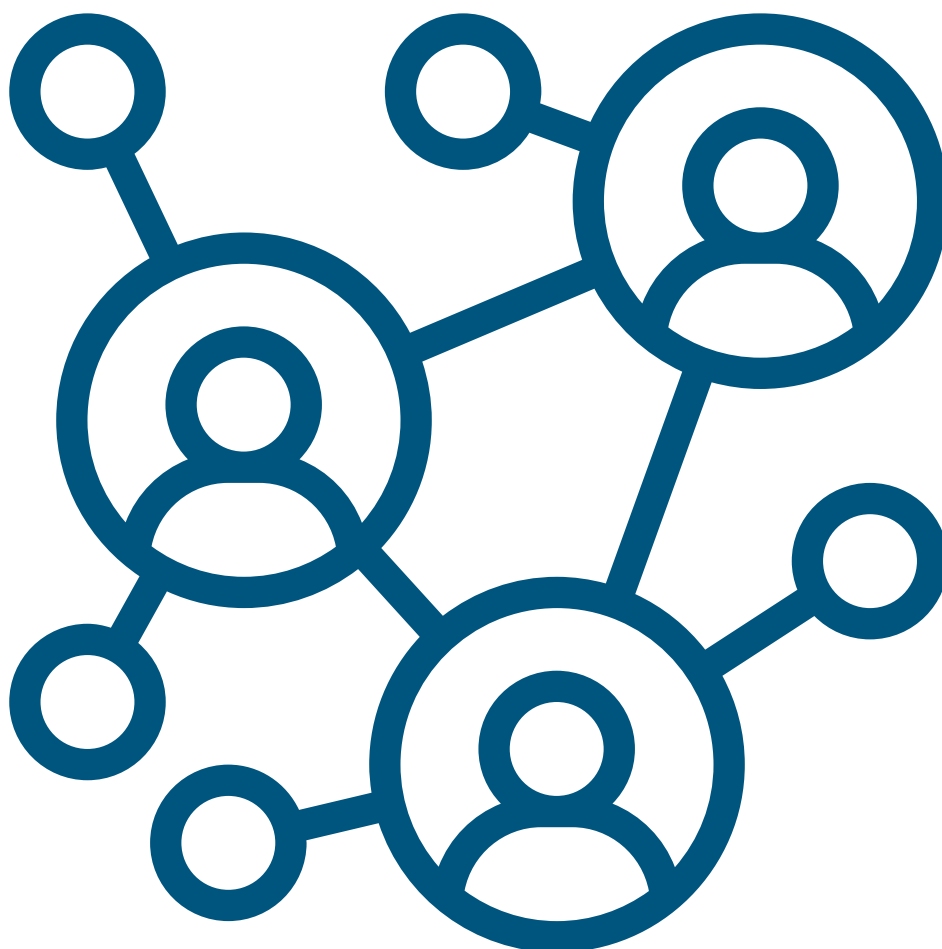


Embracing technology:

The growth of digital communications in the collections sector



March 2022

Disclaimer

Whilst we try to ensure that the information contained in this document is correct, we do not provide any warranty or guarantee as to the accuracy, timeliness, completeness or suitability of the information for any particular purpose. You acknowledge that such information may contain inaccuracies or errors and we expressly exclude liability for any such inaccuracies or errors to the fullest extent permitted by law. Your use of any information contained in this document is entirely at your own risk, for which we shall not be liable.

Copyright® Credit Services Association Limited 2022. All rights reserved.

All rights reserved. The paper is provided for your own personal and non-commercial use only. You may copy the content to individual third parties for their personal use, but only if you prominently acknowledge Credit Services Association Limited as the source of the material and inform the third party that these terms apply. You may not, except with our express prior written permission, distribute or commercially exploit the report or its content.

Introduction

Technology has long been a catalyst for evolution in the way in which consumers engage with businesses. In the last twenty or so years, that evolution has occurred at an unrelenting pace, initially with the growing (and, now, ubiquitous) use of email and mobile phones, and latterly with a trend towards webchat, chatbots and social media. Alongside this, traditional methods of communication such as telephone calls and letters have, nevertheless, remained a key component of consumer communications.

In the wake of our exploration of the challenges posed by outbound contact¹, we thought it was an opportune moment to think more broadly about communication methods in the collections sector, the changes we have seen and some of the changes we might see in the future. As part of this work, we surveyed CSA members about their current and planned approaches to communicating with customers, and it was clear that many firms expect to either explore or adopt new communications technologies in the coming years.

The fintech landscape is awash right now with new and innovative solutions and it can be hard to discern which ones are right for a particular sector or business. We recognise that there are undoubtedly technological advances with applications for the collections sector of which we are unaware. We hope this paper can

bring some awareness to some of the developments we are seeing but, also, more importantly, we hope this paper can help generate discussion across the industry around the opportunities presented by new technologies, particularly which advances can work best for our sector.

Of course, it isn't **all** opportunities – the switch to new technology brings a number of challenges for both businesses and the customer. For example, for some customers, new technology is not necessarily an opportunity but a barrier. The unrelenting pace of evolving technology can risk leaving people behind and digital exclusion is now a widely discussed topic which must be at the forefront of firms' considerations when implementing new solutions.

We've touched on some of the challenges firms may face when introducing new communications technology later in this paper and we will also put together a key considerations document exclusively for CSA members identifying some of the questions and themes that should be part of the thought process for their use of communications technology.

¹ [CSA: The outbound contact dilemma: understanding and overcoming the barriers to customer engagement](#) (January 2022)

Key findings

Our exploration of this topic has identified a handful of notable developments including some of the main obstacles to the broader adoption of new technologies and some opportunities for industry stakeholders to drive change.



Communication channels are broadening further

Whilst there are clear indications that the direction of travel is toward broadening communications channels, it is apparent that the traditional methods of communication (letter, telephone) will continue to play a prominent role in the sector's approach to communications for the foreseeable future. This is largely driven by the diversity of the customer base, where access to and capability with technology can vary significantly.



Coming years will see firms expanding use of new solutions

As noted, there are hints of movement toward newer technologies and expanding the range of communication options for customers, with respondents to the CSA survey indicating an intent to begin or expand use of new solutions in the coming years, albeit only tentatively in the short-term.



Customer wariness is a notable challenge

Barriers to implementing newer communications technologies are wide-ranging, but some of the most notable challenges are customer wariness and cost. Customer wariness is somewhat tied to the aforementioned diverse customer base within the collections sector and the differing capabilities within that group; but there are other significant factors, such as the design of solutions, easy of use, how reliable it is, and whether its availability meets the requirements of customers.



Financial risk also a barrier to adopting new solutions

In terms of cost, this is a particularly acute challenge for SMEs, where the need for a return on investment will always be a significant consideration when determining whether to invest in a new solution. Whilst technology can undoubtedly provide efficiency - and there may be cost-savings in the longer term - firms have to weigh that up against the initial outlay and the time required to recoup the costs.



Government and regulators need to act to facilitate meaningful innovation

Delays in modernising regulation and legislation can stifle innovation and, arguably, harm consumers. This is a particular problem with the statutory notice requirements under the Consumer Credit Act, where a piece of legislation over 40 years old and clearly not designed for modern communication methods, continues to prevent firms from adapting communications to better suit the way in which modern-day consumers interact with businesses. The problematic provisions remain in place despite a 2019 report by the FCA recommending the government make a number of changes. Although the government talks ‘big’ on innovation, it is not fully facilitating the meaningful change which could be beneficial to both consumers and businesses.



MaPS should explore Open Banking opportunities for centralising I&E

Looking to future opportunities, Open Banking is regularly cited as a development ripe with possibility. However, it remains to be seen how well it can fit with the collections and purchase sector. The reliance on customer consent, the understandable reluctance of customers to grant collections and purchase firms consent, and the absence of widely-used, trusted solutions currently make it difficult to see whether Open Banking will find its best use in our sector. Improving the provision of income and expenditure (I&E) information feels like a logical use case, but in order for this to come to fruition, it demands a provider that customers will trust to serve as an intermediary in recording and distributing their information. This feels like a policy area with scope for the Money and Pensions Service (MaPS) to build on its work with the Standard Financial Statement (SFS) and develop a trusted and reliable solution in partnership with a suitably-equipped tech supplier.

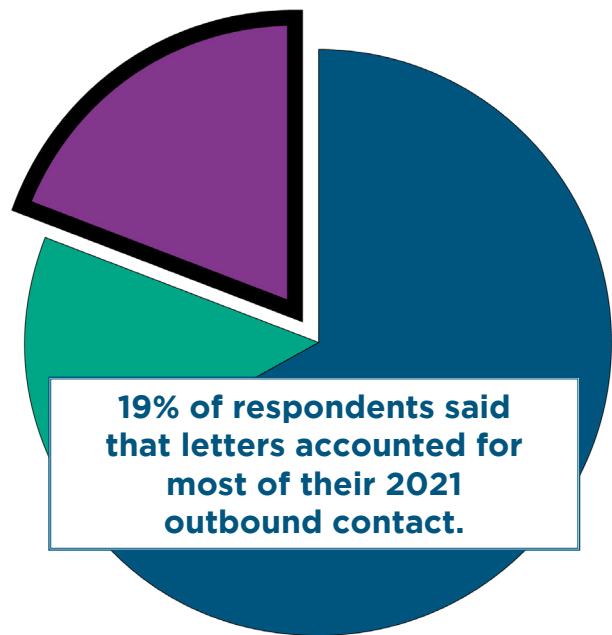
Developments in the recent past

The last twenty years has seen vast changes in the way in which we communicate, both as a society and an industry. The exponential rise in computer and smartphone ownership has massively increased accessibility to online services; advances in security and simplicity of online solutions has largely seen many online services embraced by the general public; and circumstances, such as the Covid-19 pandemic or the growth in online scams, have driven more rapid adoption of certain technologies, such as video conferencing, virtual private networks and contactless payments.

Approximately 10 to 15 years ago, the use of SMS and email in the collections industry was still dwarfed by the traditional methods of communication, letter and telephone. But as consumer habits evolved, so too have the ways in which firms communicate.

The recent survey of CSA members illustrated that, in 2021, SMS and email are no longer outliers and are almost as commonly used as the traditional methods of communication. In fact, for many of the survey respondents, email forms a more significant part of their communication with customers than letters, with a quarter of respondents identifying email as accounting for over 60% of their communication with customers in 2021.

Letter



Email

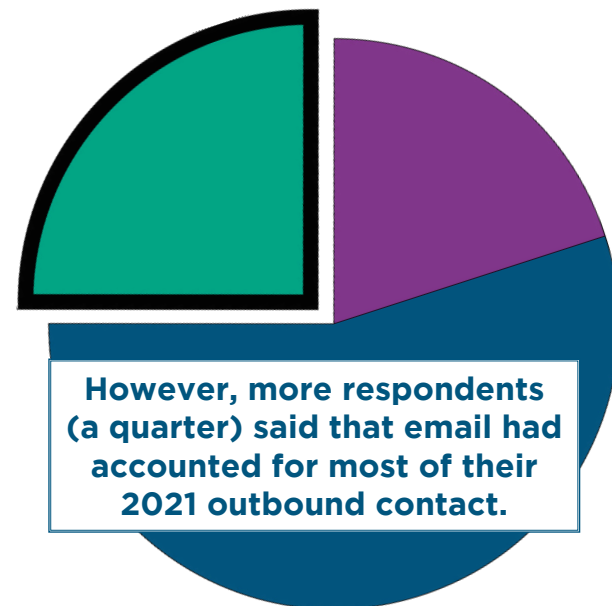
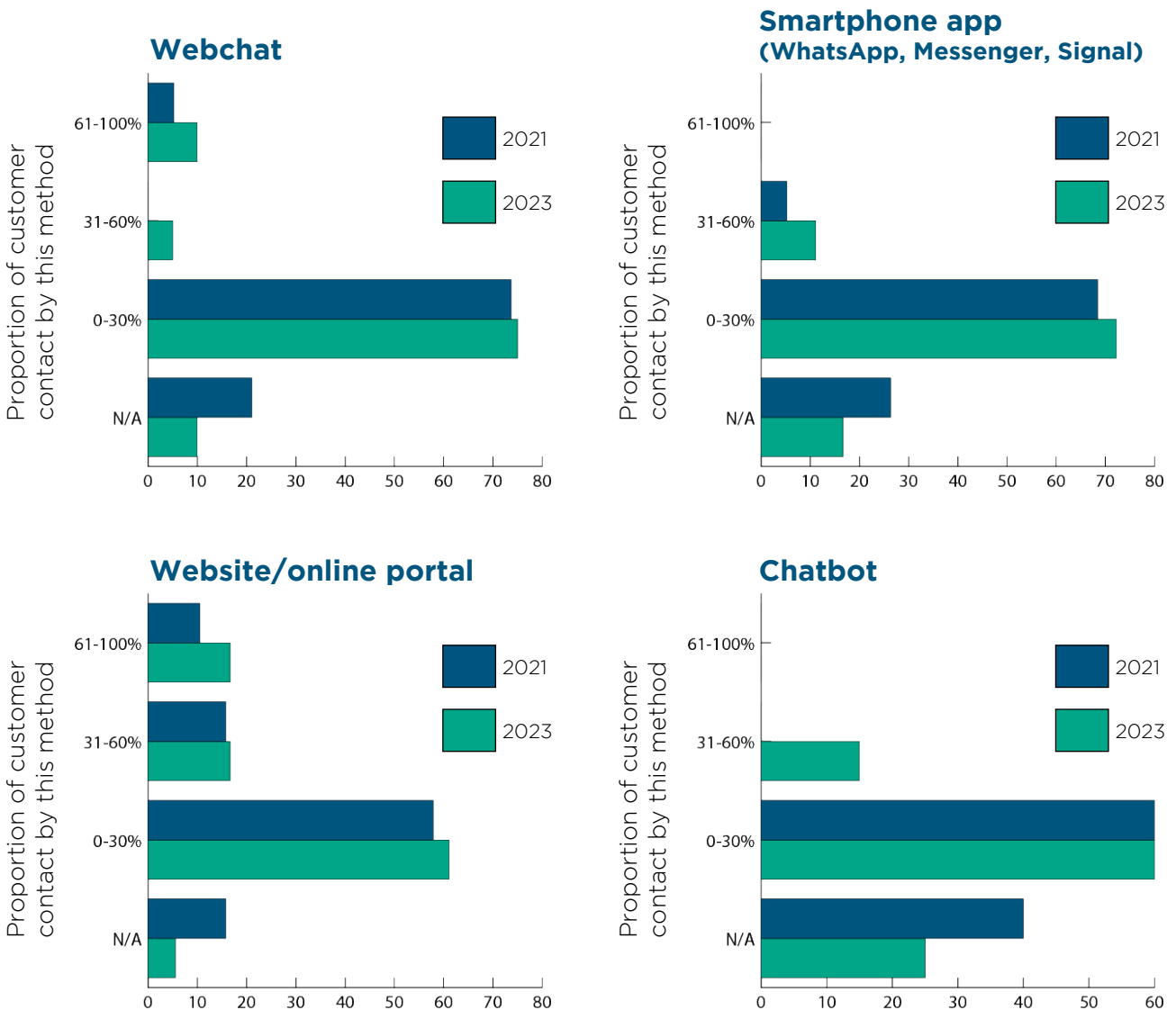


Fig 1 & 2: During 2021, roughly what proportion of customer engagement took place through the following channels?

We also asked participants in the survey how they anticipated the ratio of their communication methods changing by 2023. Although responses indicated that the traditional methods of communication (now including email and SMS) would retain their position of dominance, it was also apparent that the direction of travel is towards a broader range of communications options for customers, with respondents indicating an intention to adopt other methods of communication in future.

As illustrated by the charts below, we can see that by 2023, respondents anticipate, at the very least, a tentative shift in their approach to communications technology, whether that is simply adopting a particular tool or increasing their use of it for communication with customers. In each digital channel – webchat, app, online portal and chatbot – CSA member firms expect growth in the volume of customer contacts:



Figs 3-6: Proportion of customer contact in 2021 and anticipated proportion of contact in 2023 via webchat/smartphone app/online portal/chatbot.

The advancements in communications technology in the last decade or so are not limited solely to the methods by which firms and consumers interact; for example, there has been significant growth in the use of speech analytics, particularly in regulated financial services. As the technology has advanced, firms are much better equipped to rapidly identify and react to potential issues in conversations with customers, as well as carry out much broader quality assurance across their workforce. But the technology took some time to get to where it is now, with considerable development required in the early days to ensure the tool was able to identify key words and understand different accents. This is one tool which is expected to benefit substantially from advancements in artificial intelligence and machine learning.

It is understandable that the move to new technology is an incremental process – firms need to ensure any solution is in fact suitable for their customers, that customers are not left behind, that it is sufficiently cost-effective and that all risks are identified and addressed. Had we asked firms about their anticipated methods of communication over a longer timeframe, it seems likely we would have seen an even more significant shift toward newer solutions, as the general public and businesses become more accustomed to those methods and the challenges and barriers of these methods are ironed out.



Digital solutions - the positives

Digital solutions can bring an enormous range of benefits to both businesses and consumers. The right solutions can make processes more efficient; they can reduce costs; and they can make engagement easier and more agile.

We asked CSA members what they felt the key benefits for businesses were from adopting new forms of communications technology. One of the main benefits is the efficiency that the business gains by enabling customers to manage their own accounts or by having technology in place to deal with repetitive or simple queries/requests. Firms are thereby able to re-direct their resources into other areas of the business or into dealing with customers who have more complex requirements.

Cost reduction can also be a key benefit of a move to digital solutions, however, it is not so straightforward for all firms. SMEs may benefit in the longer term by shifting to a new technology, but the upfront cost can be significant, so there has to be a robust initial assessment of the benefits any solution may bring and how costs will be recouped, as well as the time period over which they will be recouped.

There can also be regulatory benefit to technological solutions, with several regulators encouraging firms to be more innovative and even facilitating that innovation through their regulatory sandbox schemes. Both the FCA and the ICO have supported the development of innovative solutions in recent years with their sandbox schemes, which enable firms to test out new solutions

in a regulatory environment. Whilst there is considerable focus on digital exclusion of late², it's worth noting that there is also a lot of regulatory attention on consumer exclusion. Firms should of course ensure that their use of new technology is not leaving customers behind, but expanding communications options, making engagement simpler and empowering customers to manage their own accounts are all steps towards better consumer inclusion.

Inclusion is not the only benefit for consumers. CSA members also cited convenience and speed as key benefits of digital solutions for consumers. New technology can afford customers far more flexibility in the management of their account, without having to wait to speak to a member of staff or wait for correspondence arriving in the post. Of course, the benefits are contingent on the availability and simplicity of the solution, so tools designed to enable consumers to deal with their account without the need for interaction with a staff member should be accessible on a regular basis.

The discretion of these solutions is another benefit, particularly in a sector like ours, where customers sometimes remain uncomfortable or reticent to discuss their account with anybody. Enabling them to manage their account or to engage discretely can often feel less intrusive for these customers compared to a telephone call with an agent in a call centre. In this way, the technology benefits both the customer and the firm if it helps to engage those who may otherwise have buried their heads in the sand.

Identifying the risks and challenges of new technology

The benefits of adopting new technology do not come without risk or challenge. As we've touched on already, digital exclusion has become a key concern across the financial services industry, particularly in view of the substantial increase in reliance on technology during the Covid-19 pandemic. Although digital solutions can be far more efficient and cost-effective for businesses, consideration must be given to those customers who are not equipped or in a position to utilise those solutions.

This has become a particular point of contention in the debt advice sector, with MaPS investing heavily in online advice delivery and digital tools, which has drawn criticism³ for its impact on digital exclusion. Whilst this is a reasonable criticism, MaPS does have a statutory responsibility for the funding of national debt advice and it is understandable why it would choose to focus some attention on ways to broaden access to debt advice efficiently. This does not negate the risk posed by digital exclusion, particularly in the world of debt advice and debt collection, where those most in need of help and engagement are precisely the people potentially being left behind, but their decision does have reasonable grounds.

As part of our survey, we asked members what they considered to be the greatest barriers to implementing solutions that would empower customers to manage their own accounts/interactions with the firm. The table on the following page broadly outlines the concerns identified by respondents to our survey, which include the aforementioned concerns around customer impact. The cost of solutions is another notable concern, something we already touched on earlier when we noted that SMEs are under particular pressure to ensure that any digital solution brings sufficient cost-benefit to make it a worthwhile investment. Costs are not limited to simply the cost of the solution, but also the resource requirements of assessing and implementing the technology, and rolling it out within the business. The security of technology is understandably another key concern for firms, particularly with the increased scrutiny on data protection following the introduction of the General Data Protection Regulation in 2018.

Potential barriers

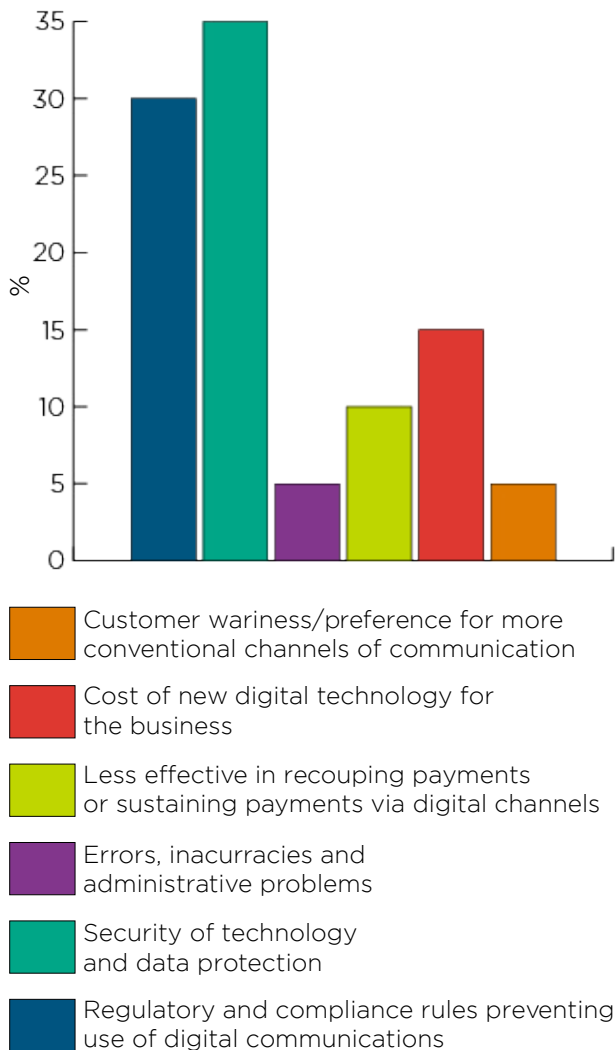


Fig 7: Potential barriers to introducing digital self-serve solutions.

When we asked members to elaborate on some of the risks posed by the adoption of new communications technology, several mentioned concerns about the impact it could have on dialogue with vulnerable customers, especially those who don't have English as a first language or whose vulnerabilities mean they may struggle with technology. It is clear that firms have to give due consideration to their

entire customer base and ensure that they are able to provide the necessary support to vulnerable customers. Arguably, the efficiencies produced by technological solutions should enable firms to dedicate resource specifically to those in most need.

A key consideration for firms introducing new solutions is determining the suitability of a particular piece of technology. The changes we've seen in the last couple of decades illustrate the need for simplicity and useability if technology is going to be widely adopted. Whether the firm is implementing a third-party solution or developing its own technology, it needs to think about the customer experience – will the system be simple and easy to use? Is the technology reliable? Poor functionality risks not just the customer reverting to traditional methods of communication, but also complete disengagement. If a tool is frustrating, misleading or confusing, customers may simply cease engaging entirely.

One of the major challenges of implementing a new system is dealing with the impact it may have on other systems within the business. In some cases, the new technology will need to interact with other systems, so thought has to be given to whether the solutions are designed to work with one another – and what can be done, if they are not. In other cases, the business might be replacing an older piece of technology, which will again involve thinking about how the two will interact, if data needs to be extracted from one and moved to the other. In some ways, new

solutions also demand a cultural shift, particularly if an older piece of technology has been embedded within the business for a long time.

Data security is not the only regulatory consideration firms need to take into account. In terms of data protection, there is a requirement to carry out data protection impact assessments (DPIAs) where adopting new technology that will involve the processing of personal data. Of course, firms should be carrying out appropriate risk assessments and due diligence in advance of introducing any new technology to ensure it is suitable, cost-effective and compliant.

There are other obligations that collections and purchase firms face, particularly those authorised by the FCA. For example, some firms will be required to send statutory communications, some of which come with requirements around format – this could mean that digital communications are not going to be viable in all circumstances and the firm may need to think about how it can explain this to the customer (and ensure they receive statutory communications).

These requirements to send certain communications by letter, particularly those required under the Consumer Credit Act, remain a frustration for the financial services sector. It is an area in desperate need of modernisation, something the FCA recognised in its report to Parliament on the retained provisions of the Consumer Credit Act, where it noted that moving the information requirements of the legislation into their rulebook would provide the opportunity to tailor the requirements to new digital methods of communication. Sadly, the recommendations in the FCA's report remain under consideration by the Government three years later.



Last Collection Time

Monday to Friday

4.30pm

A later collection is made at 6.00pm
from the Postbox at

Longfield Road,
(Stag Road)

Saturday

Future developments and opportunities

We've touched on some of the more widely used solutions but obviously technological advancement is an on-going process and there are several areas where development could bring about entirely new solutions and opportunities for firms.

Artificial intelligence and machine learning

One of the most commonly cited areas expected to bring about further change is artificial intelligence (AI) and machine learning. In fact, solutions using this technology already exist within the market, albeit with some limitations and considerable configuration requirements. But, in the coming years, there is an expectation that we will begin to see cost-effective technology that facilitates genuine AI interactions. Such technology is the logical next step from webchat and chatbots, enabling customers to obtain relevant and accurate responses to their queries. And it won't just be limited to written communications; already, there are tools available utilising AI to allow customers to navigate telephone IVR systems using ordinary language, without listening through menus and selecting corresponding keys on their phone. Of course, there will likely always still be a need for actual human interaction as an option for customers, especially in the collections sector where the customer makeup is incredibly diverse, and the compassion and understanding of an individual collector can be instrumental in engaging with a customer.

In addition to interacting with customers, AI and machine learning will likely provide significant enhancement to speech analytics tools, potentially removing a large amount of the configuration that firms and suppliers have had to implement manually. And it is probably not just configuration – the technology could presumably improve quality assurance processes, improving the identification of issues, mistakes or even complaints during calls.

AI and machine learning may also have uses in developing tools to enhance and automate business decision-making, particularly around recovery strategies. Such technology could enable firms to better tailor their recovery strategies to an individual customers' own unique circumstances. Of course, this will demand appropriate safeguards to ensure that customers are adequately protected where automated decisions are being made that affect them.

Open Banking

The other oft-cited area of development mentioned by respondents to our survey was Open Banking.

There are hopes that developments in Open Banking might introduce solutions for centralising income and expenditure (I&E) information for customers. One of the challenges with Open Banking is its reliance on consumer consent, but there is clearly scope for developing a tool that consumers can use to share their I&E information, where the

app would serve as an intermediary enabling the customer to limit what is shared to only what is necessary. Considering the Standard Financial Statement aimed to standardise I&E data, the logical next step would be to centralise this information and reduce the administrative burden of compiling and sharing this information, which often falls either on the individual or debt advisers. This is perhaps a piece of work for MaPS to explore further, possibly in partnership with trusted tech suppliers. A MaPS-backed solution would undoubtedly give customers confidence that any granting of access to their data is secure and in their interests.

Open Banking is also being used for payment solutions, an area that could eventually become of interest to collections firms, once the technology has been sufficiently widely-adopted by consumers. This may enable firms to bypass transaction fees if Open Banking tools can be used by customers to make payments.

Of course, neither of these options is without their challenges. The current nature of Open Banking is still imperfect and perhaps double-edged; not all customer transactions route through bank accounts – and a conversation may still be more reliable in determining more accurate figures and realities. Joint bank accounts tend not to lend themselves to the analysis of individual income and expenditure patterns. And not all customers will be keen to grant data consent where the data will be shared with a creditor.

Although there appear to be possible use cases for Open Banking to support the collections and purchase sector, its use for creditors, collection agencies and purchasers is less clear. Whilst customers may be willing to grant access to their data in pursuit of lending, they are likely to be less keen to grant access to those that are looking to recover an outstanding balance, even if the goal is simply to better understand their circumstances.



Better access to and use of data

It would be hugely beneficial to firms to improve the interaction and data generation from their communications tools. We've noted already that a multi-channel approach to communications will be around for the foreseeable future, but for firms to truly understand how successful each channel is and how communications strategies can be adapted to improve engagement, they need a broader view of how these solutions are working. As firms adopt new solutions, this often involves a new piece of technology on top of their existing systems. In many cases, older technology is not designed to work with newer solutions, which makes it harder for firms to gain a holistic view of their communications channels.

The use of disparate solutions can also lead to inconsistency for customers, who may face different messages or encounter different challenges with certain communications channels.

As firms broaden their communications channels and become more adept with newer solutions, it seems likely that they will begin to focus on how the data generated by these solutions can be centralised and put to better use in developing communication strategies. Similarly, firms may also want to see solutions that can provide better consistency for customers, regardless of the communication channel used.

The future will also likely see significant change in data sharing, although what those changes will look like is still an emerging picture. But with the government looking to overhaul the data protection framework, the ICO investigating the adtech market and the FCA scrutinising the credit information market, it is undeniable that change is on the horizon in this area. The positive outlook is that there will be improvements in data accuracy and data sharing, but on the flip side, there could also be tighter restrictions on data use.

Social media

Use of social media as a communications channel remains problematic, particularly for the collections sector. There is a valid argument that individuals expect engagement on social media to be limited to 'social' interactions, and any engagement with businesses to be on the individual's own terms (e.g. raising a query; registering an interest in a product).

The accuracy of social media data is also questionable, given that the individual controls the information and is under no obligation to ensure its accuracy, to the point that they may not even use their real name, for example.

The scrutiny on tech firms, particularly social media providers, along with the development of the Online Safety Bill, may eventually culminate in some form of regulation, which could provide assurances that make it a

viable communications channel; but in its current form, it seems likely it will remain unsuitable in the medium term as a communications channel for our sector.

Other developments on the horizon

In our report on outbound contact, we noted that the increase in scams was a key factor impacting customer engagement via telephone. We discussed the recent work of Stop Scams UK, an organisation that has developed the '159 Scheme', whereby individuals can call 159 and be put through directly to their bank, where they suspect that a call they've received was a scam. The suspicion that a call is a scam is a common occurrence in the collections sector and we committed to working with Stop Scams UK to broaden access to the scheme so that CSA members could also participate. This work remains on-going, as Stop Scams UK works on the technology required to broaden access, but we will keep the membership updated on developments.

Use of technology in the enforcement sector will be an area to keep an eye on, with recent developments such as the Civil Enforcement Association (CIVEA) mandating the use of body-worn cameras and the 2021 High Court judgment⁴ which permitted pre-visits for the taking control of goods to be carried out remotely. The enforcement sector has long faced accusations of aggressive practices, but it is apparent that the sector is exploring solutions that can go some way to mitigating these allegations and providing additional assurance to the general public (as well as the agents themselves).

The focus within financial services on both customer and digital exclusion should see more tools and solutions tailored toward those with vulnerabilities or access requirements, or at least the refining of existing tools and solutions to ensure they are as inclusive as possible.

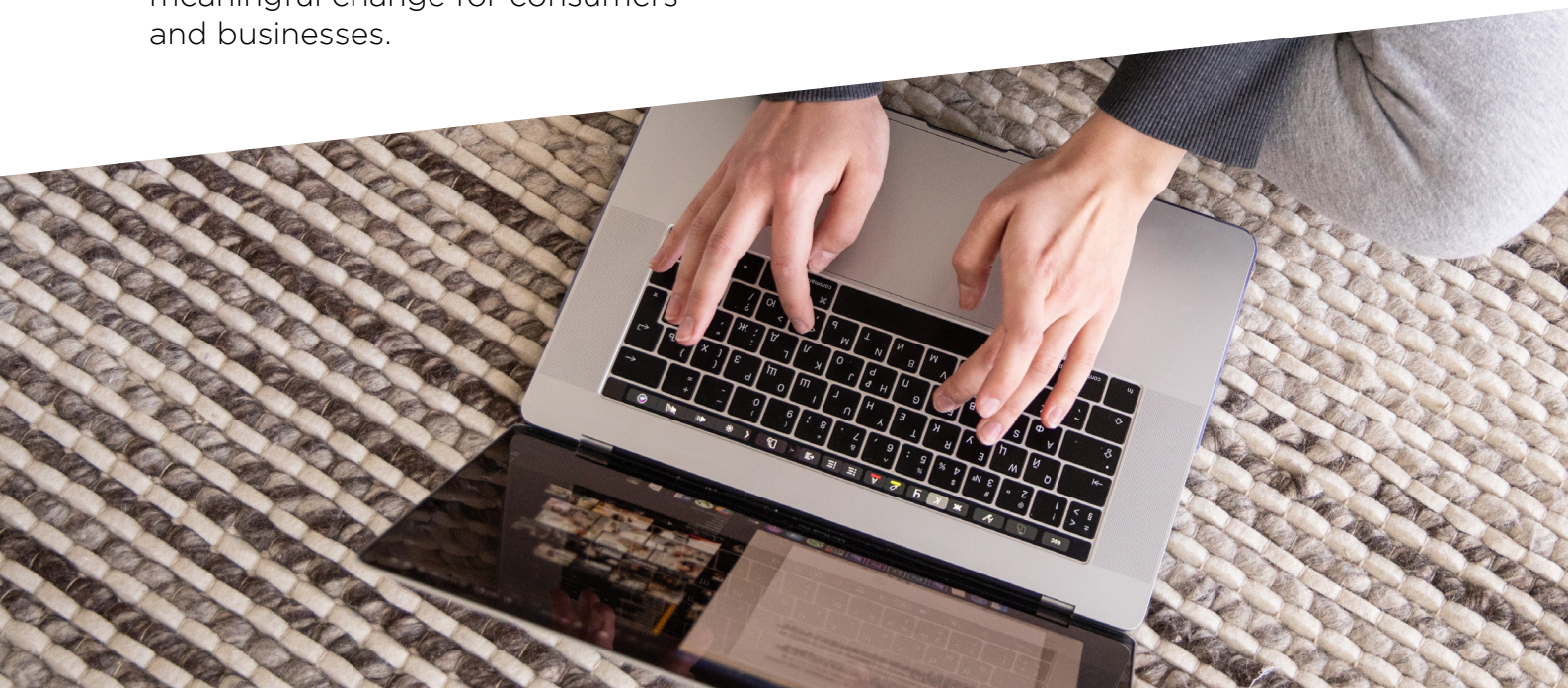
Conclusion

In the world of collections, engagement is paramount. The more engaged a customer is, the more informed the firm is, and, as a result, the better equipped they are to reach the right outcomes for both the firm and the customer. For this reason, the sector is consistently open to new technologies that makes it easier for customers to speak to them or solutions that empower customers to take ownership of the management of their account. Even though adoption of new technology is an incremental process – understandable, given the various obstacles – it is clear that the direction of travel is toward giving customers even more options for how they engage with firms.

With regulators and government publicly endorsing and encouraging consumer-focused innovation, it's clear that the evolution of communications technology will not be slowing down any time soon. But in order for the changes to be truly effective, government and regulators need to make sure their actions support that innovation, rather than stifle it. We hope to see both working with industry to secure meaningful change for consumers and businesses.

As the industry trade body, we also want to continue to support members in exploring and implementing new solutions and tackling the obstacles that stand in the way, whether that is through lobbying government and regulators to remove unreasonable barriers that are stifling innovation or by providing members with opportunities to hear from and engage with a range of industry suppliers.

As we noted early on in this paper, we recognise that there are inevitably developments, solutions and technologies – in the market or under development – of which we are unaware. We said at the outset we wanted this paper to encourage discussion in the industry. With that in mind, we would encourage stakeholders to get in touch – whether you have a solution that you believe has applications for the collections sector, or you're a member whose identified a particularly useful piece of technology, or if you think there are other developments on the horizon that the sector should be exploring.





www.csa-uk.com



[credit-services-association](https://www.linkedin.com/company/credit-services-association)



[@CreditServicesA](https://twitter.com/CreditServicesA)



[@CreditServicesA](https://www.facebook.com/CreditServicesA)



[Credit Services Association](https://www.youtube.com/CreditServicesAssociation)