

Intellect News



2nd Quarter 2006

This quarter we consider the strong possibility that the credit cycle is heading towards a tighter credit environment. Supporting this are the potential that the Reserve Bank will increase interest rates, reports from Baycorp Advantage highlighting consumer application volume moving from credit cards to personal loans (indicating possible debt consolidation) and Dun and Bradstreet reporting a 48% increase in collection referrals. This all places more importance on the systems and models in place to support the assessment, management and collection processes. Of concern for Decision Intellect is the fact that, over the last two years, we have not found one scorecard validation, decision review, or system review where the solution has been correctly implemented. Errors in the implementation of any aspect of the system can have a significant impact on a business's risk assessment. This is outlined further in the article below.

We also welcome Michelle Bulley to the Decision Intellect team as office assistant. She can be found cheerfully supporting the staff.

How well do you know your implemented solution?

Since its inception Decision Intellect has been contracted to undertake a number of reviews. These projects have involved reviews of different parts of the application process. Commonly reviewed areas include:

- the scorecard implementation
- the scorecard performance
- policy implementations
- process flow effectiveness
- process flow efficiencies
- system setup

After completing these reviews, Decision Intellect strongly recommends that all customers undertake a project of this nature. This can be internally or externally performed, however it is important that the project team understands what the business expects to be implemented and the approach is detailed and meticulous. Of the customers reviewed, in many instances, there have been multiple recommendations for improvements. The most prevalent issues include:

- **Errors in the implementation of the scorecard.** Scorecard reviews found numerous scorecard implementation errors. This is especially noticeable following the implementation of a new scorecard, as many parties are often involved, increasing the potential for errors to occur within;
 - development sample extraction
 - interpretation of data by scorecard developer
 - documentation of scorecard characteristics
 - matching and implementation within decisioning system
- **Errors in the implementation of policies.** Logic issues are the most common issue with policies. Often the test is correct for the standard application however breaks for anything out of the normal.
- **Issues with policies not reflecting business requirements.** The result of often having the policy implemented by resources not aware of the underlying reason for the policy can result in incorrect interpretation of the desired logic.
- **Policies/processes/scorecards using incorrect data fields to trigger actions.** Reviews have found data population errors or processes accessing incorrect data fields. This is one of the most common issues identified.
- **Incorrect bureau processes are being triggered.** Some customers are logging enquiries for credit of a 'commercial nature' incorrectly on consumer files.
- **Unnecessary bureau processes are being triggered.** Credit enquiries and verification services are being accessed when not required or unnecessarily when applications are being reprocessed.
- **Unneeded policies and queues.** Processing includes policies that duplicate components of the scorecard, or unnecessarily referring applicants into queues.
- **Incremental modifications.** Piecemeal changes over a period of time can result in unmanageable logic. Periodically the solution should be reviewed and "cleaned" to ensure the implementation can be interpreted.

Events

June 2006: Victory goes to Italy in the Soccer World Cup.

July 2006: Jody Harris faced court charged with misappropriating the credit cards of multiple victims. Are the banks going to improve security and make this harder?

July 2006: The All Blacks retain the Bledisloe Cup with a close fought win at Suncorp Stadium.

Sept 2006: Australian Mobile Telecommunications Association Annual conference. [more.](#)

Sept 2006: Consumer Credit Reporting Conference - South Africa. [more.](#)

Oct 2006: AICM National Conference 2006. [more.](#)

Nov 2006: Experian Asia Pacific Regional Conference - Kuala Lumpur. [more.](#)

News

March 2006: [Bank@Post](#) is launched. Australia Post's agency banking service, which offers services such as withdrawals, cash and cheque deposits and checking of account balances for over 70 financial institutions.

April 2006: D&B announced that it has reached an agreement for a pilot program with the Tax Office to collect debt on their behalf. [more.](#)

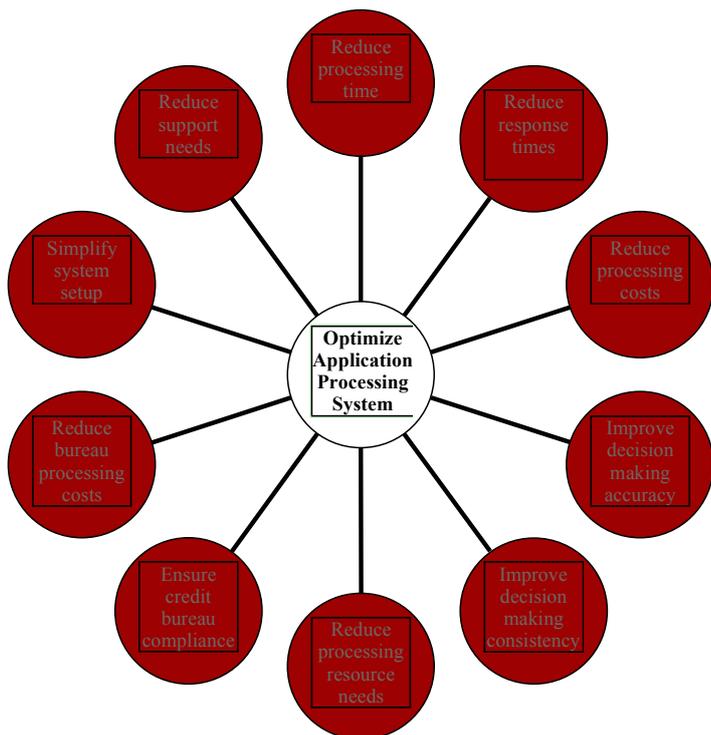
May 2006: Baycorp Advantage agrees to sell its debt collection business, Baycorp Advantage Collections Services, for A\$97 million. The purchaser Trans Tasman Collections, is a consortium including Allco Equity Partners and Deutsche Bank Capital Partners. [more.](#)

May 2006: D&B continue to push for Positive Reporting. [more.](#)

May 2006: Experian launches the Experian Bankruptcy Score, the UK's first widely available predictor of personal bankruptcy. [more.](#)

June 2006: The Baycorp Advantage Quarterly Credit Card Index showed a rise in the number of personal loan applications for the last quarter, and a corresponding drop in the number of credit card applications.

On obvious outcome of an audit is that clients can make changes to their existing system to gain significant benefits.



Many of the issues highlighted can be identified through careful analysis and review of refer codes, policy test results and scorecard characteristic reports.

For further information please Contact the team at Decision Intellect by email at enquiries@decisionintellect.com.au or by phone on +61 3 9842 8866.

July 2006: Sri Lanka Central Bank implements strong incentives to ensure defaults are loaded at the Credit Information Bureau (CRIB). [more.](#)

July 2006: SAS report shows credit risk management as the top risk management expenditure prior for most firms. [more.](#)

July 2006: TARDY bill paying is causing cashflow constraints for small to medium enterprises, with the average payment period pushing out three weeks longer than the standard 30-day term. [more.](#)

July 2006: Collection House in talks with other businesses. [more.](#) Is Allco Equity Partners a possible purchaser? [more.](#)

July 2006: Credit Card issuers in the UK change their approach to 0% cards. [more.](#)

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