

**Using new data sources to stay compliant**  
Norway's Debt Registry and use in affordability calculations

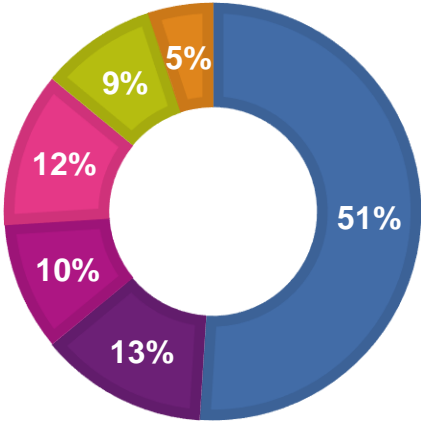


**5%** of Norwegians have unsecured debt of more than **500 000 NOK**

These people hold almost **40%** of all total unsecured debt

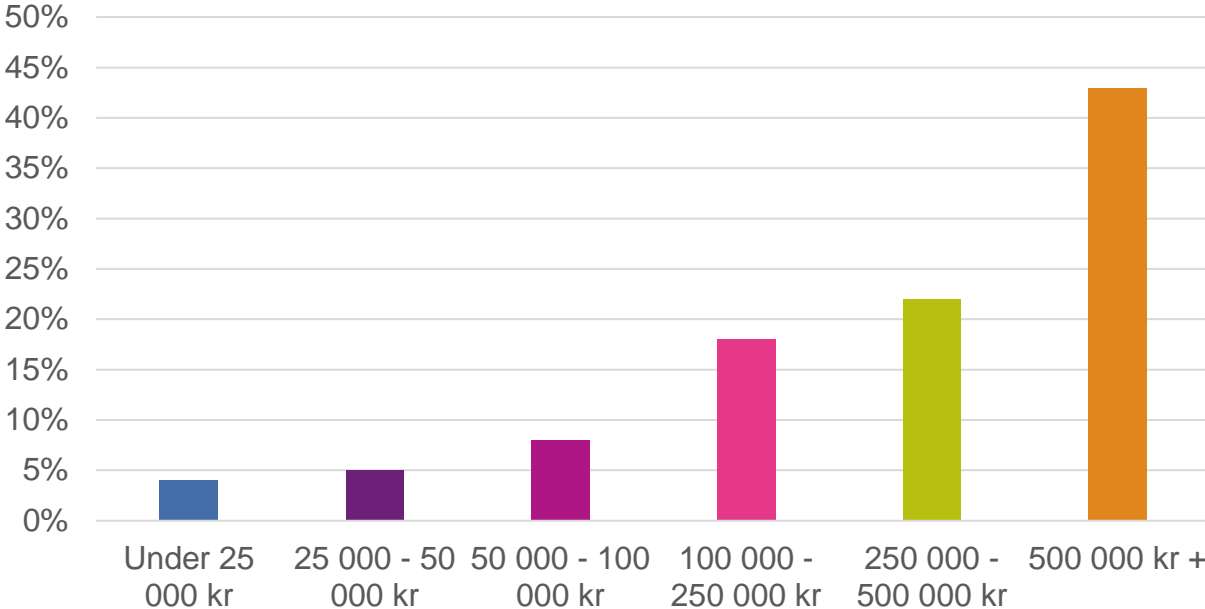
# Unsecured debt in Norway is high

SHARE OF INDIVIDUALS WITH UNSECURED DEBT, BY SIZE OF DEBT



■ Under 25 000 kr   ■ 25 000 - 50 000 kr   ■ 50 000 - 100 000 kr  
■ 100 000 - 250 000 kr   ■ 250 000 - 500 000 kr   ■ 500 000 kr +

SHARE OF OUTSTANDING DEBT, BY INDIVIDUALS WITH UNSECURED DEBT



# Data from the Debt Registry is vital for any lender



## Who has access

Available for financial institutions when assessing loan applications



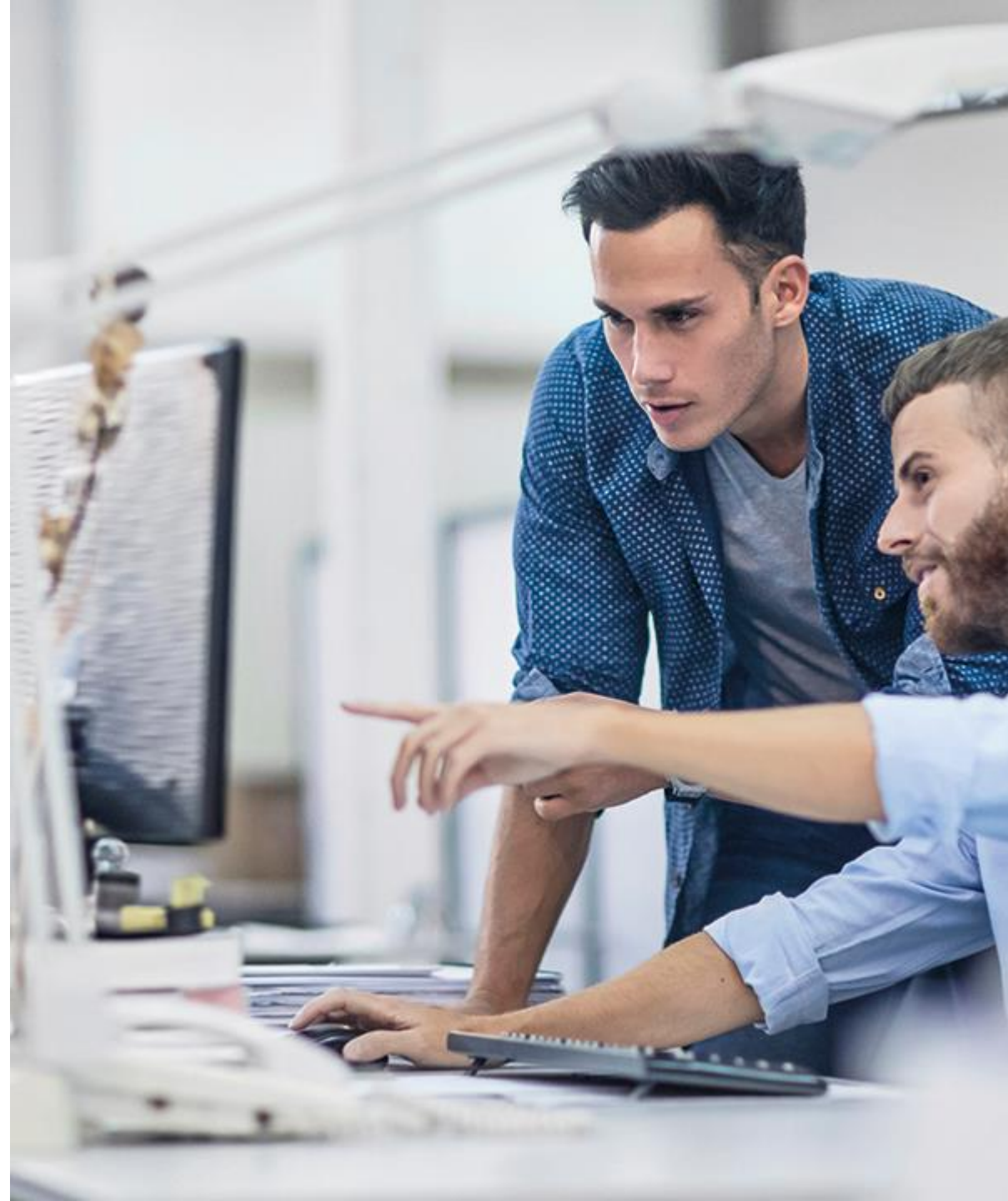
## What is reported

Registry only contains unsecured debt – launched July 2019



## Who reports in

Any issuer of unsecured debt has a duty to report



# Available information is valuable – but does not paint a complete picture of debt

Three categories of unsecured debt



## Repayment loans

- Original loan amount
- Balance
- Nominal interest rate
- Repayment period
- Is there a coapplicant



## Credit cards

- Credit limit
- Balance
- Nominal interest rate
- Is there a coapplicant



## Charge cards

- Interest bearing balance
- Non-interest bearing balance
- Is there a coapplicant

# Debt registry data helps ensure **consumer protection** and **regulatory compliance**, by...

- ✓ Verifying stated information from application form
- ✓ Used when calculating applicant's debt ratio
- ✓ Used as input to affordability models



# Lending practice requirements for unsecured loans – “the 5/5/5 rules”



## Affordability calculation

Must include normal living expenses.

Borrowing costs must include interest, loan repayments, and 5% interest rate increase on the customer's total debt.



## Debt ratio

Based on gross income and total debt.

Should not exceed 5\*income.



## Monthly installments

No installment-free payment period.

Maximum of 5-year maturity, unless it is refinancing.



## Refinancing

If refinancing existing unsecured debt: does not have to meet all other requirements.

Refinancing possible only if new loan is smaller in size, and total cost does not exceed existing.

# Practical implementations of regulatory requirements

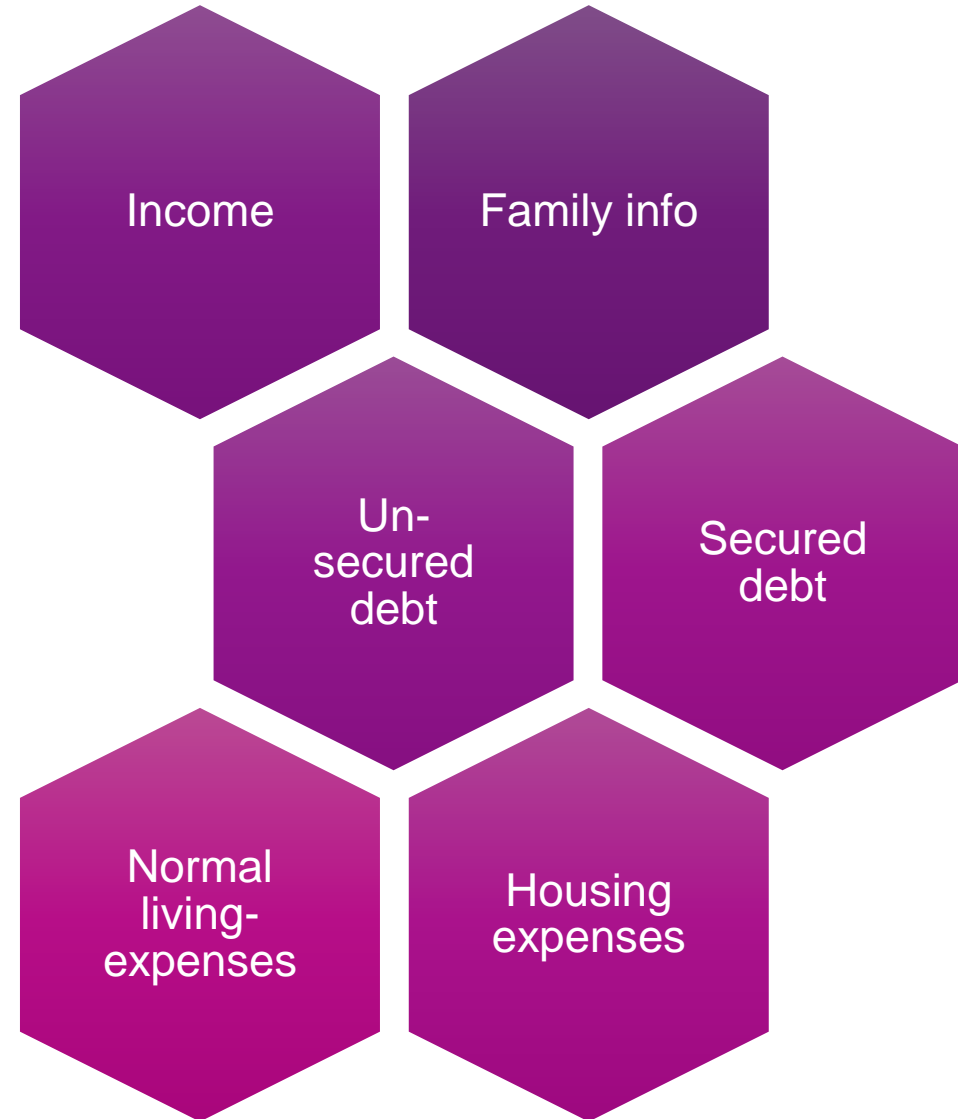
## – Necessary data sources

### Calculating Debt Ratio

- Based on information from the debt registry
- Application form
- Tax information/last pay cheques

### Affordability calculation

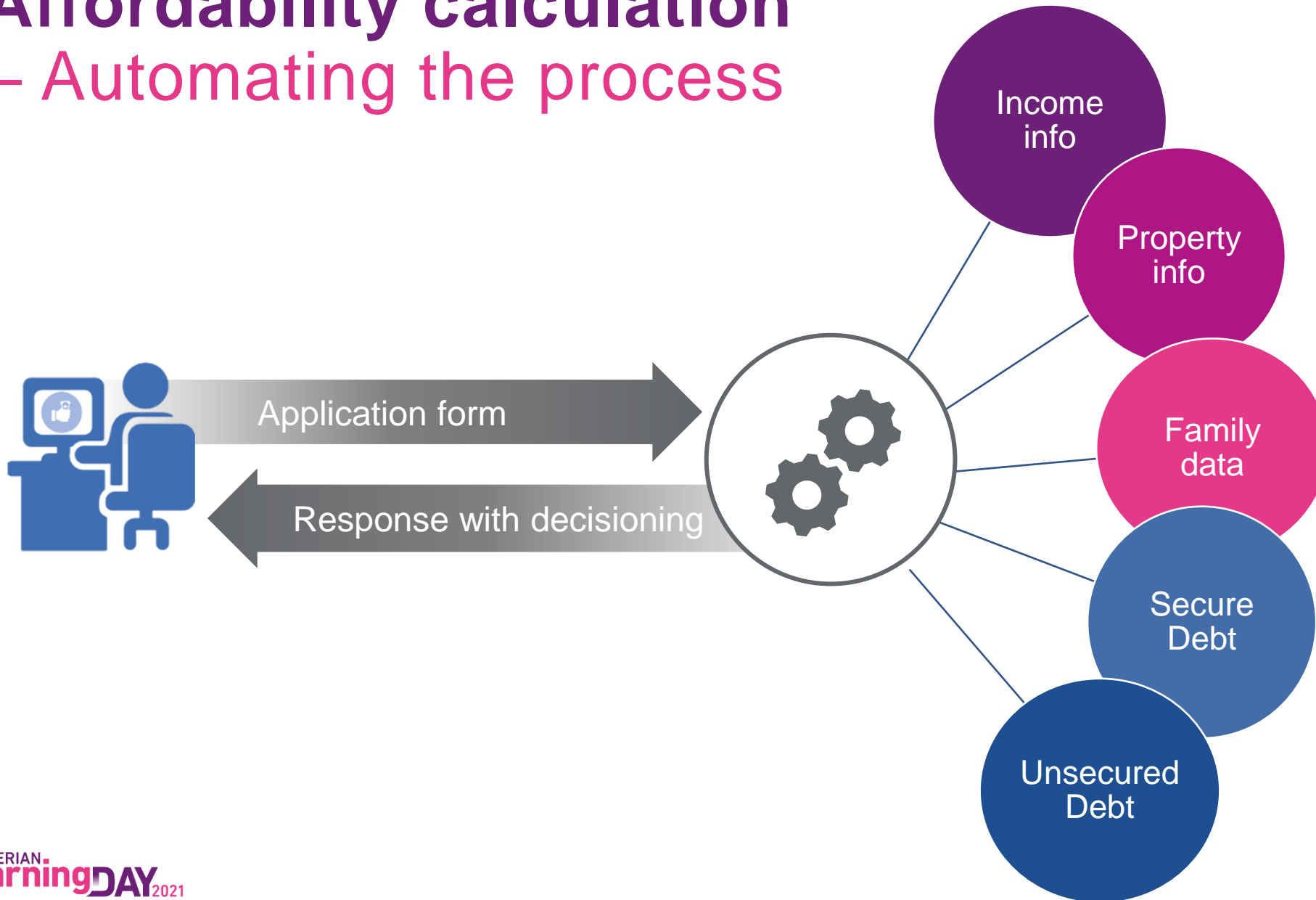
- «Normal living-expenses» is based on:
  - Family situation, number of family members, marital status and number of children
  - Applicant owns or rents property
  - Rental expenses
  - Monthly cost of secured and unsecured debt



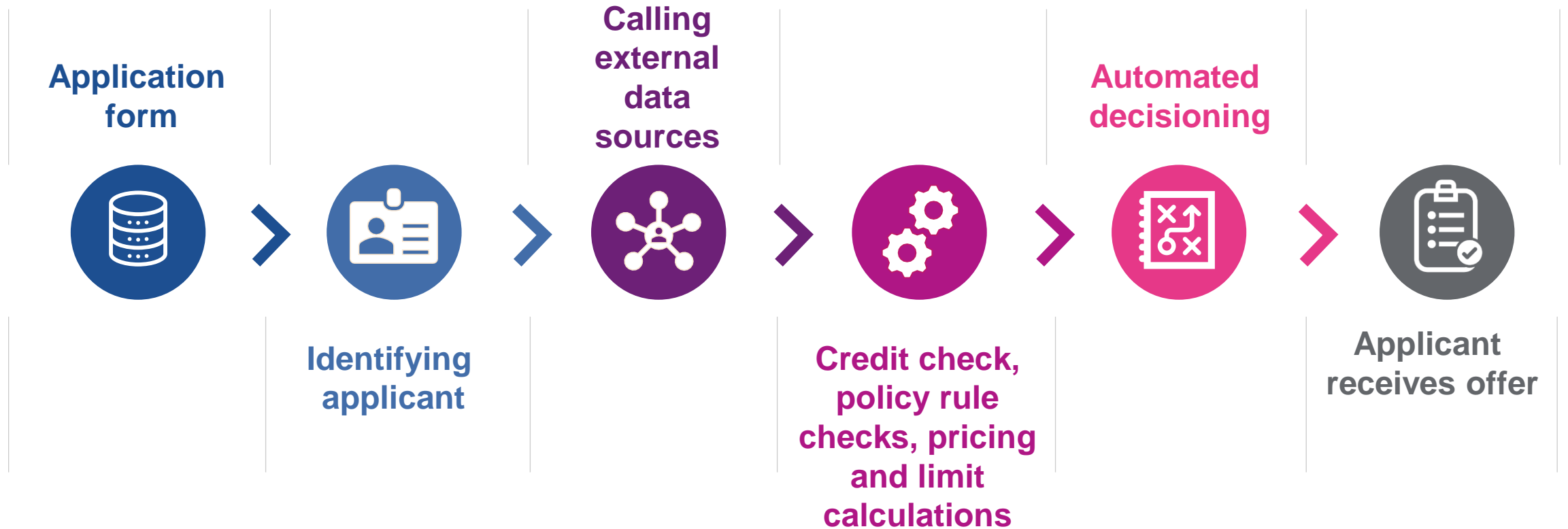


# Affordability calculation

– Automating the process

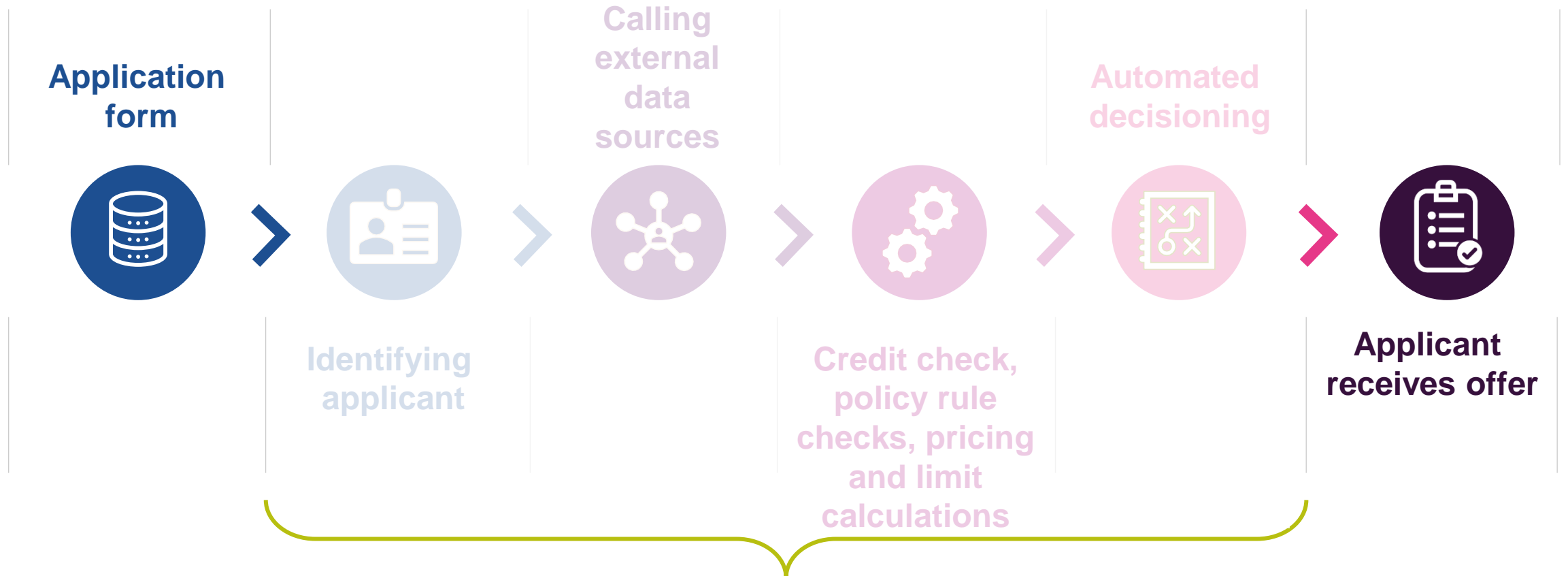


# Application process – a classic example



# Application process

## – Automated with the right tools



# EXPERIAN learningDAY<sub>2021</sub>

**Using customer data to remain compliant & competitive in Denmark**  
How daily updates on customers' loan composition and transactional data can help your organisation



**Jakob Færgeman**

Global Consultant  
Experian



# It is all about Consumer Protection

**ERHVERVS MINISTERIET** Kontakt Presse Nyheder Publik

Ministeriet ▾ Aftaler og udspil Love og regler

Forside > Nyhedsarkiv > 2020 > Juni > Nu er regler om opgør med kviklån på plads

**«The Government ... is determined to 'fight' the expensive pay-day loans that have trapped citizens in an unmanageable debt situation»**

## Nu er regler om opgør med kviklån på plads

04-06-2020 | Nyhed

Folketinget har i dag vedtaget de regler, som gør op med de dyre kviklån, der har fanget mange borgere i uoverskuelig gæld.

Regeringen indgik i slutningen af 2019 en aftale sammen Venstre, Dansk Folkeparti, Radikale Venstre, SF, Enhedslisten, Alternativet og Nye Borgerlige om et opgør med de dyre kviklån, der har fanget mange borgere i uoverskuelig gæld.

I dag er de nye regler vedtaget i Folketinget, og dermed er aftalens indhold nu ophøjet til lov. Efter de nye regler bliver der ikke blot sat en grænse for, hvor høje årlige omkostninger, et lån maksimalt kan have, men også indført et loft over, hvor meget en forbruger maksimalt kan betale tilbage i



# The ability to adhere to the spirit of the Credit Directive depends on **the timing** of the loan

EU Directive

Kreditaftaleloven

Draft on new Credit Assessment

## CHAPTER 6 CREDITWORTHINESS ASSESSMENT

### Article 18

#### Obligation to assess the creditworthiness of the consumer

1. Member States shall ensure that, before concluding a credit agreement, the creditor makes a thorough assessment of the consumer's creditworthiness. That assessment shall take appropriate account of factors relevant to verifying the prospect of the consumer to meet his obligations under the credit agreement.
2. Member States shall ensure that the procedures and information on which the assessment is based are established, documented and maintained.
3. The assessment of creditworthiness shall not rely predominantly on the value of the residential immovable property exceeding the amount of the credit or the assumption that the residential immovable property will increase in value unless the purpose of the credit agreement is to construct or renovate the residential immovable property.
4. Member States shall ensure that where a creditor concludes a credit agreement with a consumer the creditor shall not subsequently cancel or alter the credit agreement to the detriment of the consumer on the grounds that the assessment of creditworthiness was incorrectly conducted. This paragraph shall not apply where it is demonstrated that the consumer knowingly withheld or falsified the information within the meaning of Article 20.
5. Member States shall ensure that:
  - (a) the creditor only makes the credit available to the consumer where the result of the creditworthiness assessment indicates that the obligations resulting from the credit agreement are likely to be met in the manner required under that agreement;
  - (b) in accordance with Article 10 of Directive 95/46/EC, the creditor informs the consumer in advance that a database is to be consulted;
  - (c) where the credit application is rejected the creditor informs the consumer without delay of the rejection and, where applicable, that the decision is based on automated processing of data. Where the rejection is based on the result of the database consultation, the creditor shall inform the consumer of the result of such consultation and of the particulars of the database consulted.
6. Member States shall ensure that the consumer's creditworthiness is re-assessed on the basis of updated information before any significant increase in the total amount of credit is granted after the conclusion of the credit agreement unless such additional credit was envisaged and included in the original creditworthiness assessment.



### Vurdering af forbrugers kreditværdighed

§ 7 c. Kreditgiveren skal inden kreditaftalens indgåelse vurdere forbrugers kreditværdighed på grundlag af fyldestgørende oplysninger, der, hvor det er relevant, indhentes hos forbrugeren og, hvor det er nødvendigt, ved søgning i relevante databaser.

Stk. 2. Hvis kreditgiveren og forbrugeren efter kreditaftalens indgåelse bliver enige om at ændre det samlede kreditbeløb, skal kreditgiveren ajourføre de finansielle oplysninger, som kreditgiveren har om forbrugeren. Før enhver væsentlig forhøjelse af det samlede kreditbeløb skal kreditgiveren atter vurdere forbrugers kreditværdighed.

Stk. 3. Hvis en anmodning om kredit afslås på grundlag af søgning i en database, underretter kreditgiveren omgående forbrugeren om resultatet af en sådan søgning og giver forbrugeren nærmere oplysninger om den pågældende database. Denne underretning skal ske uden omkostninger for forbrugeren.



- "Oplysninger og dokumentation for låneansøgerens gældsforhold Kreditgiver skal indhente oplysninger om og dokumentation for låneansøgerens gæld.
- **Gæld stiftet før seneste årsopgørelse kan dokumenteres vha. eSKAT/kopi af seneste årsopgørelse.**
- **Gæld stiftet efter udarbejdelse af seneste årsopgørelse skal afdækkes ved indhentning af oplysninger fra ansøgeren og dokumenteres f.eks. med kopi af låneaftaler eller kopi af den personlige skattemappe, og ved brug af f.eks. **KreditStatus**"**

# Why KreditStatus is relevant as an additional data source beside eSkat during Credit Assessment



## Frequency of updates

Each financial insituation provide daily updates of the balance.



## What is reported

Original and current balance, number of debtors, start date.

July 2021: Information of late payment/ if a debtor is behind with payment on a specific loan! **NEW!!!**



## Identify overindebtednees quicker

KreditStatus provide insight to the maturity of existing loans and of any early risk indicators.



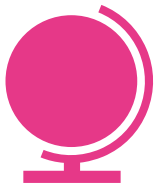
# Numbers & facts



More than 3,500 searches per day and more than 55,000 enquiries per year from consumers via kreditstatus.dk



Total balance of considerably more than DKK 50 Billion



Over 2,300,000 loans that are distributed from over 1,400,000 Danish citizens over 18 years of age (42% of Danes between 18 and 67 years old)



Digitally available through WS and look up and hence easy to integrate in a digital Customer Journey



Arbejdernes  
Landsbank



Plus others

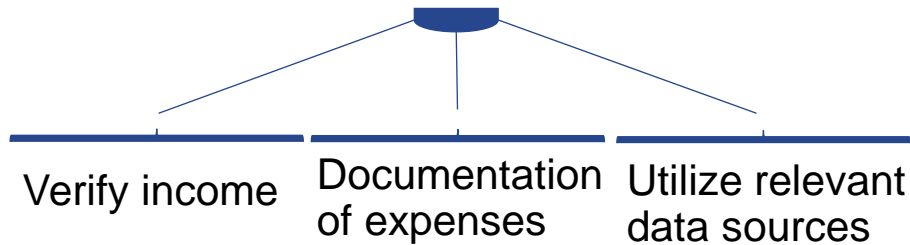




# FSA and Consumerombudsman guidance on credit assessment in Denmark

## Compliant affordability calculations

Affordability information should be based on actual income and expenses of the consumer



**Opportunity to optimize credit decisioning**

## Considerations

- **Joint accounts**

*Hvis lånet optages af én person, er det alene den persons indtægt, der kan lægges til grund for kreditværdighedsvurderingen. Hvis låntager er gift eller samlevende, kan kreditgiver ikke uden videre antage, at udgifter afholdes ligeligt af ansøgeren og ægtefællen/samleveren. Kreditgiver må enten lægge til grund, at ansøgeren afholder alle udgifter, eller afdække, hvilken andel af de fælles udgifter låntager faktisk afholder.*

- **Transaction data**

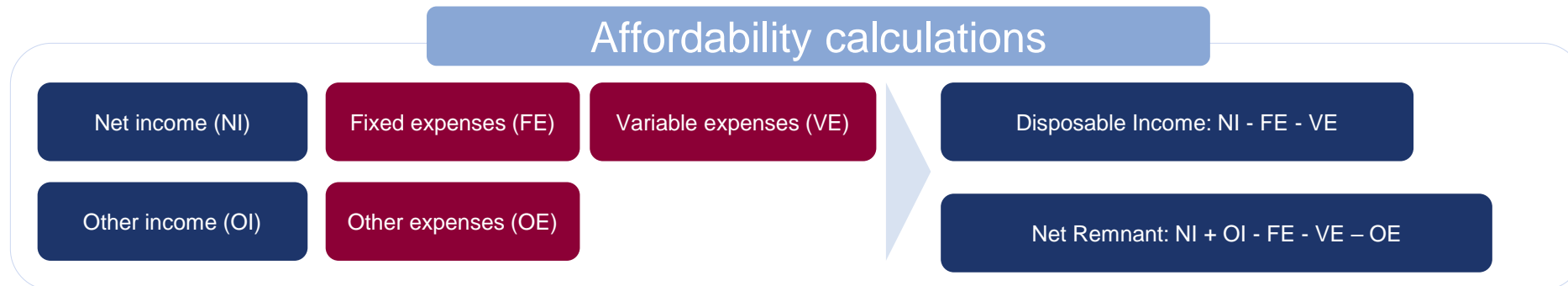
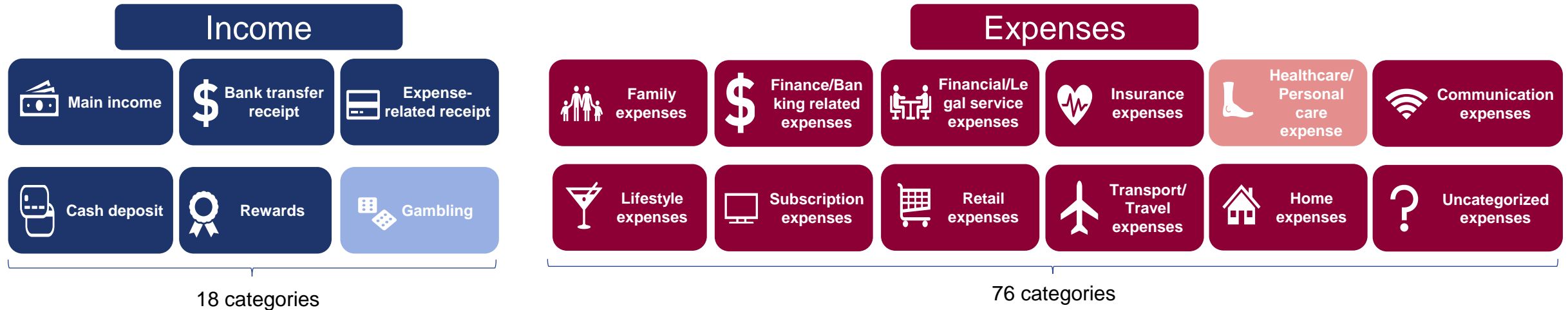
*Dokumentation i form af banktransaktionsdata (f.eks. indhentet ved bank scraping) skal anvendes med forsigtighed, da forbrugeren ikke nødvendigvis foretager betalinger fra kontoen, men f.eks. kan anvende kontanthævninger til betaling af udgifter, eller evt. helt undlader at betale sine udgifter.*

- **Affordability: Ability to pay**

*Bestemmelsen skal ses i sammenhæng med forbrugerkreditdirektivets overordnede formål om at øge forbrugerbeskyttelsen, og vurderingen af forbrugeren kreditværdighed skal derfor ske med henblik på at vurdere, om forbrugeren på baggrund af dennes økonomiske situation ved hjælp af fx løbende indtægter, låneomlægning eller realisation af aktiver vil være i stand til at betale de forudsatte afdrag på kreditbeløbet, og ikke med henblik på at vurdere kreditgiverens tabsrisiko*

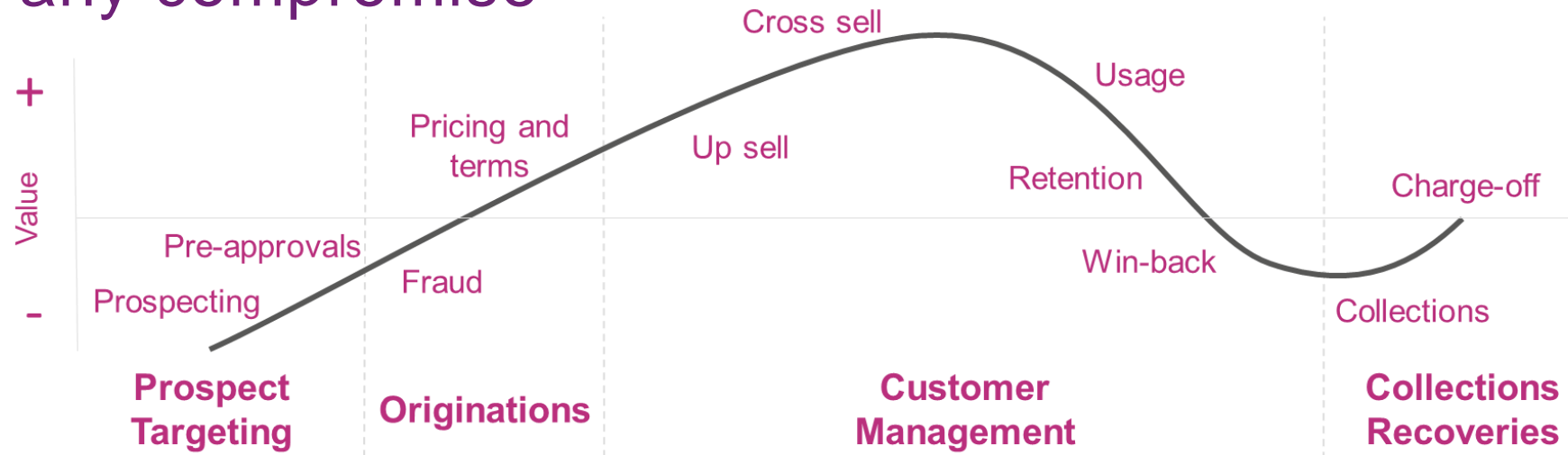
# Experian categorization output

ML categorisation with a high precision level



**How to ensure Customer Centricity in a digital and competitive environment with tighter regulatory pressure**

Rapidly changing external factors challenge businesses and push them to adapt their operations to serve under new conditions without any compromise



## STRATEGY MANAGEMENT

HIGH COMPETITION

NEW REGULATIONS

DIGITIZATION OF CUSTOMER FOOTPRINT

COVID-19 PANDEMIC

CHANGE IN CUSTOMER BEHAVIOR

- Adjustable strategies to competition
- Adhere to local regulation

- Pro-active pricing for churn
- Early warning triggers and external data for limit management
- Restructuring/payment holidays
- Cross-sell/up-sell

- Early collections
- Actions to maximize recovery
- IFRS 9 driven focus on effective early collection strategies

# Customers are not just going online, they are going elsewhere!

Brands with **more digital touch points** are more likely to be **selected by consumers**

Successful digital engagement **balances emotion with transaction**



# Decreasing time to decision through frictionless consumer journeys and automated decisions

Frictionless lending journey utilizing transactional data and analytics



9:39




# Automated affordability calculations and faster decisioning

Initial Score: 700

Scoring Element	Score	Expected Score	Adverse Reason Code
<b>Scoring Elements</b>			
1. Age of Main Applicant	<0>	<0>	
--18	-25	<0>	0101
--19-20	-10	<0>	0102
--21+	0	<0>	0103
2. Home Telephone Indicator	<0>	<0>	
--Yes	0	<0>	0202
--Others	-45	<0>	0201
3. Occupation Code	<0>	<0>	
--Self-employed	-20	<0>	0301
--Unemployed	-30	<0>	0302
--Armed forces	-15	<0>	0303
--Others	0	<0>	0304
4. Residential Status	<0>	<0>	
--Tenant	-22	<0>	0401
--Owner	13	<0>	0402
--Living with relatives	-19	<0>	0403
--Others	0	<0>	0404
5. SP Num Settled CAIS 0 L12m	<0>	<0>	
--1	20	<0>	0901
--2	45	<0>	0902
--3-6	68	<0>	0903
--7+	0	<0>	0904
--Others	0	<0>	0905
6. Time at Current Address (months)	<0>	<0>	
--< 1 year	-35	<0>	0601
--1-8 years	0	<0>	0602
--9+ years	16	<0>	0603


Eva's score = 800



↓


Risk profile = Low risk

Eva's disposable income = 15,377 DKK



↓

Income group = Medium income

		Ability to pay - Disposable income		
		Low income	Medium income	High income
Willingness to pay - Risk profile	Low risk	Leasing class C	Leasing class B 	Leasing class A
	Medium risk	Leasing class C	Leasing class B	Leasing class A
	High risk	Reject	Leasing class C	Leasing class B

\*Disposable income and risk profile groupings can show differences among Opendo banks

## Car leasing options

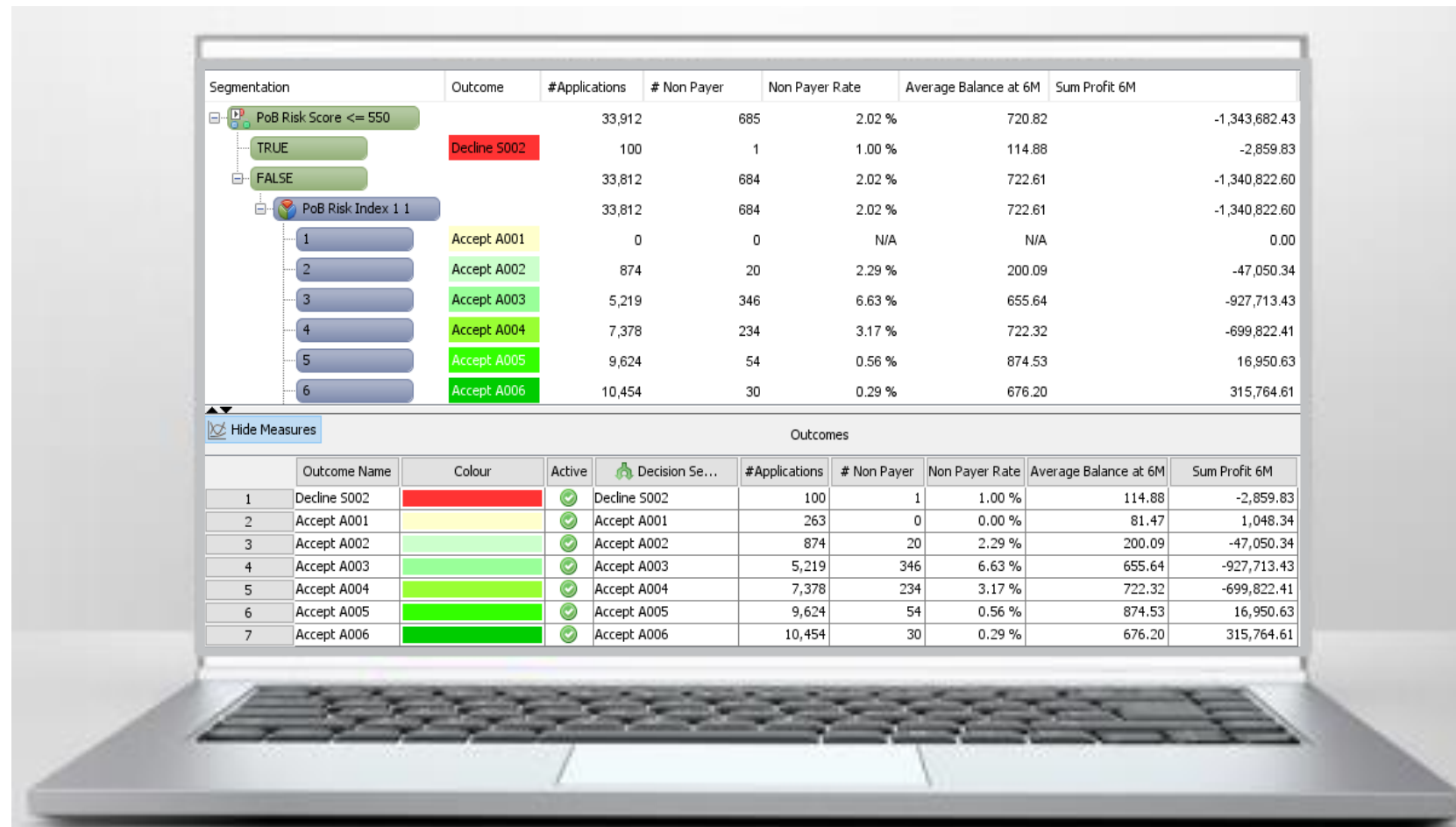
Leasing class A	Leasing class B	Leasing class C
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# How to continuously improve strategies by using data and simulation tool effectively in an ever-changing competitive environment

How Experian can help your organisation leveraging customer touch points into optimal credit strategies

With the help of PowerCurve's built in optimization engine, we can interactively simulate & develop new automated decision strategies across the entire customer life cycle







## Key take-aways

- Changing regulation and constantly evolving consumer behavior are the main challenges of the Consumer Finance and Banking sector.
- While managing the complexity of these challenges, businesses need to consistently improve their customer journey and customer experience, to remain competitive.
- Utilizing the right data sources such as Kreditstatus (DK) and Experian Gjeldsregistret (NO) to ensure a 360-degree customer overview is key.
- Operational efficiency can be achieved through the right tools and data sources, such as automated affordability calculations and open banking data.

