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Title: One Needs to be Agile But Not Overreact

Interview with Chris Buckham, Director of Marketing, Tallyman, Experian Decision Analytics

- 1. Your company held a Credit Risk Management Seminar in Moscow today which targets bankers. Is this an appropriate time for offering them decision analytics products?*

There has never been a better time to hold such a seminar. It is very easy to handle risk in a good market. We have had globally something like 15 years of benign and easy conditions where all global economies have been growing and it is very easy to lend money in these conditions and have score cards that are effective and appear to work well because as you are adding lots and lots of customers, the fact that you have a 5% delinquency rate is less of a problem because you are getting so many new customers you can afford it. But when you can't afford it, when new customers are not easy to come by, when new customers who will be good customers are not easy to find, this is precisely the time you need the tools, the analytics and software capability to give you the right answers. If ever there was an event designed for its time, it is this event.

- 2. How has the financial crisis affected your customers' business? Worldwide and in Russia.*

I think it's brought about a huge change for all our clients. I think some of the evidence I heard today has given me a good understanding that problems in Russia are similar to those around the world. The big change is that acquisition is no longer a key focus for our clients. The focus has shifted to customer management and collections.

- 3. What were some of the flaws in their credit policies and what lessons can we learn from this crisis?*

I do not think there were any flaws in the process and I think everyone would accept that the present situation is unprecedented. The best brains and best organizations in the world – nobody predicted that selling subprime mortgages and packaged financial instruments would lead to a kind of near collapse that we saw last year and that has a knocking effect on the economy this year. The best risk managers and assessors in the world could not have put together a model that would have predicted that what is happening. So I think our processes were pretty robust. I think the lesson everyone learned is the need to respond quickly. We have got to look at being more agile in how we improve our models and our processes so when there is an unprecedented event like this that we can move quickly without damaging the business and I think that what we might have seen, and where companies like Experian can help enormously, is an overreaction. People suddenly see a danger of debts not being repaid, there is a shortage of funds, they are switching to bringing in cash from savings products, not lending, or tightening lending policies. The reality is that 90% of people will stay in their jobs. In the UK 30% of people are employed by the government. They are not going to lose their jobs. They can carry on spending and borrowing. We should not be removing lending products that are appropriate to that kind of individual. So the reality is about being agile but not overreacting. And many institutions have stopped lending and this drives their profits down. If you have the right tools, data and analytical processes, these people are OK to lend to and this kind of lending product is OK. Backing that up if you have the right level of collection capability, and when something does go wrong, preferably before

something has gone wrong and where you can see that an individual may be suffering from severe credit stress, you can basically start to address that proactively. So I think agility is the key word here. I heard that people can only change their strategies once every six months when there is a window in the IT process and that is clearly not acceptable in the current market. And I think this is where products and services from Experian can help banks address that. And some of our clients who recognize that are getting real smart. I can give you an example of RBS. 2 years ago they started a project to manage their collections process at a whole risk customer level rather than at an account level. Typically, most developed markets will collect a credit card debt as a credit card debt, an overdraft at a different level and there will often be different organizations and departments involved. They basically consolidated their entire strategic collections process around one solution that enabled them to look at the overall exposure and manage it appropriately so you did not end up in a situation where someone has a strong balance in a savings account and is being chased for a small debt, say, 5000 ruble debt on a credit card, which would have been ridiculous. So making the right and smart decisions is the right lesson.

4. How has the crisis affected your products and do they require any modification?

Not at all. We said today that Tallyman was acquired by Experian two years ago and is the final piece in the equation that gave Experian the ability to offer an end-to-end complete credit lifecycle solution. We kind of anticipated that at some point the good years would come to an end when we acquired Tallyman so we would have that end-to-end process. We see a change of emphasis in Experian. Everyone now wants to focus on managing the customers. They want to make sure they retain as many of these customers as they can in difficult times. And where they are good customers, they sell other products to them. The products are adaptable to good times and bad, it's just how you switch the emphasis. We at Experian continue to invest and develop all our products because despite the global economic downturn, let us not forget that the Chinese economy may not be growing at 10% but it is growing at 7%, so there is still demand for systems for acquisition in other parts of the world just like there is demand for collections systems in parts where there has been a downturn.

5. How can Experian's solutions help banks avoid credit-related problems in the future?

There will always be credit-related problems. Let's be realistic. The whole concept of risk and risk management is that there is always a risk in lending so you have to manage what is an acceptable level of risk. I just read that the British government is having its credit risk assessment change, the same is true for the U.S. I think if you have the right tools and products you can at least put yourself in control. Nobody could have predicted the crisis that has arisen from the American subprime lending. And some of the world's largest banks now have to be bailed out by their governments – Citibank, Barclays, etc. Nobody could have predicted that. So given that you cannot predict that, you always live in a world where there is a degree of uncertainty. And that is where if you have the right tools at your disposal you can be agile and smart so when something happens, you can be agile. There was a run on British Rock which was a British retail bank, predominantly occupied in the mortgage business, and funded its mortgage business from the wholesale market. So when the wholesale market dried up overnight, which nobody could have predicted, there was a run on the bank. People were queuing outside trying to take their money because they thought it was not safe, which had not happened in 100 years. I would argue that most financial institutions did not react quickly to the crisis. They started to change their systems but they were not flexible enough. So I think our job at Experian is to help them be more flexible in the future, help them think smarter and give them the tools to do the job.

