Predicting Insolvency and Preventing Losses Using Transaction Analytics: Customer Treatment in Real Time

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Consumer insolvency is a burgeoning phenomenon in many regions of the world. In the United Kingdom, the issue has been further intensified as a result of the legal changes that took place in 2005. In this session we will look at research on different scoring approaches to predicting insolvency, including the balance build that occurs between score triggers and bankruptcy. We'll also examine whether a strategy employing transaction analytics can reduce losses more accurately and profitably than traditional approaches.

Transaction models are run whenever new transactions (purchases, payments, purchase attempts, etc.) occur. Traditional cycle-based modeling approaches are often unable to identify potential loss accounts prior to significant balance build. Therefore using traditional modeling techniques to develop a loss prevention strategy for potential Bankruptcy and Individual Voluntary Arrangement (IVA) accounts may not yield significant loss prevention.

In this analysis, we will evaluate the contribution of: the additional data from the transactions; the dual stage mathematical approach; and the added value of a more frequent score update. In a simulation of intervention tactics based only on score we hope to demonstrate the power of a transactions scoring process used to create real-time customer treatments.