



Freedom Finance: Using data intelligence to create personal credit solutions

Credit risk is not the be-all and end-all when assessing borrowers and growing data capabilities in the lending industry mean it no longer should be

Rising interest rates and a bleak economic outlook are shining a spotlight on the lending industry and its role in delivering responsible credit.

Lending will only grow in importance as the UK heads into recession, and borrowers need affordable, appropriate credit products suited to their personal situation.

Innovation and data are driving greater personalisation of credit products

The industry is innovating at pace, embracing data-led technologies and integrating open banking to modernise and deliver personal lending solutions that borrowers want and need.

Open banking affords borrowers greater control of their data and shows lenders a more accurate picture of their financial lives and the risks they pose. Credit risk plays a role in lenders' decision-making process, but it is not the be-all and end-all, nor should it be. Income verification, affordability and conduct risk all play a major role.

Now, all these datasets are easily obtainable in a matter of hours as they are already packaged up through integrated APIs.

Open banking gives lenders a more granular view of a borrower's circumstances

Armed with open banking data, the lending industry is now unlocking a fuller picture of an individual's likelihood of repayment. This allows financial institutions to offer more products and more favourable pricing.

From the lender's perspective, they can attract and retain more customers, as well as deliver a better user

experience throughout the process.

This data intelligence is here to stay and it will increase lender confidence in their lending decisions while the borrower will have greater assurance that the product is appropriate and the industry is on their side. Lenders who do not use the technology available will suffer a serious competitive disadvantage.

Greater personalisation improves financial inclusion

There are also strong social benefits as improved data helps promote financial inclusion.

Many technological advances are aimed at supporting under-served segments of society or those less confident in their financial decision making.

Take the case of a person who has a thin credit file through no fault of their own – say, because they moved abroad for their job for a couple of years.

In a traditional approach to credit verification, this person might struggle to penetrate the credit market or at the very least only be able to access more expensive products. In reality, they don't pose a greater risk, they just don't have the right boxes ticked to secure them an affordable product.

By creating a holistic picture of their financial situation, more reputable lenders will be able to service this segment of society – keeping them out of the grips of exploitative or even illegal lenders.

Embedded finance brings these innovations to a wider audience via high-street brands

Digital marketplaces are helping lenders

reach far more customers than ever before at the same time as deepening customer loyalty for those brands.

Freedom Finance has partnerships with brands like Argos, Very Group and Creation, giving their customers access to the widest panel of credit solutions to suit their circumstances.

It only further widens access to these sorts of innovative lending propositions, supporting millions more people with their finances at a time of economic stress.

Embedded finance relies on harnessing the data capabilities that fintechs, providers and brands hold and integrating this ecosystem to support consumers. Digital marketplaces like Freedom Finance are able to join together all these parties and enhance the connections – bringing greater capability for lenders to service their customers' needs.

Conclusion

In the face of a cost-of-living crisis, it is important to recognise the wider social function that the industry is playing, supporting household finances and delivering the best possible customer outcomes.

While institutions hold the capital to provide much-needed credit, fintechs hold the data that will prove vital in helping customers who need it most retain access to the lending market and gain the most appropriate products.

CEO Emma Steeley.

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