we've got a video where he explains some of the background around some of the analysis that you guys went through. And then we ask them questions and stuff really at the end. So I'll just set that up, and we'll play through it. That's great. Thank you

43:33

Webinar: 1st May 2024

Transcript

Ken Doherty here from Finn Vance, and we're delighted to be working along with consumer GT services on this project as their as one of their main technical leads. And consumer duty services really approached us with a challenge. And the challenge was to develop an algorithm that can predict the success of a proposed ABA. And we've internally labelled that this is like a de zero sustainability forecast, often IAVA. And it was the ambition is really to get a early indication of what is going to be a good outcome for consumers. So that was really the challenge that they proposed to us. Maybe just before I get into the detail, you might ask why us why even Vince, some may or may not know office before we used to be working in a company called cerebri. And but we're now trading as Finn, Vince. So guess maybe that might ring a bell. And we're very much a data science and analytics company. What we have quite a little niche in the fact that we've specialised in the Aava debt recovery, debt management sector

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for the past 810 years as a company, it's having that intersection of good sort of data science analytics skills, coupled with the industry knowledge, I think is where we pride ourselves on our sweet spot and I think quite we're quite well suited to to take on this

45:00

Project we do have experienced in from both the AP firm side of the industry, but else also then on the creditor side of the industry. Some of our staff members have worked in some of the voting houses in the past before. So we do have that sort of holistic view of the whole industry. But to get back in circle back then to the challenge that was for us and the need for something new. So I always just pulled a few statistics from the insolvency service published data. And the graph here, as you can see, it's the actual data from the insolvency service, it's the probability of failure in an IV, and on the x axis is the number of months that the case is registered. And you can see this quite high peak at around 12 to 14 months, saying that this is the most vulnerable time and this is where the highest probability of failure happens.

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Overall, the industry is operating at about a 33% failure rate. What really the AVI integrity score is all about target and these early failures.

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It's only recorded in insolvency service data at around 12, month 14. But that's there's going to be a little bit of latency by the time it gets registered. So actually IVs are becoming an unsustainable area, then this probably around month six to nine, and then to month 12. And it's a lose lose situation for everyone, the consumer is not getting a good outcome, they've barely got into their arrangement, the IP firms and carved out a lot of effort and cost getting them on board at that stage. Creditors haven't yet really recovered any or much money from the case. And so it really is a lose lose situation. And this is where consumers at services really want to focus the effort on target, a solution that could help alleviate some of the pressures that are in there. And to do this working with consumer Judy services, and for some very willing AP firms as early adopters, and they've been amazing to work with. And they have shared their whole historic portfolio worth of IVs. So we've collected all the firm's IAVA case data portfolio data, we couple that with, you know our specialism in terms of failure propensity, and our own knowledge and skill set in terms of failure curves. And this has now merged into what I can see in my experience is quite a unique database, almost the first to the industry to be able to aggregate the intimate detail across all the IP firms, and the different characteristics that each IP firm will bring to the solution to supervising and a VA. And we've merged all that together as a as an industry first. This is then when Finn vents and really our skin ethnic skill set comes in. And we have developed a lot of different algorithms. And we've tried out a lot of different techniques to then evaluate this and build a predictive forecast model. The outcome is essentially the sustainability of an ova. But at the proposal stage right at day zero at present presentation, we can assess and grade. What's the likelihood of that been sustainable,

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we would always take the approach no AI and machine learning is always a bit of a buzzword. And it's unfortunately misused a bit and probably by salespeople a lot more than anything else, we would always approach a problem that the simpler is better. And so if you can solve a problem with just some good analytics, then that's the right way to

Transcript

do it. And you should only ever graduate up into the kind of machining layer and even more advanced AI, if it's required. And I guess for this problem, though, there's such an intricate balance that off so many factors right at day zero, right through from all the debtors arrangements, the creditor composition, the AP fair affirm themselves. It is a very complex process. And it's that balance of everything that can have an influence on the outcome. And so it really does then lend itself you were right in the domain of machine learning and AI. And that's why we have gone down that lane as a solution approach. And so in terms of some of the technicalities of what we built, there's a lot of narrative out there that machine learning you can always get a good data scientist to build any model. And that's sometimes the danger of a machine learning algorithm because it will give you an answer about it's very much a case of a bit rubbish in you get rubbish out. If you don't really know what you're doing in terms of the building the models, then the outcome is not really going to be very accurate. And I guess I just put up some of these features of model building that really have to be explored before you get confidence in

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Then what you've done is the right thing. So bias data is probably one of the most common mistakes and one of the most inherent

50:08

things that you know, issues that are in machine learning algorithms. And so we're special attention to detail on bias data. Otherwise, you'll always be protecting the wrong outcome. missing data, when you're aggregating data sources from multiple sources, it's not all going to be consistent, and harmonised. So there's missing data. But there's some clever tricks, you can use get get round to some missing data fields,

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the AP firms influence on the outcome. So we're using historic data as a foundation to build a forecasting model. But obviously, because it's historic, the AP firm's own maybe operations and policies

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have an influence on what the historic outcome was. So that has to be deconvolved, out of a 10. And then algorithm selection as well. There is then a suite of machine learning algorithms out there to test from, and we've done a litmus test on a huge amount of them, and done some good statistical analysis to pick then the preferred and the most powerful algorithm to make use of all this. So just a few just a few features to watch out for when building these models. And that's really an emphasis, you need to know what you're doing. Otherwise, you could be moving on blindly. And so where is this all resulted. So to date, now, through this project, we have through the four firms, we have you made use of 235,000, historic Aava records, and all between the period of 2017 and 2023. And that represents 45%, of the total IAVA market in terms of case volume. So a decent representative dataset has been used to date. And as we move on, this will just increase and get bigger and better. And hence, that's just only an improvement for the model.

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We enrich the dataset that the AP firms give us with other available data and Office for National Statistics does supply in some good additional auxilary data that we can enrich with. As I said, we have tested out a suite of machine and deep learning algorithms. And we have picked some of our preferred methods to move forward for the conclusion of we've now reached a version one model, which is in production. And it delivers an 85% accuracy in predicting the success or failure of a proposed AV. And this is at day zero. So at the proposal stage of an IV, we're confident that our v1 model is at a 85% accuracy of predicting what the outcome is going to be as, as time goes on. And this gets know, rolled out into the industry. And we get that feedback loop from firms who've used it on what the outcome actually was, that accuracy was only going to iterate up. And I'd be confident we'll be able to get up over 90 to 90% accuracy in due course. So in terms of the development of the score, this is where we're at now. And I'll be looking forward to the rest of the project

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can be quite interesting content and thinking most most of the variables that basically drive whether an ova sticks or not within the first 12 months, and what is it that's almost like the key risk indicator or the key risk of it failing. Did you get any insights for that kind of stuff? Yes. One of the really attractive features about going down this sort of machine learning approach is that the algorithms themselves actually spit out what has been the most influential factors in them making their decision. And so we do we have a ranked order of the feature importance. So what features are the most important, and we've already stripped that back down to where something less than 20 parameters. We initially put in more than that, but it's always good to strip it down. And indeed, there's probably as easily a top 12 to 15 ranking of what are the most important features, there is of the proposed dividend which is a reflection on the amount of debt owed, the debt owed overrated as influential their composition. And on top of that, and they in theory, they are somewhat adjustable and nav through some negotiation in terms of

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proposed dividend is somewhat negotiable. You can change some of that you can change someone's age, you can change social demographics, software, just maybe a

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factor in life. You're right, it's there. There will be some outcomes here that will influence either an IP firms or a creditor of an agent's influence on what they can do. And one, one very interesting feature that's coming out

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Is the types of debt that are in the debtors life and then Henson the Aava rate from framlington, down to subprime to pay daily loans, and it's the composition and the amount that's owed within each grade of lending. So if you want to get graded, the tier ones as top star Top Rated five, five star, right down to the payday lenders has been maybe one of the most one of the harshest. So where people owe money is an influence influential feature. And it's almost like a pseudo metric of how they maybe prioritise money, how they prioritise repayments, and then that approach to money pre pre ABA

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can then influence how they behave when they're in an ABA as well. So that's an interesting feature that's coming out. Now, I suppose that's the good part of having a score is because you can manage the complexity and do on a lot on an automated basis, rather than looking through each case manually and saying, oh, yeah, this is the way it has happened with the score allows you to just do it press a button or Off it goes through Yeah, nothing at bulk volume scale. This is where algorithmic based approach can really access. Like there was one of us has had 235,000 cases there, I realised it could take a long time for a very experienced practitioner to scan down through and get the same sort of insights on that volume of cases, I suppose the difficult piece is then how do you detect stuff just like on credit risk in that not to six months or right at the very start, rather than waiting for the 12 month for it to actually mature, which is the benefit the score? Yeah, so our definition of so the eighth and this is where all the way use consultants service data, which is technically fair, terminated ABA, and it has to be registered as such, though the score is an unsustainable ABA arrangement. And we're we've agreed, and a broad consensus now amongst the firm's that if there's been no payment after six months, and there's no other allowable justifiable reason for why the lack of payment for more than six months, that is graded as an unsustainable ABA, so we don't rely on

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the case actually getting stamped as terminated because the IP firms have a

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chunk of time before they act will actually formally terminate the arrangement, even though it hasn't been paying for maybe up to 12 months sometimes.

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Then there's a latency between then if that actually gets published in the insolvency service register. And it skews the timescales. So that's been the definition. So grading anything before six months, okay, is not, we're not at that level of granularity to be able to spot less than six months, but from six months onwards, we are so we're catching the certainty in year one, I suppose then the score still gives you quite a big leg up in terms of flagging, unsustainability much earlier than it would if you're just waiting for the actual faders to come through and be posted. If correct. Yeah. So I guess that's the it's an unsustainable, AV is what we're not necessarily terminated. Yeah.

58:17

So that was that was kind of said, Peter, I'll just come back to you for common because I know we're gonna go on to the panel discussion. But it seems we talked to the start really around consumer duty as sort of a general sort of like raising of the temperature. But then this piece here. And I thought the discussion with Ken was really illustrative in terms of fits into that. How do you evidence outcomes for those for Oliviers. And I suppose the score was then part of that evidencing outcomes. And then also, I think what was interesting was like, how do you then get ahead in terms of whether it's sustainable or not, is it was just interesting chatting with Ken around the detail, I suppose the date, the date, the details in the data, and how you can use that to then get extra insights in terms of whether something is sustainable or not, which I thought was cut. That was interesting. But you can see how it's like flowing through and being able to use this to add additional evidence around looking at out for good customer outcomes. Is that fair? Yeah, I think he's absolutely right. I was speaking to a major creditor yesterday. And they were saying that consumer duty is front and centre for them, obviously. But one of the areas that is really difficult for them is at that evidencing that data and that provision of that. And one of the things that they were excited about with the school was this gives them a very clear data point and evidence to demonstrate that consideration. And Ken is absolutely right. In terms of the video, what he's saying is, we built this score with a view to creating a day one view. So at the stage of the proposal, what is the what is it? What is this? What is its probability of being a sustainable OVA, and the focus on not relying on the registered failures, I think is also really important because that gives us a realistic view of where that goes. So we've all been in the industry for a long time, but that's no less with the work we've had the support we've had from a number of the major IPs and from the creditors to build something I think that really

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It ticks a lot of boxes in terms of using it inside using that data and to giving the provider the creditors without evidence that they need the domain. But we'll be talking also on the 15th. About how that can help the IPS because whilst we've talked a lot about the creditors, and and evidencing and compliance and driving up the returns, it's equally important to the IPs in terms of delivering sustainable IVAs. Now it is a bit of a myth ivh fail early on, as Ken said in his video, it's really important. A bad news for everybody. The bad news for the IP bad news for the creditor bad news for the consumer. So I think those are the things we want to we really want to focus on. Okay, okay, fantastic. So we're not going to do a bit of a panel discussion. So whether it's we've also got Jennifer John fair, Hearst and Eddie MacKinnon. So thank you, but so welcome. But both of you. And I suppose just to kick off, I'm going to I'm going to unmute the microphones as well, just so if people want to jump in and ask questions, or put questions in the chat, as well. So you're welcome. You're welcome to ask questions. So with that, just ask the first question. Just to go back over just a little bit of an illustration around what we've seen how much how quickly do we expect to be the debts that solution space to really be the focus from a regulatory point of view? Kevin, you talked a little bit about the being increasing scrutiny, what sort of timeframes Do you think we've got? I think there's there's evidence at the moment, there are a number of requests for information at the moment, and we have gotten in an imminent concrete review. So I've just posted in the chat. If I put my debt managers standards associations hat on, I think there's going to be an increasing amount of scrutiny on debt advisors, and recommending the right solution. And one of the elements that Peter touched on earlier on, and I think is hopefully John will comment on in a minute, is that we're not seeing all the proposals that we should be seeing, because voting behaviour has meant that a number of them ended up in very long DMPS. So one thing that is absolutely for sure, Chris, is that the regulator will look at long protracted commercial DMPS and said, Why are you in that solution? This is a 1214 year plan for a homeowner. And if you haven't got the evidence to say when we looked at it, it wasn't going to actually get accepted onto a six year IV, or we ended up in the second best option that was available because they weren't eligible for a Drs. So I do think the regulator is looking on high risk areas. And there is absolutely no doubt the debt by sector following the debt package your analysis last year is still right in the hotspot. And we are going to see a range of scrutiny. And some instances, that's where the debt of ice sector is actually contributing. So where we're seeing the borrowers in financial difficulty, I would expect the debt advice sector to be contributing to that debate to see whether creditors their debt collection agencies, debt buyers, are showing the type of forbearance expected where somebody has got multiple creditors. I think, again, just referencing back to the money plus event last week, where then our analysis says somebody gets very anxious and unmanageable debt starts at around four credit agreements. Now, typically, we're looking at well in excess of that, I think money plus group just under eight as an average. I'm sure John can inform us on the sort of pay plan scenario. But unmanageable debt, he's generally dealing with quite a number of creditors, credit agreements, and a mix and style and Ken's inference there, in terms of the type of creditors is very important. So we've got number of credit unions on we've also got a couple of high cost lenders as well as tier one banks, that mix I think is going to yield some very interesting information. John and Elliot, you're in the sector, obviously a PE panic what how do you what is your sort of feeling in terms of the increased scrutiny around this kind of sector? So is the particular particular with IVAs, and how that's going to flow through? Yeah, I think we've, we've had quite a lot of scrutiny for some time, we report to the FCC on a monthly basis about on the range of metrics in common with most large advisory firms. And that will include outcomes split by that we've seen across our client base. There's also some data on the demographics of our client base. And there's also a sort of a split between the number of times we advise a particular solution, and the number of times that solutions are adopted. And I have regular supervision calls with the FCA. And we discussed those findings on the call. So there's already quite a lot of dialogue and interest from the FCA in terms of why we're advising clients on particular solutions that have changed. The arrow criteria, for example, is an area where there's they're very interested in how we're managing that and what processes were put in place to capture people who maybe knew they had their trouble and that sort of thing. But I guess to the point Kevin was making in terms of advice, behaviour, it is true, certainly, for us, and I suspect most providers that when we're advising on suitable outcomes, we're not just considering what's their surplus income, their asset position and their debt position. But what's their voting age and splits because if

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If there are if there are cases where particular that we know a particular agent has a particular policy that would result in a no vote and, and they represent a sizeable proportion of the debt, then we're not going to be proposing an IV a in that situation, we're going to be looking at something else. Instead, Greg just commented or so we're aware, but cannot evidence very well that many IVAs terminate you to death as findings

Transcript

there advise you to do so increase the income or inheritance. I don't know what your kind of reaction is to that or rally as well as maybe I think when we provided because we wanted one of the firm's that contribution data, I think, you know, we did indicate where there was, you know, where termination was as a result of a

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good termination for want of a better description where someone had been asked to conclude their IVR early, or had been able to introduce lumps. And they said, finish it more quickly. I don't know if you want to comment as well, early on that? Well, yes, we have a number of consumers who approaches because they have their circumstances have changed for the better. That's not our biggest failure rate, our biggest failure rate is those consumers that we can't engage with. So typically, if we can engage with the consumer, we can have a conversation and go back to creditors with maybe a revised offer a revised plan, etc. But I would say typically, those consumers that fail, or those that either find the product too hard, or disengaged with the process, because we just got disengaged in general, rather than it being an opportunity to they're going to get better off and don't want to repay their debts, we see a number of people every month settled their IVAs with either having paid 100% Or they use some of a windfall they've come in to to negotiate with creditors and creditors, in general, seem to be reasonably okay with some of these settlements.

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It's not that the way particularly safe, Peter, you're nodding as for large cash for more general question around IVA volumes that have happened, and we saw that sort of change has happened, do you think the change is flowing through the system? And it feels like we're trying to get to making sure we're getting it getting to this point of having sustainable arrangements into our sustainable agreements out? Do you think that's flowed through and maybe just comment a little bit about what you think is going to happen with the DRA changes as well.

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I think all the changes are actually quite positive. In terms of the market going forward. I've always been a huge advocate of IVA as a debt solution for the right consumer, it's a very good, it's a very good debt solution, which gives a good outcome for the consumer, it also gives a reasonable should give a reasonable return to the creditor. And it is I believe, good sushi. I think we in terms of volumes, we've seen, we've seen quite a big adjustment. But I hope that as we move forward into consumer duty environment and a compliant environment, what we will see is probably we will see IV volumes maintain probably increased slightly, but I hope that what we'll see is we'll see more sustainable IVA. So I hope that what we will see if this works, and if it gets adopted, and if we move to that sort of informed data driven voting practices, that we will see more sustainable IVA. So we will see people we will see Payplan being able to propose IVAs, which which and other IP firms, which have had perhaps historically not been proposed, because they wouldn't get to get, they will get voted down as a generic policy. Perhaps some of those will will come through, but we will see less of the lower value, IVAs the less sustainable IVA is because simply they're poor outcomes for everyone. And I think the Dr. O piece will squeeze a small number of those out the bottom not many vast majority. As we know, we've seen the average contribution from the volume providers is about 125. So even with the increased level of the DRA limit is not going to have a significant impact in terms of volumes, I don't think but I do think that we should see a stabilising out of the volumes of the IVA is probably around five and a half 1000 6000. But we'd like to see a significant increase in the sustainability, those reduction in this as in the in the failure rates. That's really a key objective for everybody, IPS creditors, and consumers. So that's what I'm hoping we will see moving forward in terms of those volumes.

1:09:06

And I just picked up on the opportunity just for John here because I think John was produced a prophecy at the March in terms of the impacts of the withdrawal of the Dr. O fee. I just thought that would be important to cover when I'm picking up on the chair or gal question in a minute afterwards. But I think John was quite articulate in march around what he thought the Payplan impact would be around that. I just try and remember what I said.

1:09:34

Transcript

So what I was I was effectively saying I think is that the number of people eligible for a dri weren't increased dramatically. If you look at the number of people with a surplus income of less than 75 pounds yet 30 to 50,000 pounds of debt. It's relatively modest compared to those with not to 30,000 pounds worth of debt. So although the absolute numbers will go up, they won't go up by as much as I think people imagined but certainly our experience of as a data provider is that the

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90 pounds fee is a real barrier to people progressing through the application process. And yeah, whilst maths lots of people say yes, Darrow sounds great when you say, Oh, can we have your 90 pounds, please? They they often go away. So I think that so I think the bigger impact on the number of approved errors will be that repeating more people going through the whole process. And in terms of the overlap with IVAs, I think that will be minimal. Again, there are I know firms vary, but the number of IVAs proposed below 75 pounds is low. And when they are proposed by Centrify pas, it tends to be because they're, for example, homeowners, or there's some other good reason why they're not eligible, it's hard to see how someone eligible for Dr. Rowe would find an IV a good option. Okay, that's interesting, I suppose my question, my question was going back, and Peter particularly like having worked in the industry as well, looking at IVs. And having seen some of the data, how much of an opportunity there is, do you think there is in terms of making those the volume they go through more sustainable? And in terms of some of the data you've seen, as well as reflecting on that? And then maybe, John and Ellie, I'll come to you because you obviously get to see them as well. How much of a gap? Do you think there is, in terms of where can we take it?

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I think we have a model that gives us a high degree of accuracy about sustainability. And worth considering that I want to be quite clear, though, the score is not designed to be a sort of yes, no, it's not designed to tell people how to vote, it is a score to consider an input and integrate within your voting policy for creditors, the kids kids consideration of the consumer outcome. So it's part of the evaluation process, the role at the voting agent will do is to incorporate that into that policy and vote in line with that, but it's not a definitive yes and no, but I hope that what we will see is, I'd like to see the I think the target for us really over the longer term is to see those failure rates begin to fall back from the current levels. So we see more conditions that for me, I'd rather focus on the failure rates of those IVAs, reducing so that we had greater more confidence in it, that concern myself too much in terms of the volumes of those IVAs themselves getting proposed, because I think that is where we want to be able to say people that if you are entering into this IVA, we have a high degree of your confidence in your ability to complete that IVA, clearly, as John and Elliot alluded to, an IVA is a long term debt solution plan running through typically for five years. And it does require consumer engagement. And typically, as Ali said, where the we do see them failing, certainly later on in the process, that is largely down to two disengagement, we will fatigue with this solution. But I think where we are concerning ourselves with is that peak of failures in that first 12 to 16 months. That's what we're really trying to target. And I think the goal for us, Chris, is to reduce those early failures. That's and that's what will be quite interesting with the model is because we should be able to measure the impact of that quite quickly as we go through in that first year. Because that is the target for us that that's a sweet spot for us in mitigating those early failures, which are bad outcomes for everybody, IPS creditors and consumers. And that's really what we're targeting. And that's what the school is really all about. And so in terms of like measures of success, SEC in terms of outcome is those failure rates. And you're saying you can look at it early, just because of the way it's because that's where the peak is. But it's those failures rates early and you obviously get to look at some of these as well. What's your kind of view on is that what we're, we're going to be looking at, it's taking some of the maybe some of the failures out and give them alternative solutions, then rather than being a volume measure, it's a rate improvement in that failure rate. Yeah, I think we will always see a level of early failure. And I don't think we will ever get to a position where it's non existent. And that will be for, for various reasons. So when consumers typically move from a life of possibly overspending and not being able to manage the budget into the confines of a budget, which is a sort of not a rigid framework, some people just struggle and just give up. And I don't think even if it looks like what we're presented with be sustainable, we'll get rid of it in its entirety. But what would be good is if from an operational perspective, I know who my clients are, who are most likely to struggle. So we already have a strategy where we look after our customers differently within the first 12 months anyway, because we know that it's difficult life changes and what have you. But if I knew where to focus my resource better, I might then be able to actually influence the that failure and get that consumer through the plan. Because if we can get them beyond sort of 18 months, I think that the chances of them getting through the plan are much higher. And actually we've got finite resource, and a one size fits all treating the customers doesn't necessarily work. So this would help us determine that as well.

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Okay, so Greg was just asking again around what good means in terms of termination rates. I think that comes back to the failure rates and sounds like to a certain extent, terms that we need to look at close across the supply chain from from credit

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says all the way through to debt advisors and IPs. I know we're focusing on this, but that's what I came across really. So I suppose Kevin, just in terms of like how you got to think about it. So we've narrowed narrowing down on this particular this particular segment, but it does fit into that wider sort of supply chain overview in terms of consumer duty doesn't do anything. Yeah, just pick up on one of the questions that's in the chat, which is very much a collaboration discussions this issue with regards to potentially PPI revisited, we've got a potential feeding frenzy due this year around discretionary commissions in motor finance. And I picked this up with the IVA and pay plan last week at the money plus event that there needs to be a joined up approach that if the FCA determined that malpractice has taken place, and the creditors need to work out what the correct form of redress is going to be that we don't have this whole situation of it feeling like we got loads of ambulance chasers involved. Because there have been many lessons learned in IVAs in terms of how all asset provisions are made, there needs to be a clear view that if something is going to be a windfall into an IVA, everybody understands how it works, and that we don't end up them with an industry divided. And I think that is going to happen with the motor finance discretionary commissions. Unfortunately, that will drag in the point that's been made there by Cheryl, which is around affordability assessments, which are wider in context. And I've now got Simon from the Credit Services Association on today, but they had an event on the 28th of March with Lau solicitors. Obviously, debt buyers aren't the lender around tackling some of these sort of more vexatious type claims that are coming in, in particular from a firm in Bolton, that potentially end up creating dividing the sector. But where there is something that legitimately is due back as redressed to the consumer but forms part of the asset and then we'll go against the debt, we need to be joined up. So part of the things that Peter and I have looked at is, what are the things that influence sustainability. And this goes beyond just the voting, it's to consumer education, that they understand what the outcomes are. And to the consumer duty, they actually understand what their objectives actually are. So there are a lot of facets of play that we're trying to support. But today's pretty focused around the integrity score and its impact. And I suppose where does it best sit those sources up? Look at that supply chain piece. You've got creditors, you've got the voting agents, you've got the IPs. I mean, so where does everyone need to have access to the scoring? And where does it where does it go best. So I'll give this one back to John in a minute, because they've been great supporters of this initiative. And really, it's got to get buy in from the IP in the first place that this feels they adds value to their process, and the fact that they are an FCA regulated firm, and they've got an IP firm that forms part of that group, and that they want to recommend the thing that they think is the best interest of the consumer. So John, if I hand back to you on that whenever you don't mind? Yeah, I think I think the the structure Pete described is effectively the voting agent would look at the score and use that to inform voting decisions is helpful in looking at sustainability. I've been speaking to Peter about, could we get it earlier? Because we'd love to have it as an early stage in the process. If the score indicated that Steve was very likely to be successful in IVF. That's helpful if if it indicates they're very unlikely. It's also very helpful. What we don't want to do is set up IVs, which are which are unsustainable, because as we've said, Everyone loses in that situation. The other thing, which you know, I think Peter, touch Kevin, you touched on the importance of sustainability and getting good customer outcomes. It's important for that to be the case. But I think pizza point, it's on us as a provider to evidence that this is sustainable. And why, in turn, when I have dialogue with lenders about changed about why didn't you like that case through? Sometimes it's we didn't think it was sustainable. There's we've been through this process, we maybe didn't set it all that was well enough, if we have this score to back up the work we've done. It's an easier way for us to evidence that this is a case that's likely to work than perhaps going through lots and lots of information about our detailed advice process.

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So Peter, can you almost think of it a bit like you look at credit bureau scores, right? When you do an acquisition, it's like you have this additional, you have this additional information that sort of helps you provide extra insights or distribution of information to really work out whether it's sustainable or not. Yeah, absolutely. And, John, thank you very much. And you're absolutely right. And I think you and Ellie have picked up on two really critical points. We'll be touching on both of these in detail on the 15th with the IPS but for the creditors. What we're looking to do in terms of the impact for this and working with the IPS is, as John said, is if we can provide this score early in the process, which we can to identify whether that is a sustainable solution that helps them in terms of that advice journey in terms of getting that getting those sustainable proposals together.

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As early as said, also, because this isn't a yes, no voting sort of tool, this is just an information about the risk of this not being sustainable. It enables IPs to deploy the resource and focus on those, perhaps less, where the information we have in the score indicates this is perhaps a less sustainable i va proposal, it may be more borderline for them. But with support, it can still be a viable ova that will be able to be completed. But if Ellie's can deploy her resource, and focus on those cases where they need those, those that support, we can get those cases through to completion. I think both of those things are hugely helpful in terms of ensuring we have those sustainable IVAs, it's reached the completion. And that is good news for creditors. And it's also good news for the consumers. And it's also good news for the IP firms. Fantastic. So we're almost at a time I don't know if anyone else has any other questions in the chat. My last question was just going to be we've heard a lot about the score. We've heard a lot about the consumer duty, particularly for the IVA process. But where do we go from next from here in terms of each of your kind of use in terms of this process? And the score? Kevin, do you want to maybe just start first, what do you think the next steps are? It's been interesting today, just looking in the chat. There's some correspondence with the tween app called the credit union trade body, and some of their members on it. I think the key to this is getting the message out. I think Sarah's also indicated areas here that probably don't aren't widely aware as well. So I think a lot of the messaging we're looking at is, can we get to as wide a group of creditors as possible due to does everybody concur with the view that this is strongly duty related? But then does this message then extend to other non FCA regulated areas, we've talked about local authorities, and others that act in a particular way, have particular policies, Ellie's nodding her head, so she might

Transcript

chip in on that one. But I think getting the message out more broadly. But we have targeted, obviously, the voting agents, the big tier one creditors that big debt purchases, because they have a lot of influence. But I think this does, the message needs to be out very widely, Chris. And to look at that, as a data driven project. We're not making this up, we've got a pretty big slice of the universe at the moment. And we hope to grow that more. When we speak to a number of the IPS on the 15th of May, many of whom are on today. Any any comment, any comments on that? It just came back to the some of the sort of creditors who probably have less involvement in the day to day looking at IVs, because they don't see them on such a regular basis. And think that we can do to actually help the confidence of those organisations to understand the benefits of getting somebody into an ova into sustainable IVA, which will then actually almost reduce some of their own collection costs and also give good consumer outcomes will be beneficial. And I think that the local council is a very good example where depending where you live, will depend on what that Council's view is on whether or not you can get any form of debt forgiveness on a on the council debts or anything like that. So it'll be really useful. John, any comments or before we go into like, where you think we're going? Yeah, I guess just means I've got much time I'll be brief. But we were having quite a lot of dialogue with creditors at the moment about voting behaviour. And in particular, taking an individual case by case look rather than a a blanket approach. And I think having sustainability score is a very helpful way of helping to bring that sort of change in direction about there seems that we seem to be pushing some open door, I think creditors are keen to follow their consumer duty obligations and consider cases on an individual basis. It's just giving everyone the tools and the sort of the understanding of how that will work so that we don't end up proposing cases that aren't going to work or get supported, but do get the cases that need to go through.

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Fantastic. And Peter, maybe a few final words. Yeah, look, first of all, I'd like to thank everybody for attending today. I hope it's been informative, and Chris will will be sending out copies of presentations, etc. For me, the next steps are pretty pragmatic. In terms of that. We've been asked by the FCA, we've been dialogue with the FCA throughout this process, and the insolvency service because they've been interested in the data we've been able to provide and the analysis we provide. So we have a requested update with the FCA to follow on from today, we'll be updating the insolvency service, we've got

Georgina coming and talking from the insolvency service at the IP event on the 15th of November. We're now really focused on that sort of Delta testing. So we're talking to some IPs, talking to some voting agents, and some creditors about how we practically deploy this in a way which requires minimum as frictionless as possible to make this as easy as possible for the creditors. And for the for the IPS as well. So we're now really about saying having built this sort of solution or this service product. How do we get this deployed in a way which is practically and commercially easy for the industry to

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do because we really believe this really has been developed with a view to helping the industry evolve in a positive way. And the industry, the IP industry has always been pretty good at sorting its own problems out it's had to for as long as I can remember. And I think this can be a really positive step forward if we can get this adopted across the industry. So we will continue to promote that message through multiple channels. And we'll be starting to have very direct sort of conversations with those individuals, with the consumers. And with the VIPs, and the creditors about how we get this implemented into the market. Yeah, fantastic. I think the data from my point of view was was super interesting. It's an interesting conversation. And I'm sure you're happy to chat to anyone who wants any further information. So absolutely, yes. So with that, as Peter says, We just were distributing copies of some of the slides after this for everyone who's attended. And just I just wanted to also say thank you to everyone for being on the panel and and to everyone who's joined as well. So thanks very much, and we'll wrap up the call there. Appreciate it. Have a good day. Thanks. Bye. Thanks. Bye bye.