DIGITAL LENDING

## Building something that's better

By Peter Jones

On the back of more than a few conversations over recent months, we thought it timely to share some best practises and thoughts that may not be so obvious when deciding to build and integrate an online platform or channel. While this is a significant move for a lot of lenders, there are some major factors that can have a significant effect on its successful adoption and return on investment.

1. Use online lending for data capture across all channels

While placing an 'apply-now' button on your website adds an additional way to apply for a loan, if your customers are not actively directed to the platform, and your other channels don't use it as well, then you will not get the same level of adoption.

In a practical sense, mobile lenders and call centre staff can send customers a direct link to the online application and guide customers through the process, or offer to save the customer (and themselves) some time by asking them to start providing their information online. This may suit the customer as well, as they get to complete the application at a time and in a place that suits them and not lose an hour out of the working day. Your staff are freed up to attend to the next enquiry and can later following up the original customer and offering a proposal from reviewing the information provided.

For lenders with Branches, sitting down with the customer and stepping through a customer-centric process where data is digitally accessed, automatically compiled and passed into core systems, is a time saving and risk reducing (through reducing manual input errors) experience for all parties.
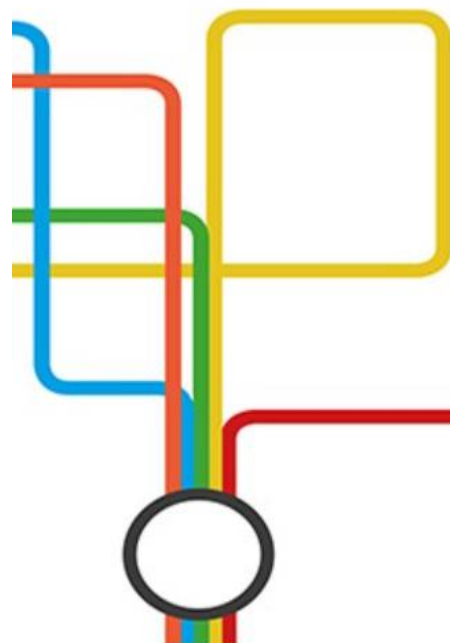
2. Improve the quality of application submissions

A challenge for a lot of people is to trust digital technology.

As lenders, we have built our careers on our personal 'risk radars'. But I can't recall spotting if a document has been tampered at a pixel level, as my eyes are just not that good. And I have talked to lenders who still have their staff repeatedly spending over an hour on the phone 'negotiating' statements line by line to deduct their exact expenses, and then trying to 'workshop' within their calculators to deliver the best possible result.

With digital bank statements, uploaded tampered documents can be detected down to pixel level depending on the bank statements, or better yet pull the core data from internet fraud.
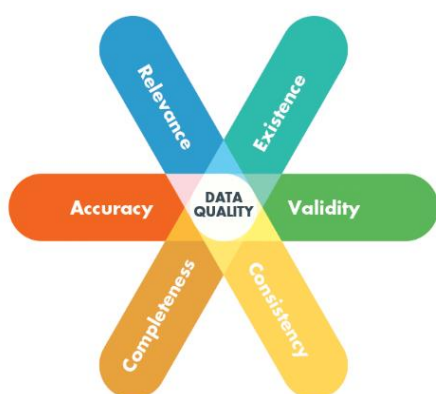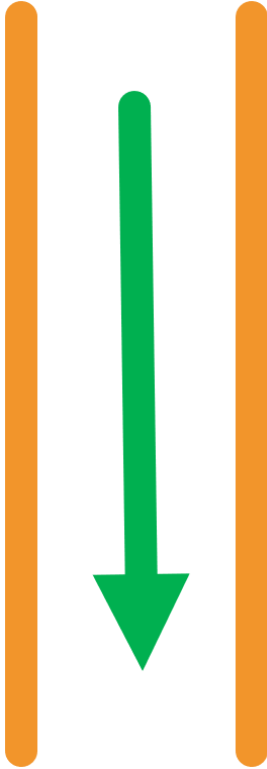
The capability to extract a combined financial summary across all accounts, categorise based on transaction categories and remove material expenses with staff ID embedded notes (for compliance), can significantly reduce the risk of transposition error or transaction omission compared to existing practices.

From a policy perspective, we still see personal biases creeping into and overriding lending policy. My favourite is that an 18-year-old shouldn't have a new car because they will wreck it, and a decline given. The applicant may have just wanted the latest safety protection! Unless policy is baked in, then manual decisions are susceptible to credit officer's personal bias's and should be better managed through more policy-based decisions.

By leveraging true, trusted and factually correct data, Lenders are provided the opportunity to allow the more straightforward applications that sit well within policy guardrails, to proceed in a frictionless manner under the tightest of a binary policy workflow to completion. Where elements of the workflow do not meet policy, that element is presented to the appropriate work queue to manually approve, escalate or decline.

The Binary rules and data, combined with an uneditable digital record of delegated authority activities, go a long way to simplify and record compliance obligations.

3. You can migrate to online platforms or channels at your pace

Creating your online offering doesn't have to be one big monolith (well at least it shouldn't be these days). And while there are plenty of software solutions that don't deliver any value for months until 'the project' is released, I recommend for any migration to be broken down into stages that can be more easily digested and reduce change fatigue within your organisation.

From a first steps perspective, most lenders have a 'contact us' or 'book an appointment' button on the website. By adding a few simple steps, this can also carry some basic qualifying data to ensure it is directed to the best queue or skilled person to receive the request. For example, by adding two

simple questions before the submit button, a lender might see that the customer is 1) buying a new home and 2) has found the property, so the opportunity could be escalated for immediate response to capture the opportunity and beat the market.

Another more complex example that could be added later is digital personal identification. While adopting 'Digital ID' requires an understanding of the risk and potentially a change in Lenders policy, it is still a step that adds value to the lender and customer, as well as adding a building block for the overarching digital migration.

With a well-considered and iterative approach, an online capability can be created in a manner that 'won't break the bank' from both human and financial perspectives.
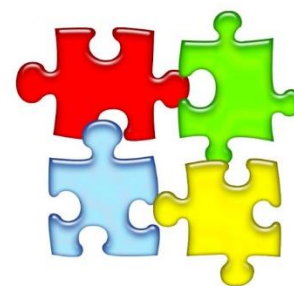
4. Build your digital capability at scale and avoid hidden costs

Yes, building digital capability can be expensive when done poorly or when an approach taken that's not aligned to your scale. Your first steps should be grasping an understanding of the guardrails around such things as security, where data is stored, regulatory compliance and most of all customer experience.

If it is a poor customer experience then all the research and work on security and compliance is worthless as it's not going to be used. When not researched well, early digital experiences are usually fraught with poor customer experiences (and potential brand damage).

From a financial perspective, be aware of the IT salesperson who is suddenly not as confident on the systems features or forgot to mention that you also need those 'additional licences' that are essential, only after you have signed the long-term contract.

The last point is that if you purchase software that you have to develop yourself, build smaller features that can be deployed more rapidly as this will help the case for ROI but also assist more adoption with your staff.

5. The online platform will not put your staff out of a job

What needs to be called out here is that when staff hear "online lending or automated platform", then they might think of something that will replace their role, and that is a normal human response. What also needs to be included in any communication is that:

- 'this will free you up to spend more time to provide advice to customers and not just collect data'
- 'this is to address the blow out of our processing times which is frustrating customers'
- 'we can convert more opportunities because we are currently too slow to respond'
- 'this will save us going back to remind them to send the statement they didn't send through'

Team members need to be reassured that this will enable them to do more of the activities that they are good at and enjoy within their role – like helping customers, and less of what they don't like doing and that adds no value - data processing.

In summary:

Most Lenders will need to digitise their lending process at some stage, and the right conversation is always about how far you need to go to align to your business proposition, and also to remain relevant and competitive in the market.

I hear Boards and senior management saying that they are deprioritising online and digital lending capability over other regulatory and operational priorities. My experience is that digitising is an accelerant to solving a significant number of these challenges as it can remove ambiguity when done well.

This need to be an agenda item for any team that is discussing risk, customer experience, staff experience or profitability.

I believe we will see a difference over time between those organisations who have balanced mid-term vision and mastered short-term execution to match the ever-changing market and those that simply do not.

All lenders do not need to be equal, but migrate to the level of digital capability that serves your business, or your customers may leave you behind.