

## Abstract for Credit Scoring and Credit Control at Edinburgh

Title: Predicting Recovery Rates for Defaulting Credit Card Debt

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### Abstract

Defaulting credit card debt is growing in the UK. Not all of the debt will be collected in house. At some stage the original lender may decide to sell off the debt to a collections agency. Prediction of the recovery rate for this debt can be used to assess how it should be valued. The distribution of the recovery rates in that case can be quite different from if it is being collected in house because it is usually the case that this debt has already proved difficult to recover. In this study we build several models for predicting the recovery rate for a credit card debt that has been sold to a collections agency. We estimate the parameters of the model using real data. The results obtained and the structure of the model will be presented.