

CAN CREDITORS CONTROL THE EXPLOSION?

With Debt Management Plan volumes set to explode TDX Group has launched DMX to help creditors meet the demand. Sean Gardner, CEO of MoneyExpert.com talks to Mark Hover, director of financial difficulties solutions at TDX Group to find out more.

Sean Gardner: Why have debt management plans become such an issue for the industry?

Mark Hover: With the credit markets reducing the availability of refinance and remortgage options, and more than one million people in Britain currently seeking a debt solution, we predict that there will be an explosion in demand for Debt Management Plans (DMPs) in the last months of 2008.

Equating to over 1,000 applications per day, DMPs currently account for around £10bn worth of personal debt, and at today's calculation we predict a further £5bn will be added during 2008.

SG: What makes you think that debt management plans need additional intervention or control?

MH: Clearly, with burgeoning volumes, the pressure is mounting on creditors to control and understand their DMP portfolio.

Currently the average DMP can last as long as seven years and TDX Group believes that up to 25% of all plans are abandoned in the first year and 45% before the first five years are up. Unsurprisingly the spotlight has suddenly turned on these shortcomings.

SG: So what are the key issues that TDX Group has identified?

MH: We believe that the industry is

suffering from end-to-end processes that are both inefficient and difficult to administer. This is made more difficult by the fact that Debt Management Companies (DMCs) operate very differently, from the advice they give through to the length of the plan, while creditors differ in their treatment and support of customers taking out a DMP.

We believe that this lack of efficiency and standardisation not only increases the costs of managing the DMP process, but it also causes unnecessarily high numbers of debt management plans to be abandoned early – failing the creditor and, more importantly, the consumer.

SG: What is DMX all about and how does it impact these issues?

MH: TDX Group has worked hard to consult with all stakeholders in the industry to develop a solution that meets the needs of all interested parties.

The result is DMX (Debt Management

Exchange) which has recently been launched by TDX Group. DMX provides a centralised technology platform that will automate the entire process of exchange of information to support DMP proposals between creditors and DMCs.

SG: Isn't the key area of concern the level of fees charged for setting up DMPs? Will this service drive DMCs out of the market?

MH: From our analysis of the market, we believe that the vast majority of DMP customers feel levels are entirely appropriate. This initiative is not about fees.

SG: And what are the benefits for those involved?

MH: DMX benefits all parties as it ensures that creditors and DMCs offer appropriate advice to debtors – based on their individual circumstances – while ensuring they get a fair return.

John Fairhurst, CEO at PayPlan, commented: "A number of players in the debt management industry have tried to stand out by upholding their own set of consistent standards and codes of conduct.

But we have now reached a stage where the industry as a whole needs to adhere to a set of common standards and practices that serve to protect the consumer and improve completion rates of DMPs."

SUMMARY OF DMX BENEFITS

Creditor benefits from DMX

- ◆ Greater understanding of the consumer, whilst driving appropriate treatment of debt for each individual debtor.
- ◆ Reduced operational costs.
- ◆ Increased returns over time through better DMP decisioning.
- ◆ Reduced DMP failure rates.
- ◆ Improved MI and tracking of the DMP portfolio for financial management and provisioning.
- ◆ Forum for engaging the industry.

DMC benefits from DMX:

- ◆ Automation of information exchange.
- ◆ Reduction in paper processes.
- ◆ Reduced time decisioning.
- ◆ A single point of contact for multiple creditors.
- ◆ Reduced document distribution.

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Kevin Still, director of EuroDebt Financial Services, said: "Consumers in serious financial difficulty, creditors and debt solution providers are all facing a huge challenge that requires a co-ordinated approach to provide a fair balance to both debtors and the lenders they have borrowed from.

"DMPs from 'not for profit' and commercial sectors are likely to play a more significant role where re-financing is not a viable alternative. We see the launch of DMX as a major stepping stone to improving consumer and industry confidence in a very sensitive sector."

Applying a set of standardised practices within an automated technology framework will also help to reduce administration costs and speed up the process for those consumers in financial difficulty.

Furthermore, DMX's decisioning rules have been set up to mirror industry guidelines and, whilst ensuring fair and consistent decisioning, they will more importantly help creditors respond quickly to any changes in an individual's circumstances.

We believe that DMX is a positive service for all involved in the debt management plan industry, including creditors, providers and consumers, and we will continue to engage with all parties in relation to the service.

To find out more about The Debt Management Exchange please call Mark Hover, director on 0115 953 1200 or e-mail DMX@tdxgroup.com



Mark Hover, director of financial difficulties solutions, TDX Group



THE IMPORTANCE OF TREATING CUSTOMERS FAIRLY

The entire financial services industry is acutely aware of the need to ensure that all customers are treated fairly. But when customers enter into financial difficulties, many become particularly vulnerable, and creditors and providers of debt solutions must stay alert to the needs of their customers and how best to support them.

The improvements DMX will deliver to the administration and control of debt management plan (DMP) data will be of significant benefit to the customer. The exchange platform and transfer of data will enable swifter recognition of a customer's intention to start a DMP, meaning that the creditor can be informed. Collections activity can then be ceased accordingly – reducing the level of stress for the customer.

In addition, DMX will maintain an up-to-date database of plans and a scheduled, fixed periodic review process. This will ensure that a creditor's internal records are maintained

accurately in terms of the customer's ongoing status.

There is no intention that DMX will increase payments beyond what is affordable; at TDX Group we understand that DMP revenue value is improved more significantly by extending the adherence period of the plan, not by simply achieving short-term increases, which may cause unnecessary pressure and be unsustainable for the customer.

DMX will consistently undertake a full review of income and expenditure, with each customer's case and circumstances being assessed individually. We believe that this is a significant step forward in terms of delivering fair treatment to the customer.

Additionally, gaining clarity on the appropriateness of the term of the DMP, and indeed whether a DMP is the correct solution altogether, all supports a more customer-oriented approach to DMP management.