



HBOS refines outsourced debt collection with FICO Decision Management

success story:
collections and recovery



Client	HBOS, the UK's 4th largest bank, created in 2001 following the merger of Bank of Scotland and Halifax plc.
Challenge	Improve debt collection efforts in external DCAs
Solution	FICO® Network and FICO™ PlacementsPlus® service
Results	Improved effectiveness of debt collection department and greater operational efficiency.



The external DCA reconciliation at HBOS now stands at 97.6% by volume and 99.5% by value.

HBOS achieved a 12% lift in liquidation in the first four months of using PlacementsPlus service.

Solution generates greater speed, consistency and accuracy of agency communication and reporting

» CHALLENGE

HBOS understands the value of monitoring and managing activity levels of its external DCAs (debt collection agencies) and its internal recovery efforts. Therefore, it wanted an effective system to improve its debt collection efforts, to manage performance levels and to streamline its processes.

HBOS was created in 2001 following the merger of Bank of Scotland and Halifax plc:

- 4th largest bank in UK
- Biggest mortgage, savings and home insurance provider in UK
- Biggest issuer of new credit cards in UK
- 23 million customers
- 71,000 employees

Previously, HBOS was managing its debt collection agencies (DCA) through manual reporting on a weekly basis, which it found to be labor-intensive, inefficient, random, historically-based, out of date at delivery and difficult to audit. Its internal performance rated favorable against its external DCA performance. However, HBOS felt there was no activity-based segmentation and no feel for what happens or works outside of its internal recovery department.

HBOS identified several requirements for its DCA activity:

- Consistent reporting of performance across internal and external DCAs
- Scientific allocation of accounts to DCAs
- Increased visibility of activity at DCAs
- Improved management of DCAs
- Reduced maintenance of DCAs
- A robust analytical base from which to drive future strategy
- Improved reconciliation

» SOLUTION

HBOS selected the FICO Network's PlacementsPlus service. The service effectively manages the placement, reporting and exception processing of contingency accounts with HBOS' debt collection agencies. The service also provides standardized and customized reports on agency activity and performance, while file processing, account status and compliance are effectively managed and communicated through a centralized repository between account owner and agencies. PlacementsPlus service also gives HBOS the ability to change business criteria in response to market conditions and business objectives as outsourced agencies and portfolios are delivered in real time through a single interface.

Activity Uplift—A Year-to-Year Comparison

Activity per account in 1st month of placement	Outbound	Letters	Skip Trace	Inbound
	+18%	+25%	+29%	+11%

FICO® Network for the Collections and Recovery Industry

FICO Network: Agency Management

- FICO™ PlacementsPlus® service
- Placement OptimizerSM service

Partner Services

- Debt Placement service
- Asset Remarketing service
- Event-based Trigger service
- Vendor Activity Reporting service
- Data Request service

Enhanced Communication Services using FICO Network

- Document Storage and Presentment service
- Debt Sales and Auction service

Better portfolio management

The system provides HBOS with substantially more control over its placed portfolio and has enabled HBOS to know the status of each account and what kind of effort the agency is applying. Communication with HBOS' agencies is in real time which allows HBOS staff to recall and replace accounts easily. PlacementsPlus service takes care of moving data between agencies and HBOS, and makes sure that the data in the system is complete and accurate. As a result, HBOS has substantially higher data quality and more timely information.

PlacementsPlus service reporting system delivers up-to-date information on collection activities and results, and is extremely fast and easy to use. HBOS uses the system to identify opportunities for increasing performance, such as focusing on inactive accounts or sub-par collection activity.

Data integrity, reconciliation capability

PlacementsPlus service has an advanced reconciliation capability that provides agency reports and inventory status and balances. Discrepancies are reported back within 24 hours. Accounts "falling between the cracks" or improperly closed are quickly identified and placed back into the workflow. Using the PlacementsPlus Work Queue, communication around exception processes has become efficient and trackable, and responding to settlement requests has been automated.

The solution provides HBOS with:

- A framework and support for consistent reporting from DCAs
- A platform for value-based management and remuneration of DCAs
- Champion/challenger activity on DCA management
- A platform for future analytics
- Flexibility to carry out its own "challenger" analytics.

» RESULTS

Using FICO™ PlacementsPlus® service, HBOS has improved the effectiveness of its debt collection department, and has simultaneously realized greater operational efficiency.

Minimum IT dependency, rapid implementation

FICO implemented the PlacementsPlus service within a six-month timeframe. It offered the right levels of functionality and is exceptionally user friendly. The service has significantly reduced the drain on internal technical resources, and has allowed HBOS to optimize the management of external DCAs.

Agency performance

The functionality of the FICO™ PlacementsPlus® service has allowed HBOS' agencies to focus on collections rather than the mechanics of account maintenance. The Work Queue, for instance, allows agencies to quickly secure required documentation, direction and authorizations. With regular reconciliation, errors are addressed promptly, drastically reducing the aggravation often associated with month-end agency commission settlement.

Portfolio analysis

The reporting feature of PlacementsPlus service allows HBOS to slice and analyze data that historically took many hours of internal resources and days to deliver. HBOS can now see opportunities for performance improvement in real time and can more accurately measure agency performance. For more information on how to improve your recovery rates contact us at scorenet@fico.com and we'll put you in touch with our debt recovery experts.

Decision Yield

Precision

The debt collection solution ensures that the most timely information is delivered, so that account and portfolio analysis is performed with the most complete and accurate data.

Consistency

The solution provides HBOS with a framework and support for consistent reporting from debt collection agencies.

Agility

With agency outsourcing now delivered in real time through a single interface, the bank can change business criteria in response to market conditions and business objectives, and more easily recall and replace accounts.

Speed

HBOS is now communicating with agencies, and analyzing and reporting on agency performance in real time, improving upon what historically required hours of internal resources and many days for delivery of information.

Cost

Intelligent automation has enabled HBOS to significantly reduce the drain on internal technical and collector resources, resulting in more cost-effective processing.



For more information

US toll-free

+1 888 342 6336

International

+44 (0) 207 940 8718

email

info@fico.com

web

www.fico.com