DEMYSTIFYING THE QUOTATION SEARCH

An extract from Perspective: The affordability and responsible lending issue
Essential insights into the issues facing your industry today
Roger Vincent, Strategic Consultant at Equifax, looks at the quotation search in more detail to give you an understanding of its origins and how it can be used as a powerful tool in responsible lending practices.

Market overview

Excessive credit searches can often be a sign of financial distress and hence can have a negative impact on a consumer’s credit score. That being said, there are many different types of credit search which, if used in the right way, can better help lenders and applicants find the most appropriate products and services for them.

After their inception quotation searches have been widely used across the industry to help consumers find products suitable for them. These searches enable a wide range of consumers to shop around for credit without the risk of harming their credit score.

Leveraging this new kind of search are typically two types of businesses: those looking to offer credit eligibility checkers directly to their potential consumer customers, and those wishing to provide the consumer with an aggregated view of their options, such as price comparison websites. In recent times, Application Programming Interfaces (APIs) have also enabled the direct interrogation of a lender’s credit application process through price comparison websites, taking eligibility checkers to the next level and enabling pre-approval of products.

By far the most vocal in this space are the price comparison websites (and I don’t just mean by way of operatic singers and Meerkats!). Advertising in this sector is big business and companies are willing to fork out millions of pounds to establish their brands and appear top of a Google search.

Diversification is also becoming big business for these sites. The comparison sector, once dominated by insurance, is steadily being flooded by reams of utilities, broadband and financial services products, all hoping to on-board new customers with the best offers. With diversification, requirements for increasingly complex ways of matching customers to products have emerged and, with them, the emergence of the quotation search.

Many lenders have started to latch on to this new form of customer prospecting and have started to offer eligibility checkers. In banking and finance, Equifax has recently worked with Capital One and HSBC to establish these processes, supplementing the often lengthy credit application journey with a much shorter initial background check to retrieve anything that might result in an applicant’s failure to be accepted for credit. Things like CCJs, accounts in arrears and over-indebtedness metrics, like high credit utilisation along with a credit score, can be pulled back in a matter of seconds to instantly inform of the likelihood of success with the lender.

The recently launched HSBC Business Lending Eligibility Checker allows prospective businesses to check their likelihood of success in only a few minutes, compared to a full credit application journey that takes considerably longer. Combined with new cloud-based decisioning software, the adoption of these platforms is becoming more widespread as lenders recognise the power of these tools for consumers.

In its recent ‘Retail banking market investigation’ the CMA stated:

“We note that the most advanced eligibility tool of which we are aware, developed by HSBCG in partnership with Equifax, uses the following information:

- Information about the business and the lending request – the amount of borrowing (up to £30,000), the business activity and legal structure;
- Information about the people involved in the business (up to two proprietors) – name, addresses and date of birth; and
- Equifax Credit Report.

We are therefore proposing to recommend that HMT works with CRAs and SME lenders to enable soft searches or quotation searches to take place for SME lending products.”

Source: CMA Report (May 2016)
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We have also worked with mobile phone retailers like Carphone Warehouse where our solution is used to improve the customer experience by helping them find mobile phone contracts with a higher chance of the customer being accepted.

Up until recently, price comparison websites have relied heavily on a process of ‘eligibility’; matching credit checks as accurately as possible to their hosted lenders’ credit policies, whilst keeping the cost of data checks to minimum. In recent years, new enabling technologies like APIs have allowed the comparison websites to start running pre-approved offers for their credit products, regardless of the platform. Capital One in the US has four public APIs. Although they have not yet implemented data access, third parties can authenticate customer identity and integrate with Capital One’s Digital Deals and Rewards programmes. Capital One have recently extended this to the UK, where they are offering open APIs to the price comparison sites to pre-approve customers for Capital One products using only quotation searches.

It’s quite clear that quotation searches are opening up the market and creating innovative and more customer-centric solutions; hence it’s evident why credit reference agencies are seeing significant uplift in the use of this search type by lenders:

Moving forward, the CMA\(^1\) is encouraging the regulator to make further use of these searches to promote the rights of consumers to shop around. The FCA notes “progress” with the use of these searches with the comparison sites and goes on to recommend them as “remedies to improve competition in the payday lending market”.

In conclusion, it seems the confusion around the humble quotation search might finally be subsiding and customers and lenders are now continuing to benefit from the innovative ways in which companies are using them. With deeper data sources, advancing technologies and ever more powerful insights, it’s clear to see how the quotation search might be the understated catalyst for the online marketplace of the future.

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\(^1\) Source: CMA Report - Payday lending market investigation - (Feb 2015)