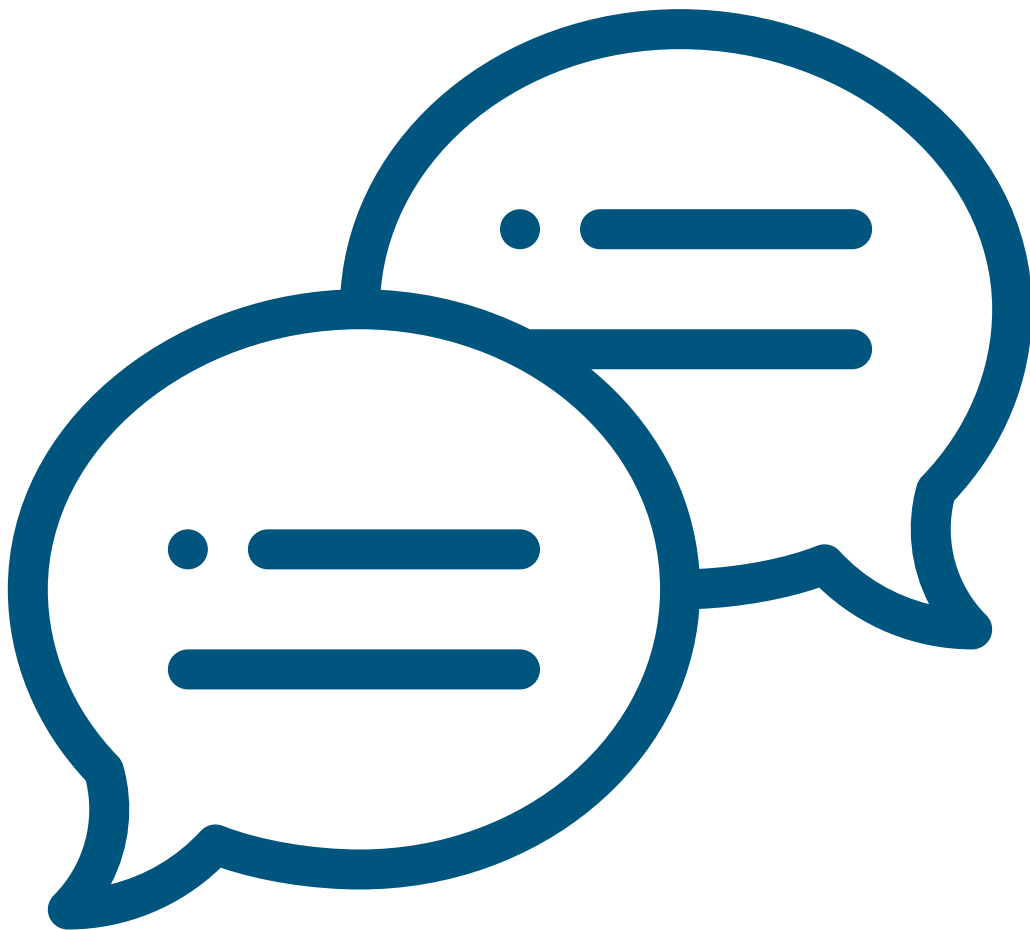


The outbound contact dilemma -

Understanding and
overcoming the
barriers to customer
engagement



January 2022

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Introduction

Engagement with customers is fundamental to achieving debt resolution – and for the success of a debt collection or debt purchase firm. Achieving that engagement generally entails directly contacting the customer, in many cases, unexpectedly. But one of the biggest obstacles the industry can face in engaging with the customer is persuading them that they should speak to you.

Collection agencies and debt purchasers are rarely on the average person's radar; it is only when things have gone wrong, when a person is facing financial difficulties, that they become acquainted with firms in the collections and purchase industry. And that acquaintance is not by choice; it is the result of their creditor turning to specialists to recover the amount outstanding.

The challenge of engagement is amplified further in a climate where scammers are consistently seeking to exploit the general public's contact information to steal data or money. Individuals are – sensibly – advised to approach any request for information or money with caution, even where the contact appears to be legitimate.

All of the above combines to create a tricky problem for the collections sector – firms need to make sure they are speaking to the right person when they make outbound contact, but the people they're contacting are understandably reluctant to share information with a company they are unfamiliar with, especially one which can't divulge any information that would demonstrate their legitimacy.

In a recent survey of the CSA membership, a quarter of members estimated that more than 15% of their outbound contact faltered due to customer hesitancy in verifying their identity.

If the firm has out-of-date email or postal addresses, or if their letters go unread or without response, and telephone communication is the only viable option, this reluctance to engage could lead to unfortunate consequences for customers.

Our concern is that while the risk of misidentifying a customer has exceptionally strong protections at present, the risk of losing hundreds of thousands of important conversations with the public – and the consequential detriment to customers of help forgone in resolving their debt issues – is not weighed in the balance. Collections agencies of course have a duty to safeguard information, but they also have a duty to seek engagement with customers and provide tailored assistance.

In this paper, we explore some of the challenges firms face and the solutions adopted within the industry, as well as considering what other measures could help tackle the problem.

Actions and recommendations

Our exploration of this subject has led us to commit the CSA to a series of actions and to make a number of recommendations for external stakeholders, which we believe would tip the scale in favour of the benefits rather than the challenges.

Actions

- i. CSA will explore further work to encourage a consistent approach among creditors.
- ii. CSA will work with members and industry to explore innovative solutions/technological advancements to improve engagement/tackle lost engagement.
- iii. CSA will continue its engagement with Stop Scams UK to pursue the broadening of the 159 Scheme and assist with any other relevant schemes/solutions.
- iv. CSA will engage with key stakeholders, including creditor trade bodies and regulators, in its efforts to tackle disproportionate client requirements.
- v. CSA will develop key considerations for collections communications to enhance the industry approach to engagement.

Recommendations

- i. CSA members should review the suitability and effectiveness of their current training and culture, and consider investment in specific approaches to enhance call continuity, ID verification security and the maintenance of customer engagement.
- ii. Access to the 159 scheme should be broadened to tackle not just scams, but the mistrust generated by scams.
- iii. Relevant regulators, namely the FCA and the ICO, should set out stronger requirements and/or clear expectations for creditors to provide advance notification of the instruction of a collection agency.
- iv. The ICO should set clearer expectations for identity verification on outbound calls in an effort to improve consistency and address growing mistrust.
- v. The Government should address the legal anomaly and extend protections for postal communications to electronic communications.

Further background to these actions and recommendations is set out in the 'options and recommendations' section of the paper.

Obstacles

In order to tackle a problem, we must first understand what's causing it. When we surveyed CSA members about the difficulties they face in making successful outbound contact, we found that there are a range of obstacles that stand in their way, some entirely valid and justifiable, others where there is arguably scope for flexibility or change.

Data protection requirements

The protection of customer data has been an essential component of compliant business practice for decades now. UK data controllers have long been required to comply with data protection law, which presently includes the [General Data Protection Regulations](#) (GDPR) and the [Data Protection Act 2018](#) (DPA 2018).

For many years, one of the key requirements of data protection law has been the expectation that firms have “*appropriate organisational and technical measures*”¹ in place to protect the personal data that they process.

Part of that protection is ensuring that personal data is not inappropriately shared with a third party, unless there is a legal justification for doing so. In practice, that means firms must take steps to satisfy themselves that, when they are making an outbound call, they are speaking to the correct individual.

This is most commonly achieved by the caller asking the recipient to provide some information about themselves or their account (e.g. name, date of birth, address). It is worth noting that this particular approach is not an explicit legal requirement, nor has it been set as an expectation by the UK's data protection regulator, the Information Commissioner's Office (ICO). The legal requirement for firms is only that they have measures in place to protect the personal data, which does provide scope for different approaches to the one that has become standard practice.

The [CSA Code of Practice](#)² does set out an expectation that members verify a customer's identity when speaking to them, but again does not provide specific requirements on the nature of that check.

¹ GDPR, Article 24 (1): *Taking into account the nature, scope, context and purposes of processing as well as the risks of varying likelihood and severity for the rights and freedoms of natural persons, the controller shall implement appropriate technical and organisational measures to ensure and to be able to demonstrate that processing is performance in accordance with this Regulation.*

² CSA Code of Practice, 5k: *Members shall ensure appropriate data protection checks are carried out when speaking with customers or their authorised representatives to verify their identity and, where necessary and appropriate, validate and update information received about the customer.*

Unfamiliarity with the company

The average individual is unlikely to be familiar with a debt collection or debt purchase company. Most people only become aware of particular firms if they are in, or have previously been in, financial difficulties; but even then, they are unlikely to be familiar with all of the firms in the industry. Collection agencies and debt purchaser firms are rarely household names, as the general public does not use their services.

This means that in a lot of cases, customers will not know the company contacting them. That lack of familiarity makes people understandably cautious about disclosing their information and will inevitably raise questions about the legitimacy of the contact.

Risk of disclosure to third party

Notwithstanding the risk of disclosing the customer's personal data to a third party, firms also have to be cautious about practices that could disclose the nature of the collection company's business relationship with the customer to a third party.

Debt is a particularly sensitive subject and even though a lot of work has been done to tackle the stigma of being in debt, many people still keep their financial difficulties to

themselves. This may be due to embarrassment, it may be because they fear the consequences of another party finding out, or it may simply be because they want it to remain their own business. Regardless of the reason, it is not unreasonable for customers to expect efforts to be made to keep this information private.

Further to the reasonable expectations of customers, both the CSA Code of Practice³ and the [FCA Handbook](#)⁴ contain requirements that firms must take steps to ensure that they do not intentionally publicly embarrass a customer. Firms are therefore expected to implement measures to minimise the risk of disclosing to a third party the nature of their business relationship with the customer; failure to implement any measures to protect this information could be considered an intentional effort to embarrass the customer or to disclose their information.

³ CSA Code of Practice, 2(x): *Members shall cooperate with customers and their authorised third parties in line with regulatory guidance and not act in a manner intended to publicly embarrass or cause them distress.*

⁴ FCA CONC 7.9.7(R): *When contacting a customer... a firm must ensure that it does not act in a way likely to be publicly embarrassing to the customer...*

Scams

In the past decade, the general public's awareness of telephone scams has increased – however, this has also been accompanied by an increasing prevalence and sophistication in those scams. This has understandably made individuals much more wary about disclosing information over the phone, especially where they have doubts about the contact. People are also more aware of their data protection rights since GDPR was introduced, which only amplifies that caution.

There are numerous efforts being made by industry and regulators to tackle the scourge of scammers, with the ICO and Ofcom cracking down on nuisance calls⁵, and financial services industry stakeholders launching various campaigns and schemes⁶ to improve consumer awareness and reduce people's exposure to scams.

We support these efforts wholeheartedly and applaud the work of all involved. But we also recognise that increased reluctance to engage presents an added and growing complication for the collections sector.

Client restrictions

Acting on the instruction of a client means providing the service that they expect to receive and meeting the standards that they demand. This means that debt collection agencies

face a range of minimum standards from clients around how they engage with the customer and manage the account.

With compliance requirements being one of the most important benchmarks for firms, particularly in financial services, it is entirely reasonable that clients will set out their expectations when outsourcing a service. However, collection agencies act on behalf of a lot of different clients; and if those clients have interpreted legislation or regulation differently, or have very stringent requirements, the collection agency might find itself having to satisfy a number of different requirements. An approach that one client is comfortable with may be a cause for concern with another client.

This breeds inconsistency across not just the sector, but within the firm itself. If a firm wants to standardise its approach across the organisation, it will likely find itself doing so with the most stringent client requirements; it will also likely need to seek client permission to do so. A lack of standardisation creates operational risk by requiring staff to employ differing approaches across different clients; on the other hand, although implementing standardisation may mitigate that risk, it also requires the firm to impose the requirements of its most stringent client.

⁴ Nuisance calls and messages: Update to ICO / Ofcom joint action plan March 2021: [Nuisance messages and calls: Action plan update 2021 \(ofcom.org.uk\)](#)

⁵ Stop Scams UK's '159' scheme ([159 – Stop Scams UK](#)) and UK Finance's 'Take Five to Stop Fraud' campaign ([Take Five - To Stop Fraud | To Stop Fraud \(takefive-stopfraud.org.uk\)](#))

Nature of client

The collections industry assists a diverse range of sectors with the recovery of their debts. We have talked already about the risk of disclosing the nature of the collection agency's relationship with the customer, but with certain types of client, there can be some additional risk around disclosing the nature of the business relationship between the customer and the client.

In some cases, the client identity could reveal something particularly sensitive about the customer. For example, a customer's use of a payday lender could indicate particular financial difficulties to a third party; or an outstanding balance to a particular type of clinic could reveal sensitive information about the customer's health or well-being. This consideration can mean that in some instances, the type of creditor cannot be revealed under any circumstances, until the firm is confident it

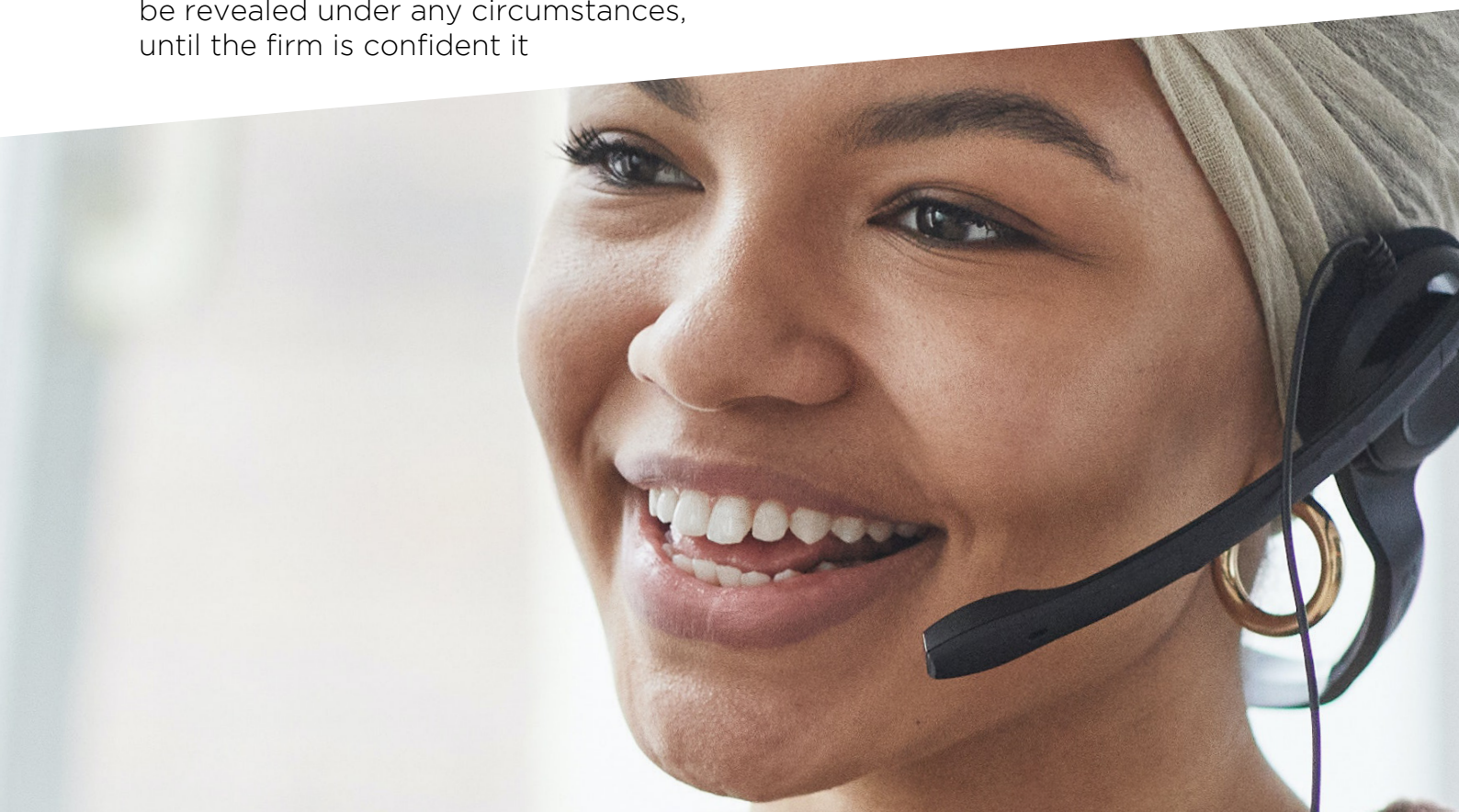
is speaking to the customer.

Generational changes

In recent years, there have been a range of articles⁷ exploring why certain generations prefer methods of communication other than telephone calls. As technology has changed, so have communication habits. This is why we have seen significant investment in a range of digital communication tools, from SMS to webchat.

This change in attitude and habits contributes even further to the challenge firms face in getting customers to engage.

⁷[Generation Mute: Why do Millennials hate phone calls](#) (2021) (bankmycell.com) and [The Evolution of Communication from Boomers to Gen Z](#) (2019) (NDMU)



Existing approaches

Firms already employ a range of measures to verify that they are speaking to the right person and to provide reassurance to those customers who are reluctant to provide information. These can vary from firm to firm, and the options available to any given firm will depend on a number of factors, including the firm's resources, their risk appetite, their client's risk appetite(s) and the types of debt they deal with.

Some of these approaches are standard practice, some are more suited to a particular organisation or type of debt. Some of the approaches may work in tandem with another to provide a more effective solution. And some may not be an option for any number of reasons, including the risk involved or the resources required.

Requesting information

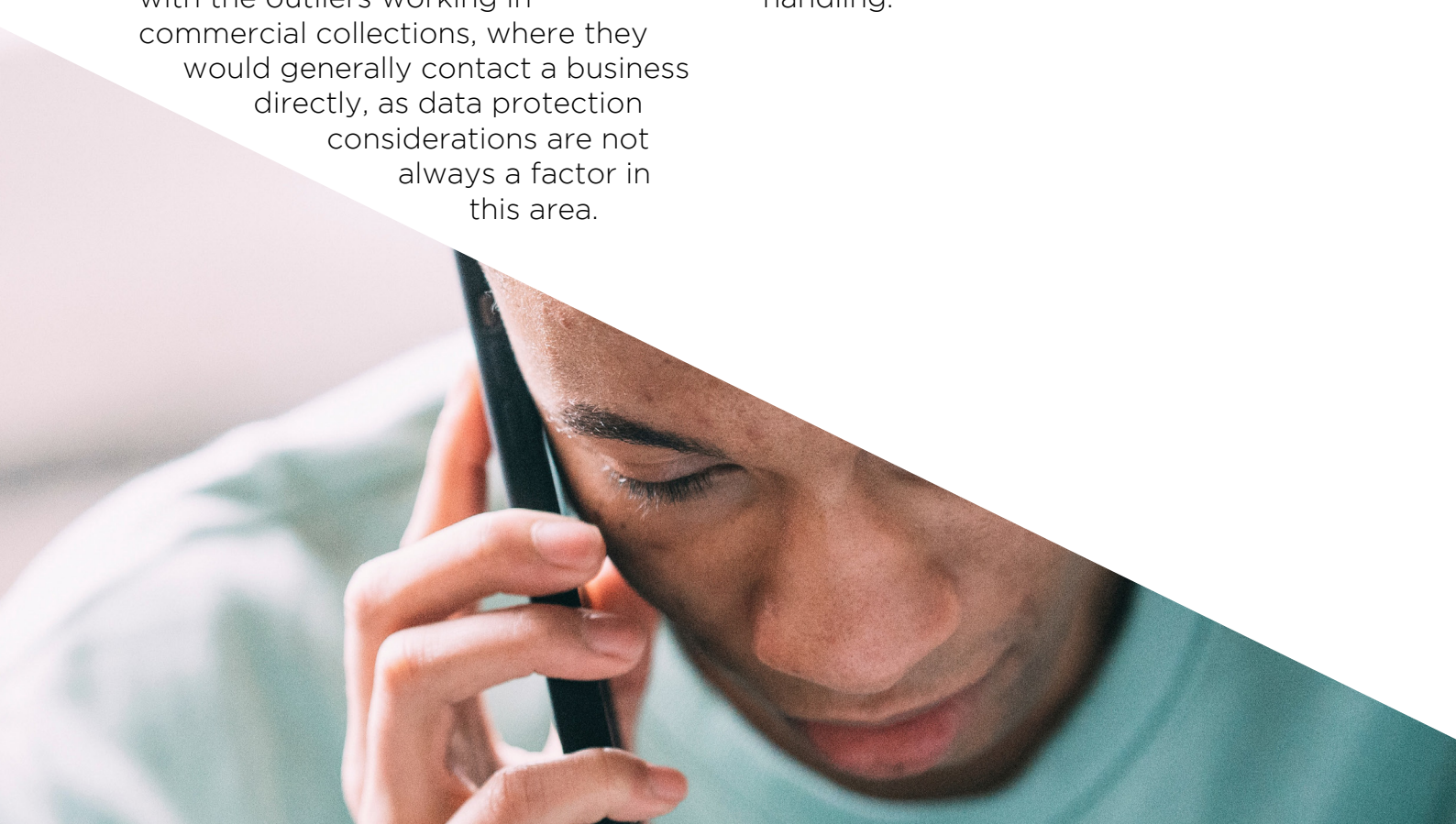
In surveying member firms, it is clear that the most common approach for firms to verify the identity of a customer during an outbound call is to ask the customer to tell the agent two or more pieces of relevant information, often the customer's date of birth and part or all of their address.

93% of respondents to the survey confirmed this was their approach, with the outliers working in commercial collections, where they would generally contact a business directly, as data protection considerations are not always a factor in this area.

Explaining the request

This is simply about explaining to the customer why you need to verify that they are the right person, why you cannot risk disclosing their information to the wrong person and the issues the company would face if it were found to do so (e.g. regulatory action; fines; legal challenges).

There is little risk around this option and staff should be trained to incorporate this into their objection-handling.



Advance written contact - creditor

When it comes to debt purchase, some form of written advance contact from either the seller or the purchaser is a prerequisite. A 'notice of assignment' in line with requirements under the Law of Property Act 1925⁸ and the FCA Handbook⁹ must be sent to the customer. Although the notice of assignment is only expected to be written correspondence from the new owner, in some cases the seller will also write to the customer to alert them to the sale; this is not, however, an obligation.

Advance contact is not quite so common where debts are passed to a collection agency, although the CSA has long encouraged creditors to provide customers with advance notice that their account has been passed to a collection agency and for that notice to identify the instructed agency. It helps set customer expectations and provides reassurance that the company making contact is legitimate.

In fact, the CSA Code of Practice includes a provision¹⁰ that, when outsourcing accounts for collections, the customer should be given advance notice of the outsourcing and who will be contacting them.

It is apparent from our research that this would make a significant difference. Many members that participated in the survey cited advance contact from a creditor, whether simply a notification or an introduction to the collection agency, as being a constructive measure that can help reduce customer objections.

We believe it would make a significant difference and would alleviate many of the challenges that firms come up against when making initial contact post-instruction.

⁸ Law of Property Act, s.136: *Legal assignment of things in action*

⁹ CONC 6.5.2R (1): *Where rights of a lender under a regulated credit agreement are assigned to a firm, that firm must arrange for notice of the assignment to be given to the customer...*

¹⁰ CSA Code of Practice, 2(p): *Members shall provide prior written notice to customers when outsourcing accounts, to ensure the customer's awareness of who will be contacting them.*



Advance written contact – member

Of course, creditors are not the only ones that can provide advance written contact.

How members commence their collections strategy is entirely their own decision, but prior written contact is a measure worth considering – it affords the customer an opportunity to investigate the firm’s legitimacy; it prepares them for any subsequent contact; and also gives them the chance to make contact or payment themselves. The format of that written contact may vary depending on the information available.

Of course, those purchasing a debt must provide advance written contact as part of the purchase process.

Immediate disclosure

This option entails asking the call recipient to confirm that they are ‘x’ and upon confirmation, proceeding to discuss the account. This approach is most commonly used in commercial collections, where the data protection risk is less significant.

Partial disclosure to reassure customer

This method involves the agent revealing part of the information used to verify a customer’s identity (e.g. the month or year of the customer’s date of birth and/or part of their postcode or their house number) in an effort to reassure the customer that they are just confirming something the firm already knows.

This approach can help provide some reassurance to the customer that the firm is simply asking them to confirm information it already holds. It is, however, contingent on the firm’s information being accurate and up-to-date, as well as having the client’s permission to reveal such data and adopt such an approach.

Challenges can arise if the information the firm holds is incorrect, as it will raise doubts about the firms’ legitimacy and runs the risk of reinforcing the customer’s reluctance to engage.

Partial disclosure to verify identity

An alternative approach to the use of partial disclosure is to use it as a verification tool, rather than reassurance, with agents asking, for example, whether the call recipient’s house number is ‘x’ or whether their birthday is in ‘x’ month. Upon receipt of an affirmative response, the firm would proceed to discuss the matter with the call recipient.

Reassurance through referral to external sources

This option entails directing customers to external sources to verify the firm's legitimacy.

In many cases, the sources will be independent and reputable organisations, such as regulatory bodies or trade associations. Examples can include the FCA's [Financial Services Register](#), the ICO's [public register](#), the Companies House [WebCheck facility](#) and the CSA's [member directory](#), all of which have searchable directories.

Another source for firms to direct customers to is their own website, where the customer can not only view the registrations, but can also identify legitimate contact information for the firm – some customers may be more comfortable making their own contact on details they know are correct. Consideration may need to be given as to what else could be revealed by referral to external sources or the firm's website, if there are doubts about the call recipient.

A referral option we hope members will be able to consider in future is the 159 Scheme operated by Stop Scams UK (this is discussed in more detail on page 16). The scheme enables people to call 159 and be referred – currently – to their bank; it is limited to a handful of banks at the moment but we are engaging with Stop Scams UK to encourage broader participation.

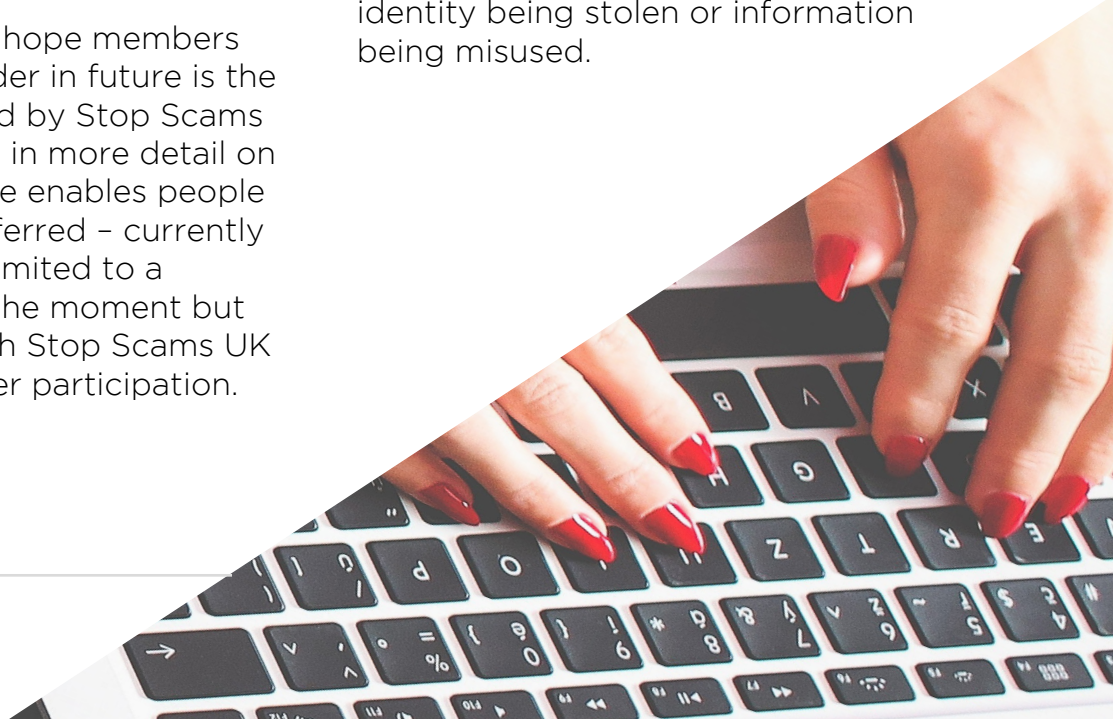
Client identity disclosure

In many instances, explaining who you are contacting the customer on behalf of can go some way to providing reassurance. Disclosing a name that they recognise, where they know they have an outstanding balance or at least have an existing relationship, will help demonstrate that the contact is legitimate and is not a scam. Consideration, of course, needs to be given as to what else could be revealed by disclosing the client's identity.

Asking for less sensitive data

Customers may feel more comfortable disclosing information that poses less risk of identity theft, so it may make sense to request different information from customers to verify their identity e.g. email address.

Where this is an option, it may help tackle customer objections if they know that the information they are disclosing poses less risk of their identity being stolen or information being misused.



Options and recommendations

It is worth noting that many firms are not simply settling for the existing approaches and are exploring ways to tackle the problem and improve customer engagement.

Set out below are some of the efforts we are aware member firms are exploring and some we think are worth consideration. Alongside these, we have recommended some courses of action for members, stakeholders and regulators, and committed the CSA to certain actions, which we hope will lead us to a point where customers are suitably protected from scams and theft, but are also not missing out on essential communication with their creditors and their representatives.

Invest in staff training and culture

Both the survey and separate member feedback have made clear that one of the most important steps in tackling this challenge is training staff to handle customer objections and to approach the conversation in an appropriate manner.

Several members have highlighted the importance of the tone of the conversation, stating that it is integral to the success of the engagement. Ensuring agents employ the right tone at the outset of their outbound communication demands not just staff training, but an organisational culture that supports a customer-focused approach.

Given the regulatory focus on culture, the investment would be beneficial both in terms of improved engagement and in demonstrating to the regulator a commitment to an appropriate culture.

Recommendation (i)

CSA members should review the suitability and effectiveness of their current training and culture, and consider investment in specific approaches to enhance call continuity, ID verification security and the maintenance of customer engagement.

Risk assessments

Collection agencies have a particular challenge in convincing their clients that their approach is effective and compliant.

They may find that they are better able to have constructive conversations with clients, particularly those that have very stringent requirements, by conducting and sharing a risk assessment around the approaches they favour. Depending on the output of the risk assessment, it may provide the opportunity to challenge restrictions that have proven to be a significant barrier to engagement.

Illustrating client impact

Another consideration for firms facing client restrictions is highlighting the actual impact of those restrictions.

Their restrictions are predominantly dictated by the client's approach to risk and quality assurance. Whilst it can lead to inconsistency for collections firms, it is an understandable approach, as it affords the client consistency among its outsourced work.

Nevertheless, clients may have a blind spot for the actual impact their requirements have on the recovery of debts. For example, our research indicated that a large number of firms can lose up to 15% of calls as a result of customer objections, with a quarter of respondents saying this figure was even higher. Clearly, that is a substantial proportion of lost client engagement. Collection agencies will be able to paint an even clearer picture to clients about the impact of the requirements on customer engagement, as well as highlighting minor or major changes that could increase engagement, and therefore recoveries.

Action (i)

The CSA will explore further work to encourage a consistent approach among creditors.

Improved due diligence

We have already noted that prior written contact is considered a helpful starting point for customer engagement and increases the chances that they will engage when the firm calls (if they haven't already proactively made contact).

With this in mind, it's particularly important that written communications actually reach the customer. For this reason, firms may want to explore what efforts can be made to better assure themselves that the address supplied by the client/creditor is accurate and up-to-date.

Technological solutions – two factor authentication

Firms may want to explore ways in which they could implement two-factor authentication, possibly by sending an SMS or email to the details on file during a call. Firms already ask call recipients to confirm their name, which could arguably be deemed the first of a two-factor authentication process. We are aware from conversations with members that tools enabling this already exist.

This type of solution would serve to reassure the customer that the firm already has their contact information, as well as limiting what the customer is expected to divulge, with the customer required only to disclose a one-time passcode, rather than their own personal data.

Technological solutions - online customer portals

Many member firms have now started to offer customers access to their account(s) via online portals. The ability to offer this facility, and the features that can be provided, are likely to depend on the firm's resources. A significant consideration will also be the security afforded by such a system, as well as how customer access can be managed.

Nevertheless, this type of system can remove the need for telephone conversations, particularly if customers are able to manage all aspects of their account online, including requesting more information or arranging a repayment plan. For those customers averse to telephone conversations, this type of solution may improve engagement.

Action (ii)

The CSA will work with members and industry to explore innovative solutions/ technological advancements to improve engagement/ tackle lost engagement.



159 scheme

An organisation comprising firms from the banking, telecommunications and technology sectors recently launched the 159 Scheme as part of an effort to tackle telephone scams. The premise is that customers can call 159 and be put through directly to their bank, thereby giving customers a way to be confident that they are indeed speaking to their bank rather than a fraudster.

The CSA has engaged with the body responsible for the scheme, Stop Scams UK, to discuss broadening participation so that other financial services firms, such as CSA members, are able to get involved. Although at the time of writing, the scheme is still in its pilot stage, Stop Scams UK is aware of the potential of the scheme and is presently focused on putting measures in place that would enable much wider participation.

We will continue to engage with Stop Scams UK and keep members updated on any relevant developments, particularly in relation to participation.

Recommendation (ii)

Access to the 159 scheme should be broadened to tackle not just scams, but the mistrust generated by scams.

Action (iii)

CSA will continue its engagement with Stop Scams UK to pursue the broadening of the 159 Scheme and assist with any other relevant schemes/solutions.



Explicit notification requirements

Requiring creditors to provide advance notification of their outsourcing to a collection agency, including the name of the firm, would likely reduce the number of objections faced by firms.

This would demand regulatory or statutory intervention, for which there may be little appetite. In the absence of regulatory/statutory intervention, the CSA will continue to work with associations representing creditors and will argue the value in adopting this approach more widely. We are confident that the figures from CSA members about the impact in terms of lost engagements/recoveries would strengthen our case.

Recommendation (iii)

Relevant regulators, namely the FCA and the ICO, should set out stronger requirements and/or clear expectations for creditors to provide advance notification of the instruction of a collection agency.

Action (iv)

CSA will engage with key stakeholders, including creditor trade bodies and regulators, in its efforts to tackle disproportionate client requirements.

Clearer regulatory guidance

Members have indicated that guidance from the FCA or the ICO on this topic would be welcome, particularly if it set minimum standards around identity verification, as it would help tackle some of the inconsistency among clients.

The CSA will highlight the challenges members face in this area to the relevant regulators and encourage them to explore innovative and effective solutions to the challenges posed by inconsistent requirements and lost customer engagement.

The CSA will also develop key considerations for members exploring some of the measures discussed in this paper, as well as the wider topic of collections communications.

Recommendation (iv)

The ICO should set clearer expectations for identity verification on outbound calls in an effort to improve consistency and address growing mistrust.

Action (v)

CSA will develop key considerations for collections communications to enhance the industry approach to engagement.

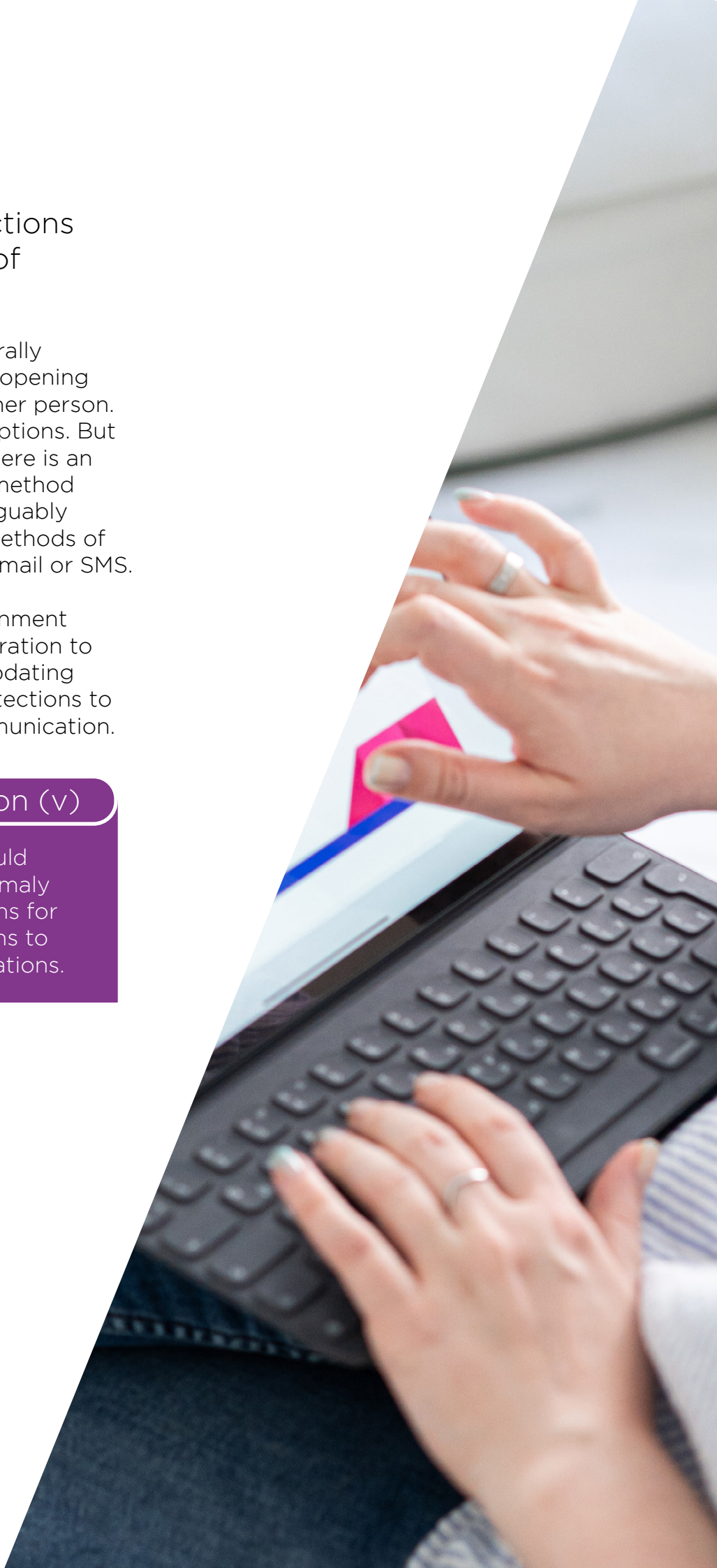
Clearer legal protections for other methods of communication

As it stands, the law generally prevents individuals from opening letters addressed to another person. There are, of course, exceptions. But from a risk perspective, there is an added protection to this method of communication that arguably does not exist for other methods of communication, such as email or SMS.

For this reason, the government should give some consideration to fixing this anomaly and updating the law to extend the protections to modern methods of communication.

Recommendation (v)

The Government should address the legal anomaly and extend protections for postal communications to electronic communications.





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