

Optimising the debt sale process to improve cash flow

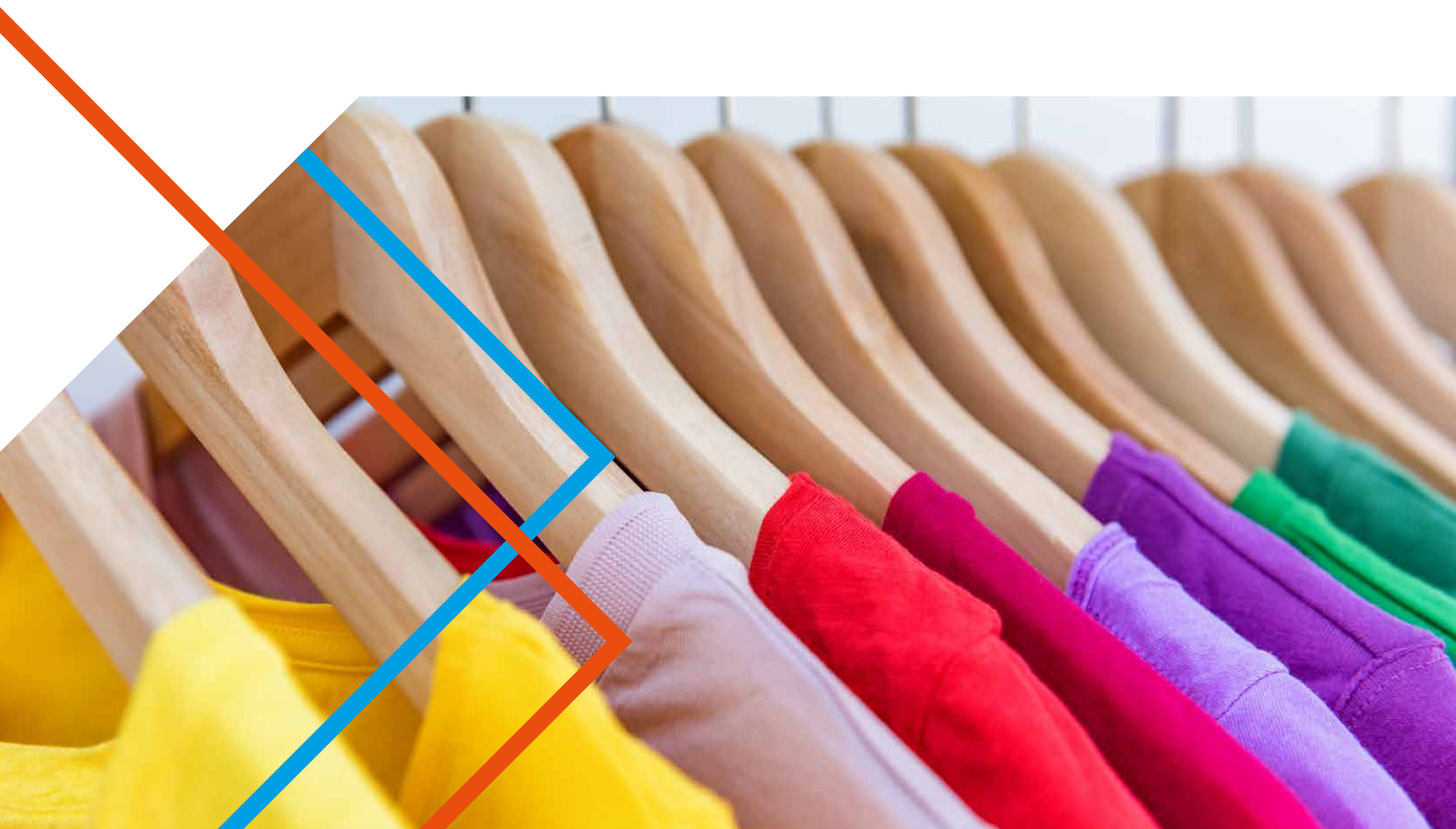
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Challenge

- The decisions about which non-performing loan portfolios to sell, then when to sell them, are critically important factors in maximising commercial returns.
- Our client had been working with a range of DCA and debt sale partners for a number of years, with a typical collections approach placing all non-paying accounts with DCA for circa 180 days before being sold to one of their debt sale partners on a spot sale basis.
- We had already worked closely with our client on a spot sale basis for a number of years. While the current approach was delivering results, our long-standing partnership gave us a unique insight into our client's business which enabled us to proactively identify areas of potential improvement.

Solution

- Working closely with our client, we undertook a thorough review of their debt sale process, leveraging our best practice, market knowledge and unique insights gathered from historic spot sale transactions.
- We recommended our client bypass the placement process and move accounts straight to sale in order to reduce the need for internal operational oversight, and to ensure customers could be quickly matched to teams best placed to support their personal circumstances.
- We also implemented a move to a forward flow rather than spot sale approach to offer our client a greater level of financial certainty, as well as enabling them to build a sustainable relationship with a single provider in order to capitalise on the deeper level of insight generated going forward.
- Our automated pre-cleanse tool was also utilised to mitigate the risk of recourse.



Results

- In just under 12 months 50,000 accounts were transferred to Lowell from the original DCA process, with all having been pre-cleansed and any ineligible accounts removed in advance of sale, improving the customer experience and reducing the risk of operational complexity and recourse.
- This new debt sale approach, combined with our ability to support customers earlier in the process, has resulted in the customer accounts performing significantly above the original valuation expectations. Our client now benefits from an improved pricing model and higher financial return going forward.
- Our client's liquidity position has also improved as a result, with the move from a sporadic spot sale approach to debt sale on a forward flow basis providing a more predictable and steady realisation of cash on a monthly basis.
- The ability for our client to sell at an early stage also means they are able to realise proceeds upfront rather than through an ongoing collections process.



50,000
accounts processed



0.18%
recourse



Improved
pricing model

Get in touch

To find out more and to discuss your company's specific requirements, please speak to our sector expert;

Rob Oxley
Account Director
Robert.Oxley@lowellgroup.co.uk
07554 455087