

# Our customer proposition

## Vanquis Bank

Vanquis Bank is the leading provider of credit cards to people in the non-standard credit market, promoting financial inclusion by bringing credit cards and loans to people who are typically declined by mainstream providers.

### VANQUIS BANK



Malcolm Le May  
Vanquis Bank Interim Managing Director

### Develop tailored products to meet customers' needs

The key areas where Vanquis Bank has developed its business model in 2018 are as follows:

In being the leading provider of credit cards to people in the under-served market, Vanquis Bank helps people to establish or rebuild a credit history and to share in modern buying methods such as online shopping, that can only really be achieved with card-based payment products.

Vanquis Bank has over 16 years of experience in lending responsibly to its chosen target market through a low and grow business model where credit line increases are provided utilising improved decision science and open banking. Its success is based on a clearly defined strategy and a tailored approach to serving customers in an underserved credit market.

In 2018, the product agenda focused on enhancing the customer proposition and operational efficiency through product portfolio consolidation and simplification. The product offering was successfully streamlined from sixteen down to four core credit cards targeted towards distinct customer segments. The Vanquis portfolio is

now structured along distinct price points, which makes our proposition easy to understand and communicate.

In 2018, we broadened our product offering to our existing customers by providing a seamless process in our mobile app for customers to process their non-Vanquis credit card debt on to promotional rate, which resulted in a 20% uplift in the number of customers transferring a balance to Vanquis. 70% of all Balance Transfers are now processed through the app. In the first quarter of 2019 we will also be providing our customers the opportunity to seamlessly process a Money Transfer within the app.

Account Level Profitability (ALP) capability – In 2018 we developed our ALP tool which provides a rich source of data exposing the drivers of profitability at a customer level, including allocating the cost base taking account of specific customer behaviour. For example ALP allows us to analyse the cost of servicing a customer through the call centre (allocating the cost of the call to the second) versus the cost of servicing a customer via our self-serve channels such as the App. This level of detail unlocks a wealth of information that helps improve all elements of our analytics, from optimising customer engagement strategies, to adjusting our underwriting where segments or channels have varying costs of servicing customers. ALP also serves as a strategic asset to further enable our move to machine learning, serving as a core feedback loop through activity tracking against our test and learn strategies, accessing 500m+ data points per month.

Vanquis Bank has also launched an unsecured loan proposition to its existing credit card customers.

### Attract target customers

The business continues to be active in many distribution channels and improved offering to 'thin file' customers, building ongoing relationships with declined customers ("financial fitness") and increased penetration in the near prime segments through expansion of distribution.

We have developed further partnerships, including new affiliate and co-brand relationships.

We have also built systems to allow the development and marketing of Vanquis Bank credit cards to the Moneybarn customer base.

I am proud that Vanquis Bank has delivered stable profits in 2018 whilst adapting to changes in regulatory requirements and almost entirely settling the ROP refund programme.

Malcolm Le May  
Vanquis Bank Interim  
Managing Director

## Working with IncomeMax to help customers manage their finances

Vanquis Bank continues to work with IncomeMax, through an innovative partnership that began in 2015, to support customers of the Bank that are experiencing financial difficulties. IncomeMax is a Community Interest Company that helps people to maximise their household income by providing them with independent personal welfare advice that helps them take control of their finances. Vanquis Bank's dedicated One Call team, which offers additional support through financial capability and capacity assistance, puts customers in touch with IncomeMax.



**1,773k**  
customers  
(3.1% increase year on year)

Our new TV adverts, launched in May, were screened over 46,000 times driving a 50% increase in "effective recognition" (people who recognise the adverts and know who they are for), a 17% improvement in prompted awareness of the Vanquis brand and the cost of driving a response from TV advertising has fallen by over 25% as a result of continuous channel and time of day optimisation.

**86%**

Of Vanquis Bank customers are satisfied with the service they had been provided with in 2018. This has been consistently delivered year on year.

The launch of the Provident Knowledge Universe, a data collaboration with Experian, has added a substantial growth in new customers originated through our Direct Mail channel relative to our BAU baseline.

2018 sees a record number of new customers originated through comparison site channels as key initiatives significantly improve the customer journey and provide a seamless customer experience. Vanquis use advanced analytical techniques to ensure the right product is presented to the customer, pre approving customers where possible. Material improvements to the customer journey, including pre-populating application forms has significantly improved the conversion rate of applications through to account booking.

## Assess affordability and credit worthiness

Following the FCA's review of credit worthiness in consumer credit which concluded in July 2018, Vanquis Bank, along with all of the Group's businesses reviewed, and continued to develop its affordability process to ensure it is able to meet regulatory requirements while meeting customer demand.

A suite of new Acquisition scorecards were deployed in the first half of 2018, which are built on the more granular, raw bureau data available to us, demonstrating the continued advancement in analytical strength

at Vanquis Bank. The new scorecards and underwriting routines represent a significant uplift in predictive power and improved data matching routines.

In Q4 2018 we implemented a new Decision platform for New Business, which represents a step change in our ability to marry advancements in analytical strategies with the speed with which these changes can be deployed. These new capabilities will support our continued optimisation of our new business channels and ensure we have the flexibility to enhance or course correct our strategies quickly and safely.

Vanquis Bank has demonstrated that it is considerably less sensitive to changes in the employment market than mainstream card issuers. Underwriting standards have been progressively tightened over the last 18 months which, together with the historic resilience of the business model, means that Vanquis Bank is well-positioned if there is any deterioration in the UK economic environment.

## Lend responsibly

Vanquis Bank's 'low and grow' approach to extending credit and high levels of customer contact underpin a sustainable, responsible lending model which produces consistently high levels of customer satisfaction approaching 90%. When an existing customer has demonstrated a sound payment performance they may also be able to benefit from a Vanquis Bank loan.

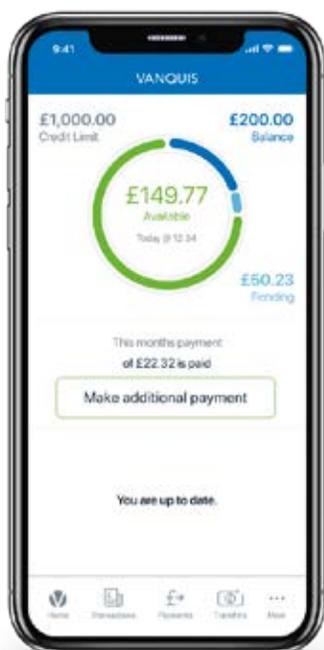
Vanquis Bank has successfully delivered a number of business model refinements during 2018 in order to adapt to changes in regulation. In response to the remedies arising from the FCA's credit card market study, the business has undertaken a number

## Our customer proposition *continued*

### Vanquis Bank *continued*

# 700k

customers use the mobile app each month, logging in an average of 9 times per month. We increased minimum due payments in the second half of the year, to reduce the number of customers falling into the FCA's definition of persistent debt. We will also be introducing recommended payments in early 2019. These measures are designed to help customers manage their finances better and retain the utility of a Vanquis Bank credit card.



# 1m

customers have registered for the mobile app since it launched in June 2017.

of actions including: (i) reducing its cash interest rate to be in line with the purchase rate; (ii) implementing voluntary controls allowing changes to repayment dates and alerting customers when promotional periods are expiring or they are nearing their credit limit; (iii) the introduction of credit line increase consents; and (iv) early interventions have been implemented so that customers in potential financial difficulty are being contacted quickly. In addition, in response to the definition of persistent debt, Vanquis Bank increased its minimum due payments by around 0.5% in the third quarter of the year and will shortly roll-out the use of recommended payments which we expect to be typically between 1.0% and 1.5% higher than the minimum due payment. Together with the implementation of other communication strategies across the customer base, these measures should reduce the risks that customers meet the definition of being in persistent debt and lose access to the benefits of owning a Vanquis Bank credit card.

### Collect repayments due

Vanquis Bank's migration to digital platforms continues to progress. More than 1 million customers were registered for the mobile app at the end of 2018, with 700k customers active through this channel in any month. More than half of debit card payments are now made through the app, replacing telephone as the channel of choice for customers.

Vanquis "Next Best Action" capability continues to support customers in avoiding arrears. Around 300k customers actions were taken following recommendation of improving financial fitness, such as setting up a regular payment method, making additional payments to avoid going overlimit, or changing when payments are due to align to personal circumstances.

Early intervention strategies are helping customers to avoid default and overlimit fees. All customers now receive payment due and overlimit reminders by SMS, where we have been provided with a mobile number.

Increased customer engagement and regular releases of new functionality is moving customers away from more traditional channels and into self-serve methods. 80% of new customers register for the app within 30 days of activating their card. For example, 55% of all debit card payments are now taken via the app and 58% of first time card activations are completed.

### Manage arrears and customer difficulties

In 2018, Vanquis Bank continue to support customers when they are experiencing financial difficulty by offering appropriate and affordable solutions to allow the customer to repay their balance in an efficient manner.

Approximately 18k customers per month now make a commitment to resolve their arrears through the mobile app. This constitutes more than 10% of collections activity. In December, new capabilities to message customers in the app to prompt repayment were rolled out, this will further support our digital migration through 2019.

Enhancements to the suite of forbearance tools were rolled out in the second half. This included reduced interest rates on short-term forbearance, and lower payments required for those already benefiting from payment arrangements. This is expected to support more customers who find themselves in short term difficulties to recover, avoiding default.