Lending in the new normal series #3

Why credit management is broken and how technology can fix it

Ripe for technology transformation

Our last post in this series looked at the human side of lending, discussing how data, platforms and open APIs can personalize lending at scale. This time we turn to another aspect of the industry that's ripe for technology transformation: credit management.

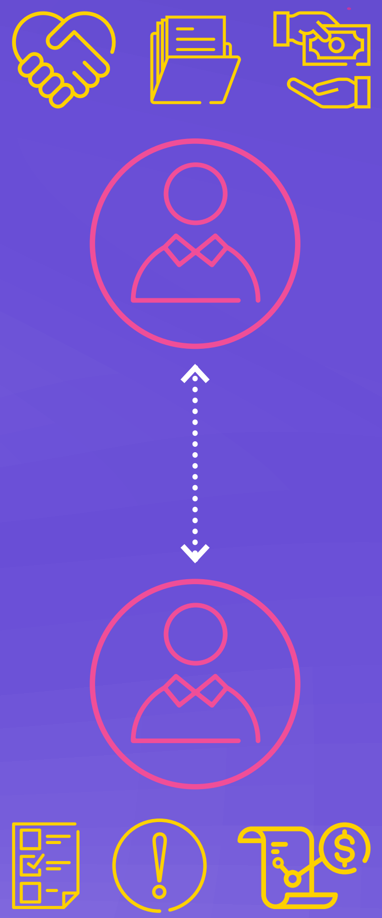
The growth in lending prompted by Covid-19 has highlighted gaps in the credit management process. At a time when good collaboration and strong client relationships are more important than ever, a lack of visibility into credit can slow down the lending process and damage the client experience.

What's needed is better access to data and better risk management measures. Most importantly, relationship managers need to be closer to the credit management process.

If relationship managers flout credit policies and fall foul of compliance rules, the bank is at risk. But if credit management is inefficient, the time to close is longer and sales can suffer. As far as the overall lending process is concerned, sales and credit management are all part of the same entity. The faster a relationship manager can see whether or not a deal is compliant, the better it is for both borrower and lender.

Borrowers can understand the viability of a proposed deal very quickly so they can expedite decisions related to their own business. And lenders have an opportunity to offer vastly improved service levels and to negotiate additional ancillary business, capturing more revenue and making deals more favorable.

Two very different worlds, with different priorities. But they are highly interdependent



Relationship managers are, quite rightly, focused on the demands of their role: getting deals done, upselling and cross-selling, servicing and portfolio management.

While all this is happening, the credit team, for their part, need to ensure that policies are being adhered to and risk is managed effectively.

Making informed decisions faster improves lending revenue

Credit managers, for their part, need to be better equipped to deal with complexity. Bespoke corporate deals, for example, have widely different approval paths depending on a host of variables, from ownership structure to specific security requirements. How can sales and credit be brought closer together to the process and work as efficiently as possible?

Today's platform technology can create a single view of credit that works for the entire organization, speeding up decisions while maintaining compliance – and ultimately, improving lending revenues.

A fit-for-purpose credit management solution needs four attributes:

Interoperability
The system needs components that bridge the sales and credit worlds, integrating internal data sources as well as external feeds such as Companies House so credit can make informed decisions faster. Banks use many different systems and pricing tools that don't link together, and many aspects of the lending process remain manual.

Transparency
Typically, there is no visibility over the entire loan application process, especially in corporate lending. If all key stakeholders had the same view – knowing at any point in time where the application is and who it is with – it would improve everything from compliance to adherence with SLAs and sales performance.

Flexibility
What happens when new policies or products introduce new workflows? Digital systems are not flexible by definition: they need to be designed that way. On the ideal platform, changes can be configured easily without the need for time-consuming steps such as putting in change requests with a vendor.

Digitization
Paper checklists are still abound in the industry, especially for bespoke corporate lending. Switching to a digitized, rules-based system is an important step towards achieving the straight-through processing and transparency that the industry needs.

About the author

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As Global Solution Lead for Lending at Finastra, Christopher Papathanassi is responsible for the overall line of business within the field, and works cross functionally to provide support with; deal execution, validation and execution of go to market activity, product strategy and bringing thought leadership to the market . With over 14 years' in the industry, he is an experienced commercial lending specialist.

Prior to his current role he worked on the bank side where he held a variety of roles within lending, both on the business and change management side. He holds a Bachelor's Degree in Business Management from Bournemouth University.

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