Commercial Lending Portfolio Monitoring for CBILS / BBLS loans & identification of fraud

Using Equifax Commercial data insights to enable effective management of portfolio risks and improve debt recovery

In total, £66 billion of loans have been offered to support Small and Medium-sized Enterprises (SMEs) through government support packages like Bounce Back Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS)

BBLS has already loaned more than £44 billion[1] substantially exceeding the initial £26 billion estimate and has accounted for 95% of all applications across all the government financial support schemes.

CBILS has seen more than £20 billion to businesses[1] accounting for a third of the value of government-backed loans. We expect these figures to continue to rise up until the 31st March 2021 deadline for applications

Equifax can help you to uncover stress indicators and identify fraud risks caused by self-certification, multiple applications, lack of legitimate business, impersonation and organised crime.

The importance of assessing portfolio risk

The government imposed less strict eligibility criteria for BBLS loans to improve the speed of access to finance for SMEs. But with less checks and balances in place, this also increases the likelihood defaults and increases the risk of fraud.

The National Audit Office (NAO) reported there is a very high level of fraud risk on BBLS applications which could result in losses of up to £26 billion through businesses not being able to repay the loans[2].

The government placed the responsibility for managing fraud risk on the lenders and lenders will be required to pursue 'appropriate recovery processes' in line with their existing standards under the terms of the guarantee agreement.

Summary

As part of the UK Government efforts to implement financial support for businesses, banks were mandated to underwrite loans without the usual level of check and balances.

It's essential banks begin to prioritise post-award fraud checks and build their collections strategies to prioritise the right accounts for recovery activity and support vulnerable businesses effectively.

Enriched business insight data, can help lenders cost-effectively create a CBILS / BBLS loan recovery strategy to identify fraud - as well as avoid wasting resources trying to recover loans from businesses still unable to trade.

[1] HM Treasury: Coronavirus (COVID-19) business loan scheme statistics - updated January 28th, 2020.

[2] National Audit Office: Investigation into the Bounce Back Loan Scheme

Potential portfolio risks

Equifax can help banks manage the increased fraud and credit risks by reviewing your portfolio and appending with key data to validate the eligibility criteria at the time of application, to identify businesses that have:

- **Multiple CBILS/BBLS accounts**
  SMEs were restricted to a single Bounce Back Loan and were not permitted to apply for both CBILS and BBLS loans (they had to choose one or the other). We can help you identify businesses who applied for and received multiple government backed loans (via BBLS or CBILS) across multiple providers - up to 2.3% of approved applications were duplicates before the Banks counter fraud solution went live in June[1]

- **Declared an inflated annual turnover**
  We can help you confirm actual turnover, either from the latest accounts submitted or CCDS Turnover value for the last 12 months prior to application.

- **Falsely declared their status and impact of Covid on application**
  We can help you confirm the status of business as of December 31st 2019: Was the business active, dissolved, dormant or not yet created. We can identify the level of financial impact of Covid-19 at the point of application by showing dips in turnover from Business Health Characteristics

- **An uncertain current financial status**
  To help you understand the current status of businesses, we can append key metrics to assess the probability of repayment identifying businesses that have:
  - Already failed or within the process of winding up
  - Defaulted or missed payments on other financial obligations
  - Suffering financial stress due to turnover shock
  - Receiving payment holidays

- **A fraud risk from key personnel**
  We can help you identify characteristics about key personnel related to the business (directors, board members, etc.) that indicate poor financial health or potential to commit fraudulent activity.

Benefits of Commercial Lending Portfolio Monitoring

Identification of fraud
Identification of fraud to report to Government and remove this risk from your portfolio.

Monitoring of portfolio health
Ongoing insight into portfolio health to help you understand changes in business behaviour so you can act accordingly to optimise recovery efforts and support vulnerable customers.

Capacity planning
Understanding the changing risk profile of your commercial portfolios to support capacity planning within your internal operations or with outsourcing partners.

Improved recovery performance
Segmentation of your commercial portfolios to ensure the most appropriate collection activity is undertaken and collection efforts are focused at the right time on the right accounts for the greatest net return.

Identification of vulnerability
To ensure the most appropriate action is taken to support vulnerable customers to resolve their situation and Treat Customers Fairly.

How does it work?

Existing CCDS Members

Banks who are members of the Commercial Credit Data Sharing (CCDS) scheme are able to take advantage of these services immediately. Simply provide us with a batch file of your commercial portfolio, we will process the file and append the key data described and return to you.

Non-CCDS Members

If you're not already a member of the Equifax CCDS scheme, it's simple to join the data sharing network. Organisations who share their data with us can benefit from access to the same level of information from other suppliers.

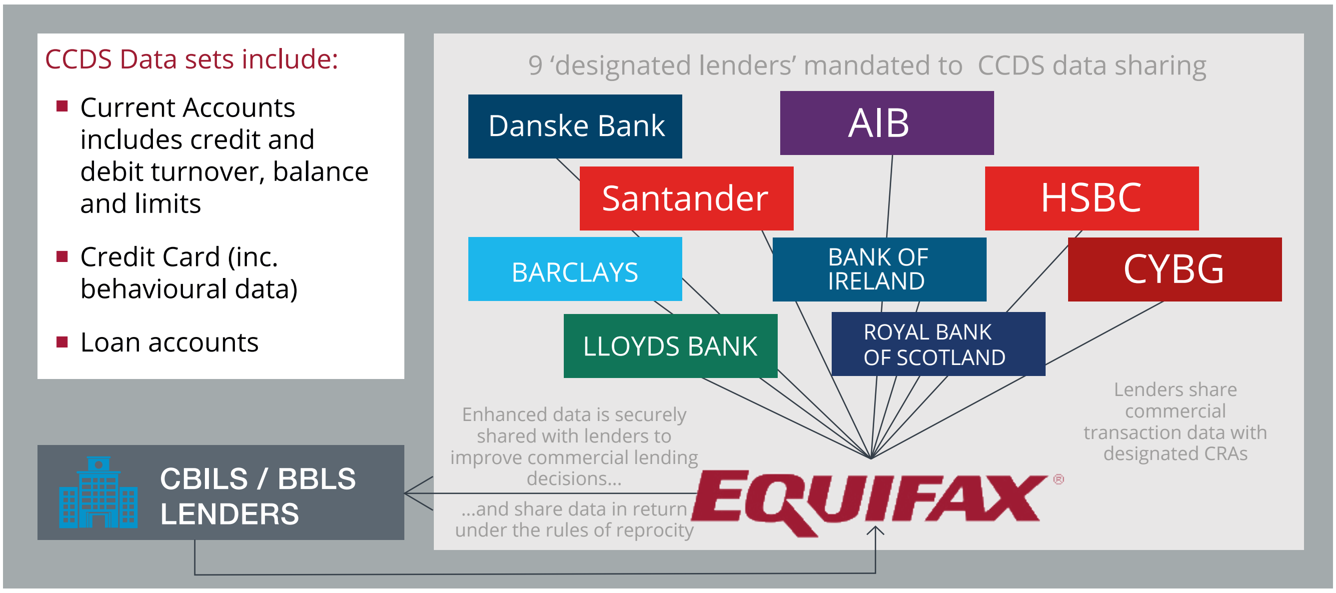
CCDS data sharing is set up under the rules of reciprocity, lenders can access insights immediately with a commitment to supply data within 12 months of receiving the data. Once these reciprocal arrangements are in place, providing an extensive view of the SME's full set of exposures and financial behaviours.

This gives you a more complete view of businesses to help you to lend more responsibly, avoid over-commitment and bad debt, prevent fraud and money laundering, and recover debts.

If you're already supplying CCDS data to another Credit Reference Agency, data can be exported in exactly the same format, so you won't need to support additional data formats.

As with all work involving customer **data, security is paramount to us**. Equifax use a secure file transfer system to enable you to transfer files to Equifax and back again once your file has been appended..

How CCDS Data sharing works



Benefits of Equifax CCDS data

CCDS offers a number of data points which will help to determine the correct course of action based on the customer's situation, such as monthly average, minimum and maximum balances; credit and debit turnover (net and gross); rejected payments and days in excess of any agreed limits.

These data points can drive an improvement in collections performance and more rapid case resolution (both of which could be modelled for the purposes of a business case), as well as giving greater control and confidence to the case handler.

Email us to arrange a demo and discover how our commercial insights can help you assess your CBILS/BBLS portfolio

eumarketing@equifax.com