

Consumer Credit Division

The Consumer Credit Division is the Group's longest running business, stretching back to the Company's foundation in 1880. The Provident home credit business continues to fill an important need for consumers in the non-standard market, providing access to credit for those who might otherwise be financially excluded.

Consumer Credit Division

Provident

Satsuma
loans.co.uk



Chris Gillespie
CCD Managing Director

The home credit business continues to serve its customers with short-term cash loans provided in the home by a Customer Experience Manager (CEM). Satsuma has been established more recently and provides a customer proposition for those customers who wish to transact online. However, some key features of the Home credit proposition are retained such as a fixed amount to repay with no hidden fees on either a weekly or monthly basis.

2018 has been a year of turnaround for CCD after the events of 2017 which focussed on stabilisation and authorisation of the business. In addition, the key areas where CCD have developed their business model are as follows:

Develop tailored products to meet customers' needs

The Provident home credit business continues to fill an important need for consumers in the underserved credit market, providing access to credit for those who might otherwise be financially excluded.

Consumers on low incomes and tight budgets require affordable credit in order to manage the peaks and troughs in their household budgets or one-off items of expenditure which may arise. They value the simple, flexible and transparent nature of the home credit product with its fixed repayments and no additional fees or charges, even if payments are missed. Customers value these features as well as the face-to-face relationship. The regular contact with customers and thorough affordability checking for each loan issued further reinforces Provident's responsible lending approach.

In 2018, the focus in the home credit business has been on rolling out and embedding a new operating model in the UK, incorporating enhanced management oversight and controls over field activity and customer outcomes whilst in Satsuma, the emphasis has been on generating controlled customer growth.

Although home credit and Satsuma have not introduced new product lines in 2018, CCD has developed clear plans to extend and improve its products and propositions from 2019 onwards. Firstly, as well as continuing to increase the distribution of the core Satsuma small-sum, short-term loan product, we intend to undertake a trial of larger, longer duration personal loans at rates below 100% APR, expanding the addressable market and leveraging the Satsuma platform. Secondly, we are looking to extend our home credit product offering, leveraging the capabilities in home credit and Satsuma. The product extension will continue to be relationship managed in the home by a CEM, but payments will be collected remotely. We anticipate that this will allow us to attract new and former customers who do not wish to have a weekly collections visit by a CEM and are of suitable credit quality.

560k
customers

(2017: 780k)

87%

of customers interviewed were satisfied with the service they have been provided with in 2018. This has increased by 2% in 2018.

Our customer proposition *continued*

Consumer Credit Division *continued*



Home credit customer, London

"I have been using Provident for a while and have found it very helpful around Christmas and birthday times when the household budget is stretched. I have found it easy to discuss getting credit with my CEM and the finance easy to understand with no hidden charges. I have also found the customer service really helpful. I have recommended it to family members as they give credit to people who not many will lend to."

Attract target customers

Although the competitive landscape in the home credit market remains largely unchanged, there is evidence of some industry consolidation materialising as a result of more exacting regulation under the FCA.

The field acquisition channel in Home Credit has been reinvigorated in the UK following FCA authorisation, aligned to an enhanced management framework to ensure oversight and good customer outcomes.

There has been focus on increasing efficiency of direct mail activity in Home Credit, including development of targeting models, frequent testing of the creative material and leveraging of internal data to reach new populations. In late 2018, the foundations for customer acquisition in home credit have been built and incremental marketing activity tested including local promotional activity.

The business has optimised the investment in customer acquisition in Satsuma in 2018, which involves ensuring the business attracts the right customers at an appropriate cost based on constant evaluation of the performance of customers attracted through each of the different B2C channels and B2B partners.

Satsuma has benefited from internal expertise in driving continued SEO activity across a range of high-volume, core key word search terms driven by regular, relevant content updates and ongoing site optimisation. This approach is also being used for home credit. Satsuma has also driven ongoing improvement in the management of the Pay Per Click (PPC) channel, supported by profitability tracking at a campaign level.

Growth has been experienced in Satsuma through key partner relationships, enabled through bespoke, performance-based decisioning. Incremental customer 'journey' and experience improvements for new and existing Satsuma customers have been delivered by 'specialists' which focus on each route to market who are able to assess the frequency of change required dependent on external and internal requirements.

Assess affordability and credit worthiness

CCD continually evolves its assessment of creditworthiness and affordability in both home credit and Satsuma, including the use of new data sources, checks and controls to assess whether the information received is accurate. During 2018, data from across the Group was integrated into our decisioning processes, ensuring that we make best use of information known within the Group in Satsuma's lending decisions.

In home credit in the UK, we have provided capability to CEMs to collect and store photographic evidence of customers' incomes, so that this can be evidenced and used in the creditworthiness and affordability checking process.

In Satsuma, a new business scorecard has been redeveloped for deployment in 2019 and, as Satsuma has continued to mature in 2018, adjustments to scorecard cut-offs for both new business and further lending have delivered incremental improvements to credit quality.

2.5m times

The Satsuma app has been launched 2.5m times by our customer wanting to check their balance or catch up missed payments.

We have worked with our regulators to adapt our operating models in the interests of our customers.

Eleanor Thornhill
CCD Finance Director

Lend responsibly

The focus in 2018 for home credit in the UK, has been on rolling out and embedding the new operating model which has included the implementation of additional controls such as voice recording technology which is used by the field when interacting with customers and is reviewed for compliance and quality. The recording of sales transactions is mandatory. The relaunched collections and recoveries policy is underpinned by revised standard operating procedures.

Collect repayments due

The roll out of the new operating model in home credit in the UK, including the creation of a new field oversight role, ensures that colleagues are provided with the right amount of support and that the principles underpinning the approach to collections activity are being consistently followed. The principles were delivered in 2018 via a training programme specifically for CEMs to ensure that they are able to have productive conversations with the customer to ensure positive customer outcomes are achieved.

A new version of Satsuma's mobile app has made it easier for customers to see when their next payment is due and enables them to catch-up missed payments via the app to clear arrears. Customer research has provided clarity on what customers want regarding repayment functionality, enabling further improvements to be planned for 2019. The Satsuma app has been downloaded by 84,000 customers and launched over 2.5m times.

Manage arrears and customer difficulties

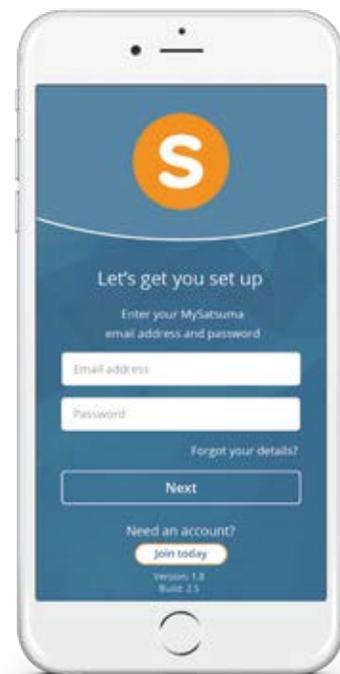
In the first half of 2018 collections was the responsibility of the home credit UK field team with little support provided centrally for non-paying customers. The central collections function has, in the second half of the year, introduced a number of initiatives representing email, SMS and letter campaigns that support CEM activity on both non-paying and part-paying accounts.

A post field collections strategy has been introduced to continue to have dialogue with customers who have declined to interact with home credit field colleagues, which includes both an internal contact strategy and a third party placement. It is too early to evaluate the impact of the post field strategies although we anticipate that this will ultimately improve our overall collection rate. Collections will continue to be a focus area in 2019, ensuring that we provide as many options as possible to contact and interact with customers.

In 2018 the business has reviewed processes for handling vulnerable customers to ensure there is a mechanism in place that treats vulnerable customers fairly. A centralised unit was provided to evaluate potential signs of vulnerability and training across the business was centred on a policy of ensuring that staff recognised the triggers and could refer the customers centrally for a full evaluation. Inevitably, high initial

referral volumes were experienced and throughout 2018 we have increased our resource to ensure that potentially vulnerable customers are handled in a timely manner, including having strict service levels e.g. contacting customers within 24 hours of a referral. Analysing referral reasons and continuously training colleagues has enabled a slight reduction in resource in the latter part of 2018, whilst improving the service offered to our customers.

2018 started with a challenging level of complaints (particularly following the disruption in 2017) that required external support to be sought to handle complaint volumes and enable the existing volume of complaints to be addressed. As 2018 has progressed, we have been developing our internal capacity and capability to deal with complaint volumes. At the end of 2018 we have achieved our target to handle all complaints with our own employed complaint handlers and our service levels are all well within the recognised market standards.



126,000 devices

Since launch in March 2017 the app has been downloaded by 84,000 customers on 126,000 devices.