

1. Consumer finance: Challenges for operational research

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Abstract: Consumer finance has become one of the most important areas of banking, both because of the amount of money being lent and the impact of such credit on global economy and the realisation that the credit crunch of 2008 was partly due to incorrect modelling of the risks in such lending. This paper reviews the development of credit scoringthe way of assessing risk in consumer financeand what is meant by a credit score. It then outlines 10 challenges for Operational Research to support modelling in consumer finance. Some of these involve developing more robust risk assessment systems, whereas others are to expand the use of such modelling to deal with the current objectives of lenders and the new decisions they have to make in consumer finance. © 2010 Operational Research Society Ltd. All rights reserved.

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