Identifying The Financially Vulnerable Using Bureau Data

The past three years have been very turbulent economically in the UK: including adjusting to Brexit, years of CoVid disruption and a war in Ukraine which caused global hikes in energy prices which in turn has increased inflation to highs last seen over 30 years ago. Wages haven't kept pace with these increases leading to a cost of living crisis for many. This in turn has led to the emergence of an expanded financially vulnerable population which traditional credit models with their reliance upon "the future will be like the past" methodology will struggle to identify. TransUnion analysis suggests that 12 million consumers now spend everything they earn (with £0 disposable income at the end of the month) up from 8 million in December 2021. So, to help protect consumers and manage their customer base better, credit providers need to be taking a proactive approach to identifying financially vulnerable customers and implementing appropriate affordability checks.

This presentation will identify how by using nuanced, trended credit data and analytics, a series of vulnerability indicators highlighting ***changes in recent behaviour*** which, in turn, may indicate a downturn in a consumer's financial resilience before the appearance of the traditional metrics of CCJs, defaults and arrears status. The subsequent performance of consumers hitting such indicators is evaluated against a combined outcome of both credit risk (going into significant arrears) and affordability risk (as measured by disposable income). A Vulnerability Index can then be calculated via a model using these individual rules. The combination of rules hit leading to the construction of a 0-100 Vulnerability Index. This in turn can be reduced into a Financial Vulnerability RAG Status encompassing Green (No Vulnerability Indicators Hit) through to Yellow (Vulnerability Indicators Hit But Did Not Translate Into An Immediate Increased Credit & Affordability Bad Rate) to Amber (Vulnerability Indicators Hit & Raised Bad Rates) and finally Red (Vulnerability Indicators Hit & Very High Subsequent Credit & Affordability Bad Rates). Metrics will be shown indicating the extent of additional insight provided that would otherwise be overlooked by a traditional risk score