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## The expert view: The future of B2C lending



**T**he role of risk management and the challenges of digital transformation were at the heart of the agenda at the Westbury Hotel in Dublin, where CRIF Director Sara Costantini welcomed a group of experts from the financial sector to Business Reporter's breakfast briefing on the future of B2C lending.

The agenda for discussion featured the role of digital lending, new means to drive customer engagement, opportunities for the financial sector to stand out, and the effect of the forthcoming General Data Protection Regulation (GDPR).

The need to move away from paper mode, despite notable strides being made in the digital sphere, remained an issue for several of the attendees who felt that more acceleration was required from the sector as a whole. Businesses in the sector need to rethink their products from the bottom up, reinventing what they deliver and how they deliver it. The consensus was that products must become more customer centric, and so should the approach to implementing digital opportunities. This involves understanding the customer first and adding in flexibility from there.

But digital technology comes with some downsides. The relative youth of digital in the B2C market also brought up concerns from several attendees around potential threats, fraud and risk factors. One speaker said new approaches were pushing the

boundaries of credit risk and that this will require adjustment on behalf of institutions.

The greater ease for committing sophisticated forms of fraud online, at an industrialised scale, was also raised during the discussion, together with the idea that the sector should focus more on fraud prevention than detection.

Throughout the morning's discussions, the core theme was that most challenges come back to security and data: how it is used and interpreted to turn it into actionable insights.

There was a collective willingness among attendees to get back to basics and focus on the fundamentals of what data's role is within a lending operation. One speaker mentioned the CCR project, the Central Credit Register operated by the Central Bank of Ireland, and talked about the fact that it should increase data quality. Digital inevitably raises more concerns on cyber security and on how to build trust among consumers.

Unsurprisingly most of those present saw the forthcoming GDPR and regulatory compliance as major factors that will influence digital lending going forward. The need to layer in aspects of this, so that adherence to GDPR is part of the product and not something to get side-tracked by, was raised by one attendee. Within that, they sought to stress how building in compliance can aid with the overall impact of products and customer trust.



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Analysing other sectors, where the digital phenomenon has already shaped and transformed processes, services and customer engagement, attendees considered Ryanair and Southwest Airlines. The two airline companies have used their approaches to online booking to revolutionise air travel, and attendees at the event saw opportunities for digital to have a similar impact in lending.

By improving the overall process, making it simple for consumers to go on the loan approval journey, the sector can become more competitive and grow the overall lending market. Specifically, giving customers a reason to see digital lending as a convenience could change attitudes towards the process.

However in some sectors, like the finance market, the customer movement to digital is going to proceed at a slower pace than others. Readiness was the core message here, with institutions needing to be able to stay true to what the customer wants now but also be in position to have more flexibility online when consumers become more eager for change. Finding the right balance between existing and new technologies,

- creating frictionless and simple processes,
- and ultimately developing agile services
- are the keys to building a good level of trust from customers during their digital journey.

- So what does the digital world mean for B2C lending? From what we learnt from the very interactive debate, digital technology is disrupting the consumer lending market and in an online world consumers' expectations are changing. More efforts should be made with customer segmentation to design personalised journeys and engage all generations, from customers keen on online processes and decisions to customers who still prefer face-to-face meetings and a more personal approach. Lenders are aware that they have to offer tailored products to seize new opportunities and respond flexibly to evolving and diversified needs.

- Together with the commitment of lenders to innovation that the digital age is driving, the majority of the attendees shared common challenges and priorities, in particular security and regulatory compliance, which will force them to rethink and restructure their decision-making processes, automated procedures and overall offering.



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