



## Software provides agility for changing times

How The Funding Corporation (TFC) has reaped the benefits of its **pancredit** implementation, providing the company with the agility to introduce new products, sign up new affinity partners and respond to changing market conditions, quickly and without complications.

The Funding Corporation (TFC) is the UK's largest independent lender, providing a compelling alternative to the financial giants constrained by bureaucratic and archaic systems. Established in 2000 by four former senior Bank of Scotland executives, the organisation raised £115 million of funding from International Motors and Barclays Bank. Today, the company employs around 600 people and is on target to lend £1 billion by 2006.

Originally, TFC's business had two main threads: personal loans and car finance. In the last eighteen months this model has considerably grown in scope, so that the company is now on its way to become a full spectrum lender, providing a range of secured and unsecured loan products, both directly and through its affinity partners.

TFC made an operating profit of £5 million to December 2004 – up from £1.6 million in 2003. Significant drivers for this growth in the last year include signing a lucrative deal with the RAC to manage its branded loans, the acquisition of the block discounting operations from Abbey Business and the acquisition of specialist motor finance business Benton Finance and County Leasing and Finance. It also operates Approved Car Finance, with eight car dealerships, currently selling over 10,000 cars a year.

In October 2005, TFC signed its biggest ever deal with vehicle importer International Motors Group. Worth an estimated £1 billion over 10 years, this deal will see TFC provide point of sale finance and wholesale funding to 200 Subaru, Daihatsu and Isuzu dealers on behalf of International Motors.

### **In the early days...**

From the outset, TFC knew that it needed a powerful system to handle its loan management. TFC's Director of Operations, David Challinor, describes the attributes the company was originally looking for in a lending system:

"To begin with, we needed a system that could handle both personal loans and hire purchase and would provide us with a single view of the customer. It also needed to be sophisticated enough to allow us to automate as much processing and decision making as possible. On top of this, we were looking for a company that understood what we were trying to achieve and was prepared to work with us even before we had all our funding in place. **pancredit** stood out as being able to meet all of these needs and more."

In October 2001, TFC went live with **pancredit**. Working across the company, the **pancredit** system is designed to handle all stages of the lending process: it captures data inputted into The Funding Corporation's customised screens, handles credit scoring and links with personal details and credit reference data to provide a balanced rating. The system's ability to retain valuable customer data enables cross-selling opportunities to be identified. In summary, **pancredit** provides TFC with a solution that enables it to proactively manage the entire lifecycle of the loan.

### **An evolving product mix**

"Since we introduced **pancredit**, we have broadened our offering enormously – developing new products, acquiring new books of business and growing organically," Challinor explains. "Many companies still run loan books off multiple legacy systems, but we didn't want that to be the case at TFC. We wanted one system, one database, handling all of our business. The test was whether **pancredit** would be scalable and flexible enough to meet our ambitious plans."

Expanding its offering, TFC now lends to what it terms prime customers, which have no previous credit problems, through to sub-prime customers, those with some history of credit problems.

According to David Challinor, the challenge is offering the right products – that people are in a position to pay off – to the right customers: “We’ve developed a range of new products that address the changes in the market. Customers in the deep-sub prime category, for example, still need loans to fund car purchases and it’s up to companies like ours to find ways of enabling them to do this in a responsible manner.

“As we introduce these new products, we need to be able to roll them out quickly to our own loan divisions and affinity partners. This is where **pancredit** comes in. The web-enabled **pancredit** Gateway is critical for rolling out new products. For example, we have over 130 branded websites for personal loans. When we make changes, we can get these up and running within two hours.”

### **A gateway to success**

The **pancredit** Gateway – a technology bridge that allows users to access the **pancredit** solution via the web – has been instrumental in improving the system’s ability to handle input from different channels and to simplify the process of customising the interface between the user and the core system. One of the benefits this brings for TFC is the ability to speed up the input of data into the system.

Another area where **pancredit** has expanded its footprint is with TFC’s money shops. Previously, all loan applications and enquiries were handled by its call centre in Chester. Now, TFC has opened 11 LoanOne Moneystores providing yet another route to market. Again, the LoanOne Moneystores utilise the speed of the **pancredit** gateway to link to core **pancredit** at head office.

One of the key benefits of the **pancredit** system is providing TFC with the agility to bring on new books of business. In 2004, TFC acquired Abbey’s Block Discounting business, which was migrated onto the **pancredit** solution.

“When we took on the Abbey business, we wanted to get it on **pancredit** as soon as possible. In the event, the process was seamless, and we are able to reap the benefits from having all of our lending business working from one single database. Similarly, when we won the International Motors deal, it was a huge opportunity for us – we needed to know that we had a platform that was scalable enough to meet this challenge.”

## Looking forward

With **pancredit**, TFC can make informed, automated decisions about loan applications. When a loan is auto-declined, the system refers the application to one of TFC's experts, who look at the case in more detail and decide whether to offer an alternative product. This is one area where TFC believes it can build on the processing power of **pancredit**.

"Currently, we get around 30,000 loan applications a month. Assuming these are worth an average of £8,000, this represents a potential £240 million of new business," explains Challinor. "At the moment we write a much smaller proportion of this, so clearly there's potential to offer customers alternative products that might suit their requirements more closely. This is an area we're working with **pancredit** on to automate the process to offer more alternatives. Put simply, we need the intelligence to pick out which of these customers are capable – and likely – to pay.

"At TFC, we don't have a one size fits all approach to loans. Neither do we want to be too prescriptive to the market. Instead, we need agility to respond to the needs of our customers and be one step ahead of the competition. Having **pancredit** as our core loans management solution has been critical to our success so far and is key to achieving our aims in the future," concludes Challinor.

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