

To lend or not to lend

By Bruce Bosworth



Bruce Bosworth

The anti-banking mantra of recent times is “irresponsible lending” mouthed loudest by patronising meddlers (PMs) who have decreed that it has got to be lenders who are at fault if someone gets hopelessly into debt. No one has defined what is meant by responsible lending but generally it is thought that banks promoting their wares with offers of cut-price loans and easy access to it must be irresponsible. Perhaps PMs look back to the times when a person made a credit decision rather than a statistical model called credit scoring which was designed to maintain consistency and objectivity. Here is an example of a “personal” credit decision.

During the second world war my parents lived in an industrial area of Birmingham. Bombs were dropping nearby

and so they sought safety in another part of the city. They moved into rented accommodation with a cellar.

Some years later the landlady died and the beneficiaries of her estate wanted to sell the house and so my parents were served notice to quit. This was rather inconvenient because by now my parents had eight children.

My parents had a stroke of good luck. An old lady who lived a few doors away died and in her will stated that the Bosworths could have first refusal of her property but it must be paid for at market value. I seem to remember that was about £1000. In those days responsible lending required a minimum of 10% deposit. My parents struggled to raise this sum and then went hunting for a mortgage. Responsible lending in those days also only took into account the earnings of one person – usually the man.

Father was refused a mortgage by 11 “responsible” building societies. The reason? He wasn’t considered to have a proper job because he was self-employed. Within two weeks of being evicted, one granted a mortgage. Was this irresponsible lending? Is this

what PMs have got in mind?

The family moved in and despite the customary Saturday morning row between my parents about shortage of money, the mortgage repayments were mostly made on time and the mortgage was finally repaid in full. In my opinion those were the bad old days.

Now the banks are fighting to lend us money. I think it is wonderful. 18 months ago I paid for my boat mooring and

Now the banks are fighting to lend us money. I think it is wonderful.

licence fees and insurance by credit card. Before the credit card was

due to be repaid I received an offer from another bank for their credit card. To entice me they offered 9 months interest free on balance transfers. Yo ho ho I thought. Interest free money for 9 months – I shall have some of that. I applied for the account and transferred the balance. Fantastic. What a wonderful deal. And PMs want to put a halt to this! So they want to punish all of us because some people are stupid or greedy and borrow money they cannot afford to repay.

Or have the banks been duped by some borrowers? I would love to know what percentage of borrowers tell the truth, the whole truth and

nothing but the truth when applying for credit.

How would a credit scoring system or personal lending decision deal with this example. I know a very successful businessman who takes honesty in his dealings very seriously. He also takes his responsibilities to his employees seriously. He once told me that to help his staff get onto the housing ladder that he verified to would-be lenders that he paid wages that were more than was the fact. He strongly believes that he is doing his social duty in helping his people to get a mortgage.

I suppose PMs would find this outrageous, but then I expect they would have preferred the Bosworths to have been evicted too.

Which credit card?

There is a rumour that card companies may charge up to £35 annual fee. I have three cards at present: I use them separately for general domestic, travel, and business expenses. This is to ease book-keeping. If a charge is introduced I shall dump two of the cards. I don’t know which. Something for the card companies to worry about if there are many people like me.

I can't get no satisfaction – but I try

Jean Pousson shares some thoughts about customer service and strategy

The above lyrics from the famous Rolling Stones classic articulates very well the frustrations we all experience as consumers in trying to get acceptable levels of customer service. We can all testify to numerous experiences with 'friendly' call centre personnel or automated answering services which do nothing but get the blood pressure rising. This symptom was the inspiration behind the famous comedy sketch of the UK television programme Little Britain – computer says no!

Why are organisations so poor at customer service? We all know about the economics of customer retention, ie, it is much easier and more profitable to keep a customer and have ongoing repeat sales than to sign up new customers.

Achieving great customer service is difficult but not impossible. This challenge is against a backdrop of two conflicting variables: on the one hand we witness an unmistakable trend towards commoditisation eg tv, phones, pc's, package holidays, banking products etc. But on the other hand customers continue to become more sophisticated and more demanding.

Customers have access to more information, increasingly they have more choice and as a result the customer service bar keeps going higher. This level of customer engagement has never been seen before. Websites like TripAdvisor.com where customers can freely post their objective feedback on a hotel or holiday experience can easily negate huge marketing expenditure and campaigns. The phenomenon of blogging increases this level of customer engagement even further.

To be fair many organisations have responded to this challenge, Amazon and Tesco are two that readily come to mind. Ebay bought Paypal not on the advice of its investment bankers but on the advice of its customers. Here are some thoughts and suggestions:

- Don't kid yourself; achieving great customer service is difficult. If this is the only plank of your strategy be prepared for a tough ride!
- Make a conscious decision. Organisations like Ryanair pay no attention to customer service, but this fits their business model and this works for them. Be clear not only as to how you want to compete but also where you want to compete. It may well be that some type of customers you do not want! There is no shame in that!
- Listen to your customers. You would think this is a no brainer but many organisations actually do not listen to their customers. Seek feedback. Seek constant feedback. Make sure that the monitoring process that you have in place is objective and truly independent. Don't get caught in the ugly baby syndrome ie family and friends will never tell the parents that their baby is ugly.
- Values and culture. If customer service is important to your organisation (and it probably is) it should be embedded in your strategy, your vision and in your values and culture. Recruitment is important. Make sure that you get the right people and by that I mean not that they are technically competent but that they also have the right service dispositions. And I would argue that even if this person is unlikely to ever

encounter a customer the principle still applies. We learnt years ago about the concept of Moments of Truth ie, identify all those contact points where customer and potential customer could interact with the organisation. It goes beyond direct customer interaction or marketing literature but stretches to the company truck on the motorway or the state of your car park. *Everything* must smell service.



Jean Pousson

- Measure the right things.

Some organisations are fanatical about measurements like customer retention, drop in customer activity and even latterly, Return on Customer (ROC). It is a well known adage that people manage what they are measured on. Therefore it makes sense that some customer service metrics should be put in place.

- Process gets in the way. Human behaviour becomes driven by the need to satisfy process requirements (computer says no again). Personnel don't think anymore. Memory substitutes for thinking. Psychologists refer to this as the dangers of precedent ie... that is the way it has always been done. There is no Why not? There is no Why should it be this way? The status quo is just accepted. So make sure that these questions are constantly being asked.

Maybe Mick Jagger was right after all!

For in-company courses or speakers for conferences, contact:

Bosworth Associates

T: 01562 700837. E: info@bosworthassociates.com
www.bosworthassociates.com

Jean Pousson & Associates

T: 0121 745 5241. E: poussonv@aol.com

Business Development

Strategy and Strategic Planning
Growth and Development
Managing Change

Communication

Sales
Debt Negotiation by Telephone (Consumer & Trade)
Report and Letter Writing

Finance

Credit Management
Risk Assessment
Lending to Businesses

Letters to:
The Editor, The Bulletin, Springbrook Lodge, Forge Lane, Blakedown, Worcestershire, DY10 3JF