

DELINQUENT BORROWERS ARE STILL YOUR CUSTOMERS

While a solid collections process is important, you must treat your debtors appropriately to avoid alienating them

By Ahmet Kocamaz

WHEN an account gets delinquent, the general tendency is to contact the customer and request payment as soon as possible. If the customer has the ability to pay, he goes to his bank account and makes the payment as soon as he has some money. Surely this is a successful outcome. Or is it really?

Most of the customers who have a willingness to pay but are experiencing temporary cashflow problems are quite sensitive and are very likely to be offended by the 'touch' of a collections department.

Therefore, it is essential to understand the current situation of the customer and to define the collection action accordingly.

A tailored approach

There are two ways to achieve this:

◆ Understanding the general tendency of the delinquent customer during the

first human contact by telephone and setting the 'softness' of the call with respect to the response of the customer, thereby avoiding alienation of the borrower from the lender.

The benefits of this approach is being able to implement it after a short training period for collection agents, though relying too much on people and not having a standard communication can also be its drawback.

◆ To have a more standard approach through the portfolio, watching the past behaviour of the delinquent account is a proven predictive method in the market. However, past behaviour should not consist of the scorecard only.

There should also be a decision tree – having parameters such as total balance, arrears and number of products owned by the customer – on top of the scorecard to facilitate the risk segmentation.

Segments should reflect the ability

and willingness to pay of the borrowers. Customers who have a willingness to pay but temporary cashflow problems should be treated softly and carefully.

Since some IT investments and time-consuming efforts are required to have a good behaviour-watch mechanism, a past behaviour approach is a mid/long term solution.

It pays to tread softly

According to our analysis, more than half of the delinquent customers will continue regular payments after they pay the arrears amount and become good candidates for cross and up-sell.

If the lender does not offend the customer during their hard times, it will pay off when the borrowers have a healthy cashflow.

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PRIME DEBTOR TIME IN THE 21ST CENTURY

FROM my perspective, I have always considered 8.00am to 9.30am and 7.00pm to 9.00pm as debtor time, the prime contact hours for reaching a debtor.

Sure, we have always been able to call them at their place of employment – just having that number has always been useful and it increased the statistical probability of a successful resolution. But when is the best time to get the payment?

In the current global economy, more and more debtors are no longer working the traditional 8.00am to 5.00pm work day. Many displaced workers are finding whatever jobs they can and many of those jobs require evening, late-night and weekend shifts. This trend has opened up the morning hours for

higher contact and success rates than ever before.

As recovery companies and agents, we have had to incorporate many changes in technology into the way we think and ultimately run our businesses.

One of the biggest changes has been the rapid proliferation of mobile phones. Debtors suddenly had a constant connection with them which allowed us, with permission, to tap them on the shoulder and discuss their bill.

This has certainly increased our contact rates but did it have a significant and positive impact on recoveries and liquidations? Even if we do get them on their mobile or at work, the behaviours of the 'standard' debtor do not change. Debtors are still not comfortable

discussing the very personal matter of debts owed outside the comfort and, more importantly, the security of their own home.

This is why the prime time parameters of our business have not significantly changed. Even with the 'always-on debtor', we must continue to have our call centres staffed during those crucial prime time hours and take maximum advantage of our resources.



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