

Level 2 Consumer Collections

Indicative content

NOTE : Whilst not exhaustive this document provides an illustration of topics and themes in this unit.

1.1	<p>Evolution of debt collection globally as a function into a significant business area (exemplified by UK journey) including:</p> <ul style="list-style-type: none"> • rise of third-party debt collection agencies. • increased role and impact of technology. • debt sale/purchase. • credit reference agencies. • impact of third-party consumer support groups. • impact of increased regulation. • growing distinction between concepts of consumer and commercial debt collection, private and public, regulated and non-regulated. • growth of debt management services. • in-house recoveries. • increasing focus on positive outcomes for all customers and debt prevention. • growth of clear company collection policies and philosophy linked to company's vision, mission and value statements.
1.2	<p>Reasons why customers fall into arrears including:</p> <p>Macro trends</p> <ul style="list-style-type: none"> – rise of consumer credit, expansion of credit products – increased consumerism – increased lending and excessive borrowing. <p>Personal circumstances</p> <ul style="list-style-type: none"> – Changes to benefits – Common issues resulting from billing – Change in circumstances – Life events – Non-standard requirements or credit history. <p>Health conditions which potentially makes a customer financially vulnerable</p> <ul style="list-style-type: none"> – Severe or long-term illness – Medical conditions – Mental health problems – Alcohol or drug abuse. <p>Limited capacity Being young, 'old', significant learning disabilities.</p> <p>Communication difficulties Lack of English language skills.</p> <p>Organisational action (or inaction) contributing to a vulnerable situation.</p>

1.4	<p>Steps involved in the collection life cycle from collections to recoveries:</p> <ul style="list-style-type: none"> – proactive collections – early delinquency – post default.
1.3	<ul style="list-style-type: none"> • Common consumer collection methods including collections letters or written communications, telephone calls, home visits, transfer to debt collection agencies, legal action. • Grant of probate, Letters of Administration. • Insolvency options: <ul style="list-style-type: none"> – Petition for Bankruptcy – Individual Voluntary Arrangement (IVA) – Debt relief order (DEO) – Administration order in England and Wales (Sequestration (Bankruptcy) and Trust Deeds – Scotland).
1.5	<p>Collections systems, master files, flags, e.g. to identify customers in vulnerable circumstances, dialler, automated voice messages, email and text.</p>
1.4	<ul style="list-style-type: none"> • Tailored options offered, e.g. freezing orders, winding back charges and payment holidays. • Flexible payment arrangements or social tariffs for customers in vulnerable circumstances.
2.1	<p>Key risks associated with debt collections:</p> <ul style="list-style-type: none"> • financial impact of uncollected debt on business. • effect of different debt collection strategies and timeframes on the customer’s ability to self-manage debt. • customer harassment. • customer data risks. • customer redress. • organisation’s reputation and brand. • potential fraud.
2.2	<p>Ways that government and sector bodies control debt collection in order to protect consumers. Legal, regulatory and industry frameworks:</p> <ul style="list-style-type: none"> • Government <ul style="list-style-type: none"> – Data-protection – Anti-harassment – Consumer Rights legislation. • Regulatory bodies - Role, statutory powers, complaint-handling and sanctions for non-compliance e.g. <ul style="list-style-type: none"> – Financial Conduct Authority (FCA) principles and regulations in UK (principles based regulation) – Sector regulation. <p>Overarching principles:</p> <ul style="list-style-type: none"> – Treating customers fairly – Business practice rules – e.g. FCA Principles – Rules of business practice (PRIN) – Characteristics of improper business practice. • Industry frameworks, e.g. Credit Services Association Code of Practice, Chartered Institute of Credit Management (CICM) Vulnerability Framework.
2.3	<p>Impact of legal, regulatory and industry frameworks on consumer collection:</p>

	<ul style="list-style-type: none"> • implications of non-compliance on business. • identifying fraudulent activity. • focus on individual circumstances. • responsible lending. • code of practice for accurate utility bills. • different type of customer solutions. • affordability. • identification and support for people in vulnerable circumstance. • increasing focus on positive outcomes for all customers and debt prevention.
3.1	Types of financial and non-financial information required before commencement of debt collections.
3.2	Importance of accurate, customer information before debt collection commences and accurate collection and recording during collection process.
3.3	<ul style="list-style-type: none"> • Locating missing information. Validation and verification requirements. • Locating a 'gone away' customer – tracing and investigation techniques. • Credit reference agency searches. • Alternative non-credit reference agency data sources: telephone, letter and field tracing techniques, use of external tracing and investigation services.
3.4	<ul style="list-style-type: none"> • Customer types: customer (will pay but don't, can't pay but could, and can't pay but wish to) financial difficulties, vulnerable customer, deceased – key elements and impact on collection process. • Segmentation and profiling information including <ul style="list-style-type: none"> – customer availability – payment behaviour, – information about any legal action or insolvency – queries. • Impact of customer type on recovery process. • Collections procedures including dynamic, tailored pathways for a full range of customer circumstances. • Pathways have clear, simple information and advice; appropriate internal and external communication and signposting; and a clear escalation process. • Best practice is to tailor approach offered to customers without seeing and treating customers in situations of vulnerability as a different group. • Types of debt (consumer debt – sole trader, partnership, limited companies, limited companies, joint/several liability; and consumer debt including sole and joint personal accounts, joint and several liability and deceased debtors).
4.1	<ul style="list-style-type: none"> • Call and customer visit preparation. • Legal and organisational requirements for contact methods e.g. <ul style="list-style-type: none"> – Timing – Advice to customer about quality checks and recordings made during a call – Verification of identity of a caller – Information which is confidential to the organisation and the customer. • Techniques for effective customer contact – know your customer. • How to make appropriate contact with customers, evidence to authenticate collectors' relations and explain their debt obligation. • Action when unable to make contact with customer.

4.2	<ul style="list-style-type: none"> • Appropriate methods to establish customer's ability and willingness to pay e.g. income and expenditure statements. • Methods for confirming customer details. Validating authenticity and accuracy of customer information. • Questioning techniques to build an accurate picture of customer's situation.
4.3	<p>Methods for identifying and signposting customers in vulnerable circumstances including:</p> <ul style="list-style-type: none"> • Triggers – behaviours and what customer says on call to indicate potential vulnerability. • Use of red flags. • use of conversation tools: TEXAS, BLAKE, IDEA, SPIDER, BRUCE. • Consent arrangements are established to enable third parties. • Consistent advice and treatment provided to those who are recently bereaved, have power of attorney or a third party mandate.
4.4	<ul style="list-style-type: none"> • Methods for supporting customers who are struggle to pay e.g. forbearance and due consideration, affordable repayments, appropriate payments for customer type, social responsibility funds. • Departments/external agencies which can provide debt advice. • Disclosure policy, compliant with data protection requirements. • Use of collections experts with time, authority and discretion to take a tailored approach for vulnerable customers. • Partnership with third parties for money advice. • Handling enquiries from third parties.
4.5	<ul style="list-style-type: none"> • How to establish affordable repayment plans. • How to close the call. • Referrals. • Maintenance of customer records.
4.6	<ul style="list-style-type: none"> • Dispute and complaint investigation and management.
4.7	<ul style="list-style-type: none"> • Empathy, active listening, probing, vocal techniques for conveying clear and coherent information. • Negotiation and influencing skills. • Handling of abusive or threatening calls. • Best practice customer communication. • Tailored communication methods and service delivery.
5.1	<ul style="list-style-type: none"> • Consequences of non-payment. • How to review customer accounts in an ethical manner. • How computerised systems help review payment settlements and instances of non-payment. • Action agreed with any relevant third parties.
5.2	<ul style="list-style-type: none"> • Affordability checks that identify priority debts. • Using the Common Financial Statement.
5.3	<ul style="list-style-type: none"> • Notification of relevant third parties. • Customer knows how to pay. • Consequences of non-payment.
6.1	<p>Legal proceedings documentation: e.g.</p> <ul style="list-style-type: none"> • Letter before action. • Default notice. • Pre-action Protocol documents.

6.2	Legal proceedings process rules: Civil Procedure Rules, Limitation Act.
6.3	<ul style="list-style-type: none"> • Legal firms that specialise in debt recovery. • Alternative Dispute Resolution specialists. • Money and Debt Advise organisations.
6.5	<ul style="list-style-type: none"> • Age of overdue balance. • Long term vulnerability. • Contested/disputed debt. • Customer identified as deceased where no estate to claim against.
7.1	<ul style="list-style-type: none"> • Compliance monitoring. • Service level agreement. • Record maintenance. • How to identify, record and investigate suspicions of fraudulent activity/money laundering.
7.3	<ul style="list-style-type: none"> • How quality of debt collection work is checked. • Speech analytics software help audit all calls.
7.4	<ul style="list-style-type: none"> • Induction and refresher training. • Team training and qualifications. • Regular one-to-one meetings, individual support and feedback on call handling • Best practice call guidance and sufficient time allowed for calls. • Flexibility given to allow conversation to develop naturally if sense that customer is experiencing difficulties. • Use of techniques e.g. flags and speech analytics to identify vulnerable customers. • Emotional health and professional well-being support. • Use of peer and team support.
7.5	<ul style="list-style-type: none"> • Effects of operational targets on collection activity. • Alignment of targets and incentives to correct identification and referral of potentially vulnerable people and building long-term sustainable relationships. • Frontline team empowered and incentivised to use their judgement.
7.6	<ul style="list-style-type: none"> • Importance of accuracy management information systems. • Arrangements to improve customer outcomes. • Customer feedback. • Dashboards with key statistics.
7.7	<ul style="list-style-type: none"> • Best practice partnership with third party organisations. • Clarification of level of partnership.

Assessment

One-hour online examination involving 60 multiple choice questions.