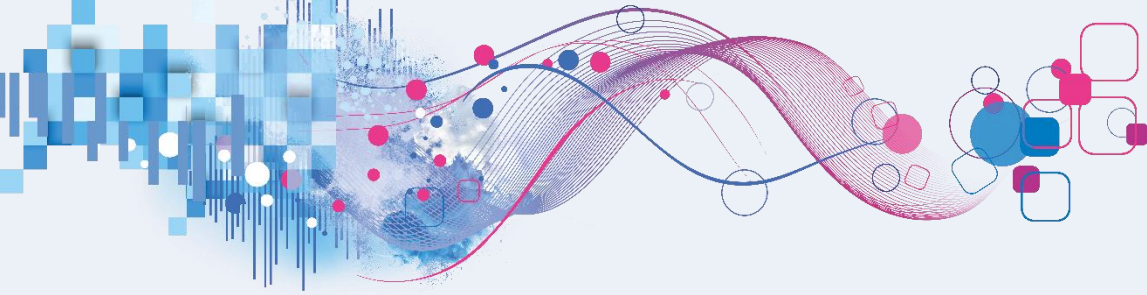


Use of CATO Data in Affordability

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Use of CATO Data within Affordability

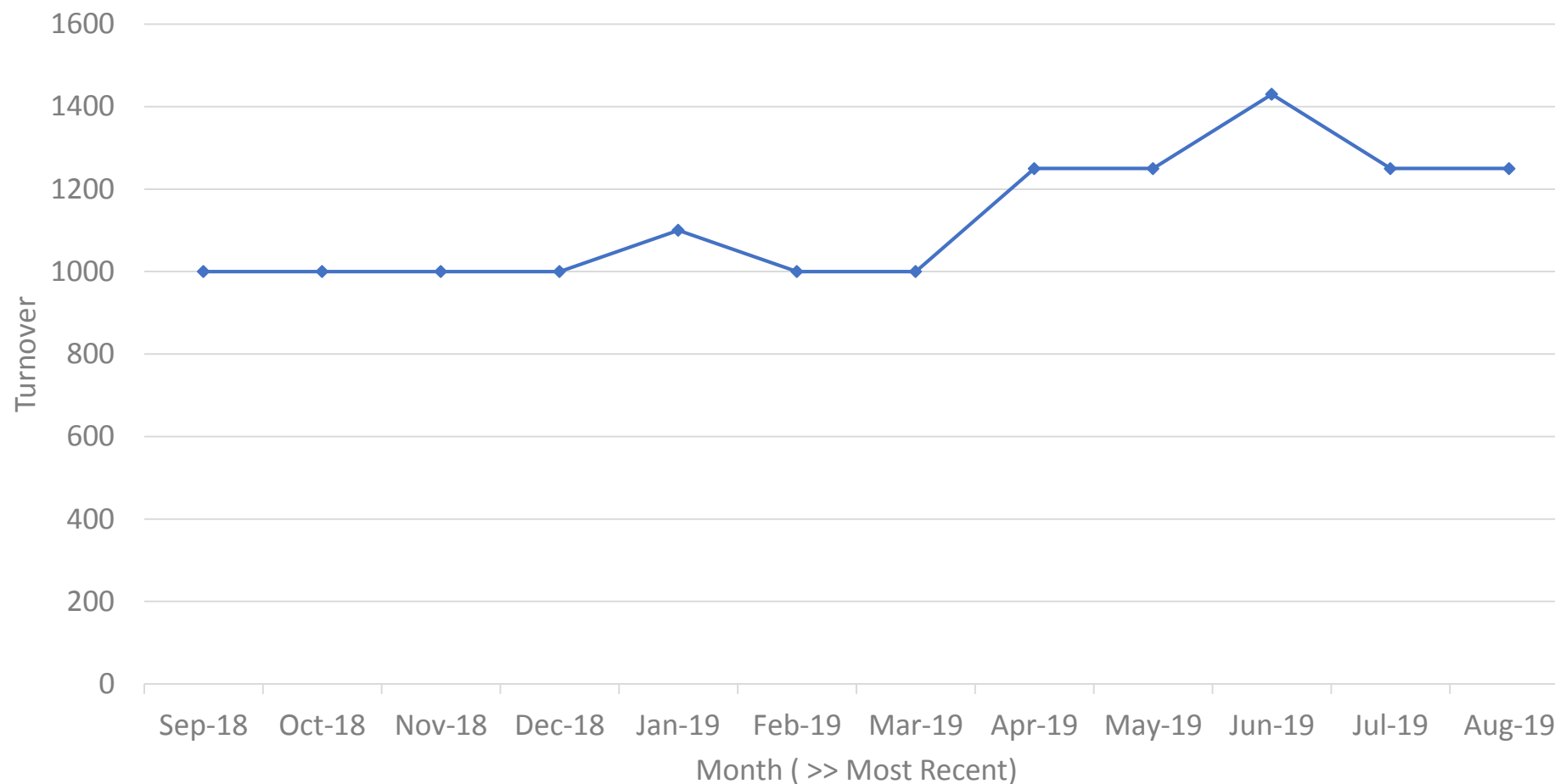
1. Overview of CATO Data
2. Rules that govern usage of CATO Data
3. Primary Use Cases of CATO Data
4. Non Standard Use Cases of CATO Data
5. How does CATO Data work with Open Banking
6. The Future of CATO Data

Overview of CATO Data

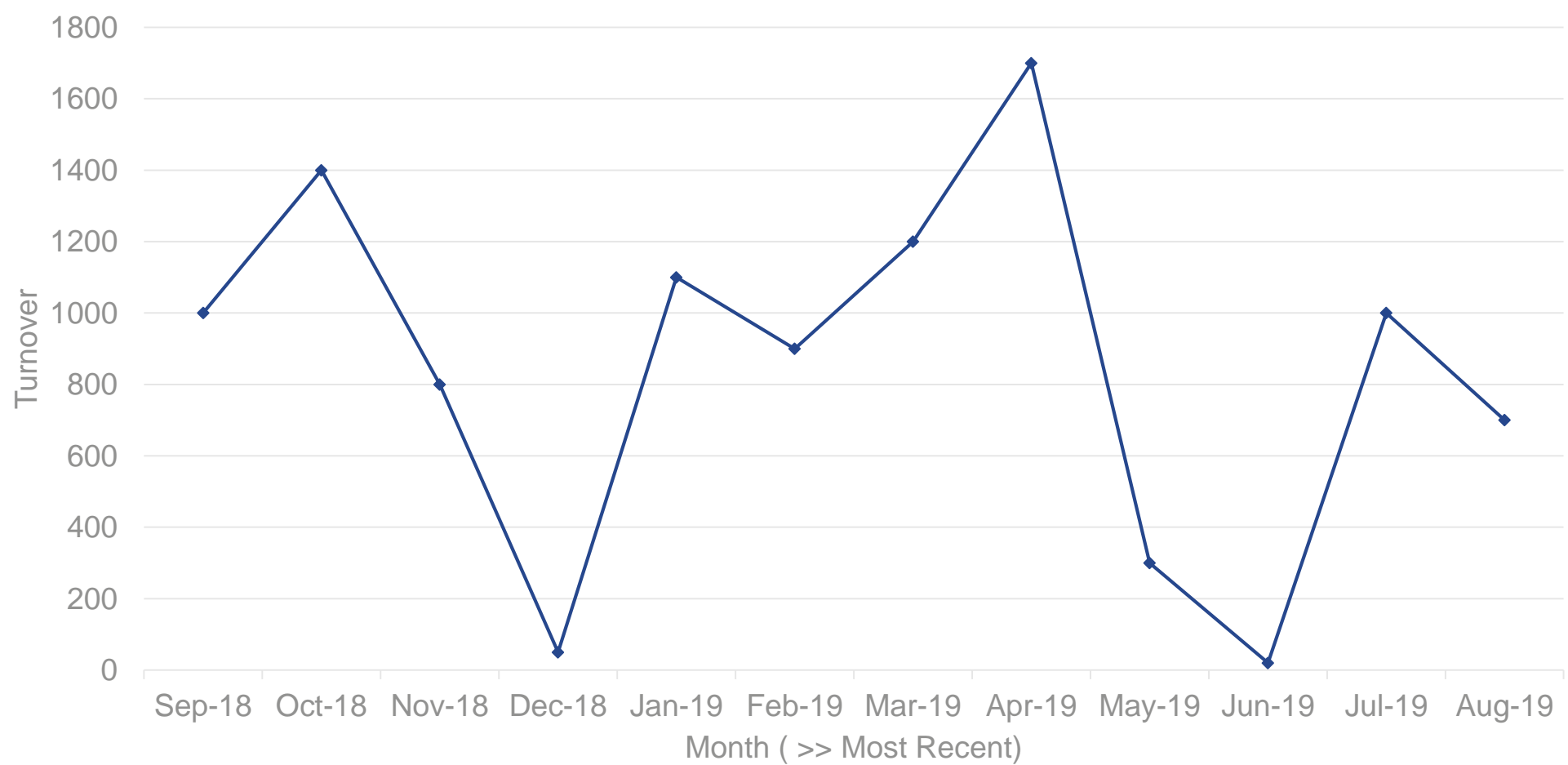
- Current Account Turnover Data provided by banks on a monthly basis
- Includes sum of income received into account
- Does not include information about expenditure or detailed breakdown of information
- Governed by British Banking Association rules of usage
- A proportion of Current Accounts (Roughly 25-30%) are non-consented meaning they cannot be shared with Credit Reference Agencies.



Overview of CATO Data - Examples



Overview of CATO Data - Examples





Overview of CATO Data - Difficulties

- How do we assign turnover that is sourced from a jointly held current account?
- Approximately 25-30% of all current accounts are non-consented. This means there is no visibility of these accounts to lenders
- What proportion of the turnover is income?



CATO Data - Governance

- CATO Data is governed by the British Banking Association (BBA)
- Estimates can only be returned to lenders that provide CATO data to Credit Reference Agencies.
- Warning Flags that only contain 3 categories can be returned to almost all lenders
- The lenders that are not eligible are those who do not provide CAIS data or are debt collection agencies (unless they are working on behalf of eligible lenders).

CATO Data Uses - Primary

- CATO Data is primarily used for verifying a declared income at the point of application.
- This can be achieved by comparing against an income estimate derived by a credit reference agency.
- Also it could be achieved by comparing against the total turnover within the current account.
- This check is consumer friendly as consumers only need to provide their name, address, Date of Birth and income for it to be verified.





CATO Data Uses – Non Standard

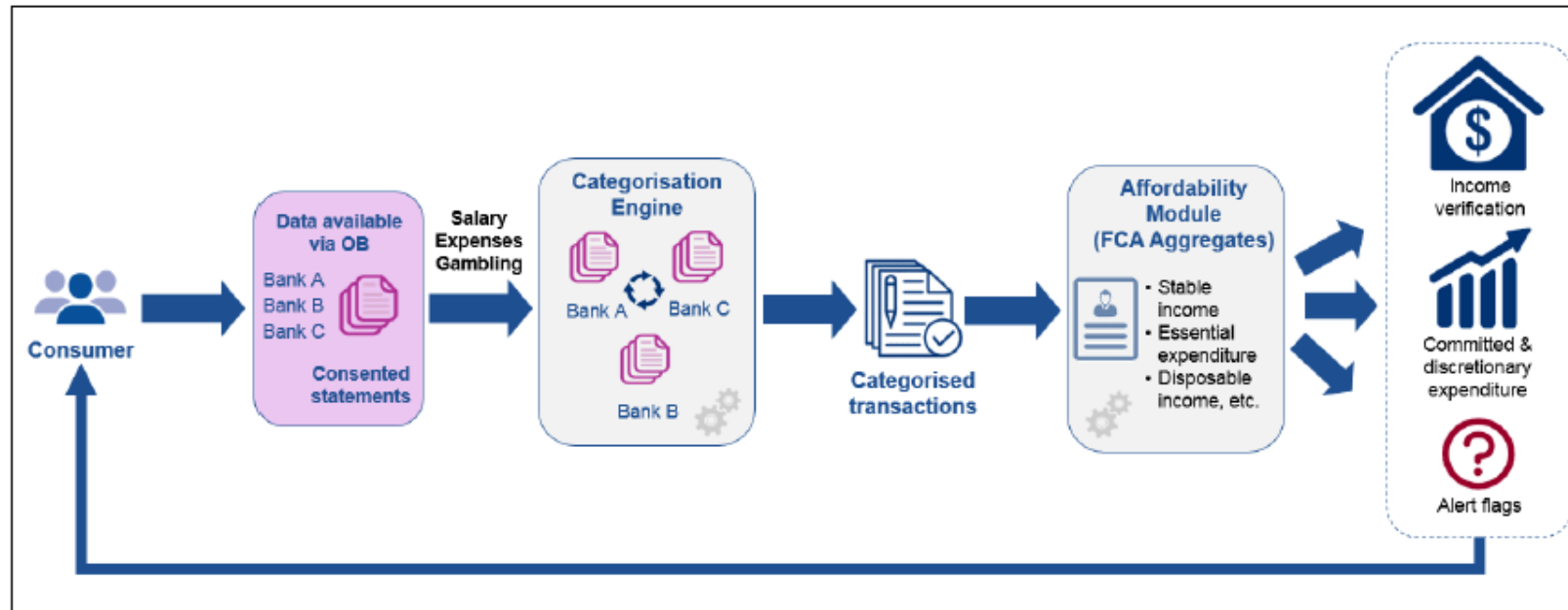
The guidelines around CATO data usage limit a three value warning flags to be returned. This is restrictive but still gives options such as:

1. CATO Data can be used to verify (or not) an income estimate that is returned.
2. CATO Data can be used to create an indebtedness index.
3. CATO Data can be used in assisting whether an individual can afford a product.
4. CATO Data can be used as a proof of identity for an individual.

CATO Data – Open Banking

- Open Banking allows consumers to share the statement level data in their current accounts with prospective lenders and credit reference agencies.
- Below is a summary of a processing structure of an open banking journey:

Example of the processing structure



CATO Data – Open Banking

- Example outputs from the open banking journey would be the below:

Total Income	£3,000
Main income sources	£2,000
Bank transfer receipt	£0
Expense-related receipt	£200
Cash deposit	£100
Rewards	£50
Gambling	£650

Total Expenditure	£3,500
Family Expenses	£400
Finance/Banking Related Expenses	£0
Financial/Legal Service Expenses	£0
Insurance Expense	£50
Healthcare/Personal Care Expense	£1,000
Lifestyle Expenses	£200
Subscription Expenses	£70
Retail Expenses	£800
Transport/Travel Expenses	£500
Home Expenses	£300
Communication Expenses	£100
Uncategorised Expenses	£80

CATO Data – Open Banking

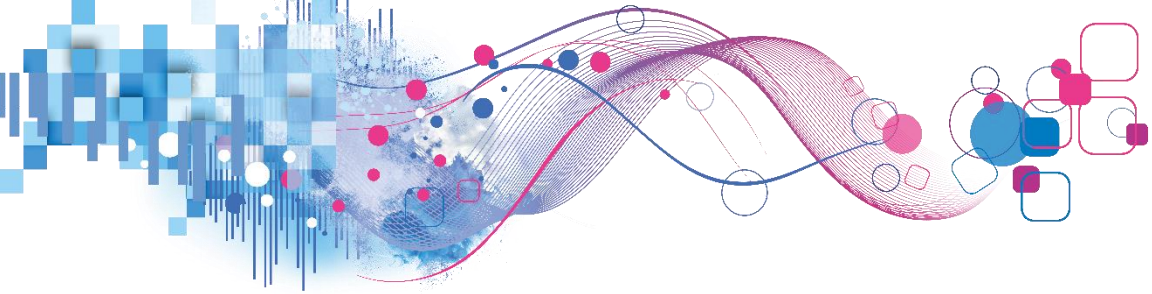
- Open Banking gives lenders a view of data they have never been able to see before but it is not the perfect solution:
 - The customer journey to access this level of data is difficult.
 - Not all customers will want or be able to share this level of data.





CATO Data - Future

- Continued usage alongside open banking as the initial soft touch affordability assessment.
- Further development of three value warning flags to assist lenders in their decision making.
- Application of new modelling techniques (e.g. machine learning) to CATO data.
- Using the CATO Data to enhance the open banking solution.



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