What is CCDS and why is it important?

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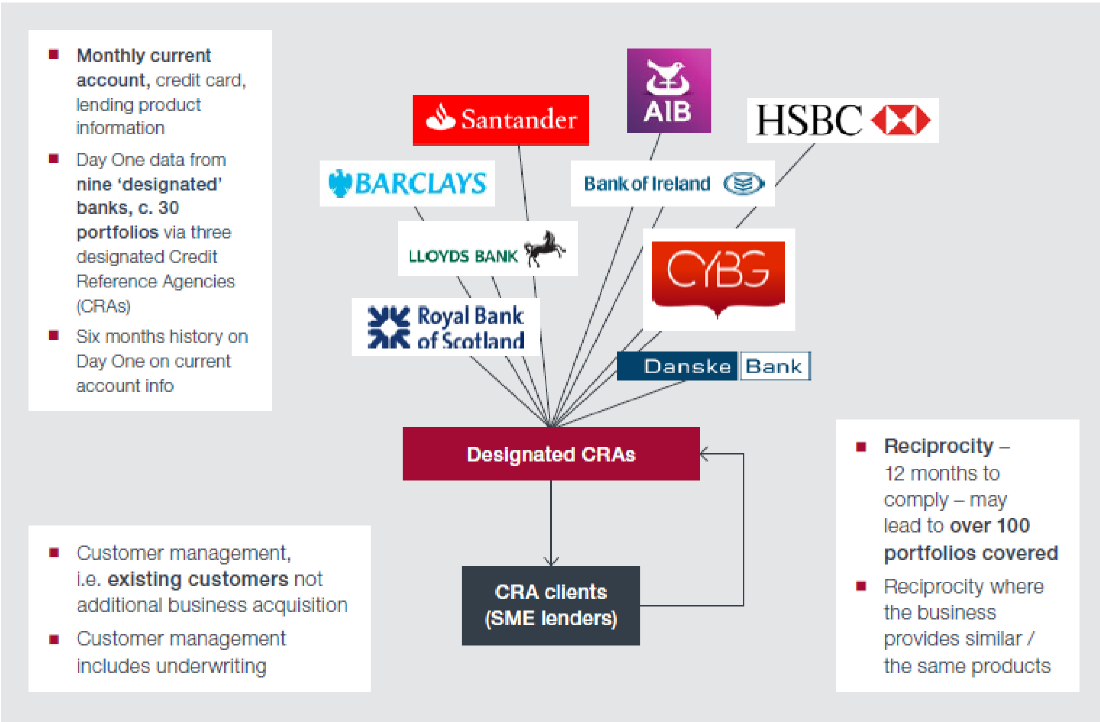
What is CCDS?

Commercial Credit Data Sharing (CCDS) is a government initiative mandated under the Small Business Enterprise & Employment Act 2015, with the aim of actively stimulating competition and new entrants in SME lending markets. Building on the value of information already provided by credit reference agencies (CRAs), CCDS requires nine major banking institutions to make available detailed business current account data and up-to-date information on the performance of business loans and corporate credit cards for all their SME customers. This rich new stream of data supports new lending and competitive opportunity for non-bank lenders. It is due to go live in the second half of 2017.



CCDS covers SMEs with turnover up to £25m and can provide wide-reaching benefits for lenders. These include improvements to underwriting decision quality, pricing, income opportunities, customer and intermediary experience, risk management, process streamlining and reduced operating costs. The importance of CCDS may be further reinforced through new voluntary lending standards being introduced by the UK Finance.

What are the benefits of CCDS?

The benefits should be significant, quantifiable and achievable within the business model of established finance providers. Since CCDS represents a mandatory flow of data that will, over time, cover materially all of the active SME population (thanks to reciprocity rules it is estimated that over 100 financial institutions will become data providers), mainstream business processes and data structures can be developed based on these data flows. New forms of interaction with customers and intermediaries can be developed for adoption throughout the business, rather than for a small proportion of customers.

Most obviously, the richness of newly available data should improve the quality of underwriting decisions, especially for less financially active SMEs, unincorporated entities and micro-businesses. It will also allow a more complete assessment of larger SMEs, where bank accounts and other facilities are likely to be sourced from a wider range of suppliers.

The amalgamation of business current account information and broad range of lending exposures gives a fuller view to assess liquidity, financial commitment, behaviours and affordability. This informs both whether a lender should offer a credit acceptance and the appropriate pricing of that risk.

A broad view of how CCDS data can be used highlights a number of other benefits for the lender. There are opportunities to streamline processes and improve the experience of customers and intermediaries. Removal of process friction reduces costs and increases speed, creating competitive advantage that drives higher proposal volumes.

There are significant benefits in terms of risk management.

- Current account information can be analysed automatically and incorporated into risk models.
- Assessments of viability and affordability can become more clearly measurable and auditable.
- Underwriter time can be released to improve productivity. Speed of credit decision turnaround is increased.
- Fraud risk is reduced relating to tampering of bank statements and through account monitoring of customers and their suppliers.

While it would be possible for lenders to take CCDS only at the underwriting stage, maintaining the CCDS data feed throughout the life of each customer engagement can provide additional benefits. These fall into three distinct but connected categories, risk management, treasury support and income generation.

- Risk management is enhanced by maintaining close attention to ongoing liquidity and affordability for customers, and taking appropriate actions at a transactional, portfolio and policy level.
- The availability of enhanced risk data on clients, especially if it follows a common format across the market, should create new potential to attract treasury funds including greater opportunity for securitisation.
- New areas of income generation are created by understanding the breadth and depth of the customer's financial activities, and in responding to their changing circumstances as identified through the data.

Stay tuned for more articles explaining the value of CCDS and how you could potentially use this data and embed it to your business processes.

In the next article ('What information is shared with CCDS') we are going to share more details around what data items are included with CCDS.

For more information on CCDS please contact us at ukmarketing@equifax.com