



ASK THE EXPERTS

IN THIS ISSUE

- 4-5 Expert Opinion
- 6-7 Leading the Way
- 8-9 Consumer Finance Faces
- 10 Philip George and the Shawbrook story
- 11 Regional Development Managers

SHAWBROOK BANK 

**OPENING HOURS**

**Customer Service and Underwriting Teams**

Monday – Friday            09:00 – 21:00  
 Saturday                    10:00 – 18:00

**Underwriting Team only**

Sunday                        12:00 – 17:00  
 (remote online underwriting support for referrals - no telephone support)

Partner Support Line:        0345 600 7680



**WELCOME**

Firstly I would like to wish you our valued and prospective partners a happy new year, and we look forward to working with you in what will no doubt be another year full of challenges. 2014 was another fantastic year for Shawbrook as we set new records across our divisions. Since our launch in 2011 we have executed on our plans and built a thriving specialist bank operating in our carefully selected sectors.

We consider home improvement to be a core market for Shawbrook and our level of commitment to supporting you, our chosen partners, is crucial to our business. In 2015 we will continue to support you with a clear and professional service ethic, building on partnerships, investing in market specific technology and providing support through the FCA and regulatory changes.

We are delighted that so many partners feed back to us that our technology investment is really paying off, and helping them to change their businesses. Our 'sign now' (e-signature service) is also joined by another exciting development called 'sign solo'. Improving efficiencies for our partners is a key area for us and importantly enhancing the customer experience that is so crucial to us all.

We are also upgrading the Shawbrook App, and in this edition Tony Lilley discusses this in more detail.

In previous editions we have provided information and practical support with regard to the FCA regulatory regime. In this edition Ray Watson of Walker Morris gives his views on what the first six months have been like and we hope you find this useful and thought provoking. We strongly welcome the positive changes that FCA regulation brings to the sector and believe our direct relationship approach is important as we work to support you throughout the year.

We plan to continue to selectively grow our share of the home improvement market and have recently welcomed some additional high profile partners. I would personally like to thank you all for supporting us so far as we look forward to an exciting 2015.

**Nick McAuliffe**  
 Managing Director, Consumer Lending

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# EXPERT OPINION

**Ray Watson, Director of Walker Morris gives us his thoughts on what the impact of the transfer from the OFT to the FCA has been in the first six months. As the former Director of Consumer Credit in the UK Office of Fair Trading, Ray couldn't come better placed to give his view on the shape of regulation and how firms can be best prepared for full authorisation.**

## Lessons Learnt

The much anticipated new regulatory regime for consumer credit is now over six months old. There were many predictions made before it came into being, so in this short piece, I am going to consider what the reality has been, what lessons we can take from the FCA's actions to date and what firms should do to ensure they have the best prospects of being authorised when their landing slots arrive.

## The Reality

The first and most striking change that has been brought about by the transfer of responsibility for regulation from the OFT to the FCA is the ability of the FCA to take numerous actions simultaneously. As well as conducting its day-to-day business, in its first six months the FCA has

- Issued specific rules for high cost short term (HCST) credit
- Launched a review of debt collection practices by HCST lenders
- Consulted about the imposition of a price cap
- Taken actions against WONGA, Dollar Financial Services and the Cheque Centre
- Commenced the authorisation process for consumer credit firms
- Visited major businesses in the commercial debt management and HCST sectors

This ability to cover multiple projects demonstrates the change in scale of regulation since April. The FCA has the resources to properly regulate credit firms, and through its actions will know more about the market and will act quickly to address – or prevent – problems. All this capacity and activity is a signal that times have changed and the regulator is taking a much closer look at firms and sectors of the market. However, the regulator is also learning and is keen to help; and you can find more information on the FCA website ([www.fca.org.uk](http://www.fca.org.uk)).

The FCA has made it clear that it expects firms to comply with the letter and spirit of its rules. It has confirmed that it won't authorise firms that cannot demonstrate that consumers are at the heart of their business. This means having the necessary policies, procedures and compliance mechanisms in place to ensure that consumers are treated fairly and receive good outcomes from their dealings with firms. It also means that firms must ensure that their employees and agents treat consumers fairly and are compliant. For example, brokers that have self-employed agents need to ensure that they are meeting the required regulatory standards. Have those agents been checked? Do they have any criminal record? If they are going into consumers' homes, have they been CRB checked?

## Lessons Learnt

What we have also learnt is that some agents and partners have not been applying for the correct categories and therefore will not have the necessary authorisation to carry out their activities. It is essential that all credit firms (lenders, brokers, debt collectors etc) are authorised, as unauthorised activity is a criminal offence and any credit agreements that result from unauthorised activity are invalid and unenforceable. This means commercial damage would result from such activity. The FCA is also highly likely to take action against those who are engaged in unauthorised activity. Such action would be in respect both of the firm involved and in respect of senior executives of the firm.

All of this means a greater level of care is needed by firms, both in terms of their own activities and those of agents and partners with whom they do business. It also means that firms must have in place robust policies and systems before they apply for full authorisation, and consideration must also be given to an effective compliance function within each firm.

Overall, it remains important that firms trust in their direct relationships with lenders, because having a two-way, open and clear dialogue is going to assist both lender and supplier to get through this process.

What is also important to remember is that whilst policies and checklists are important, firms need to demonstrate that they are consistently challenging their business model to ensure good customer outcomes are at the heart of all strategic decision making, and throughout every stage of the credit journey.

## The Final Word

The standards for authorisation are demanding. This is not a rerun of the Interim Permission process, which was essentially an administrative exercise to ensure firms could be migrated to the new regime, or as simple as was applying for a Consumer Credit Licence from the OFT. Firms that cannot evidence to the FCA that they meet the threshold conditions and are compliant with the CONC rules will not be authorised.

Firms that have not already done so should review their preparedness for authorisation. This should be an urgent priority. There is advice and assistance available for firms to help them get into a state of readiness, but time is passing and this is too important a matter to be left to the last minute.



**Ray Watson, Director**  
Regulatory

Ray was formerly the Director of Consumer Credit in the UK Office of Fair Trading. He was instrumental in

the reform of UK consumer credit law following the major national review which culminated in the Consumer Credit Act 2006 and the implementation of the European Consumer Credit Directive.

Ray was the architect of the development of a risk-based approach to regulation of licensed businesses by the OFT and a raft of regulatory guidance including the irresponsible lending and debt collection guidance.

At Walker Morris, Ray brings his unique experience as the most senior consumer credit regulator to bear in providing compliance support to clients. These encompass a wide range of services from providing practical advice on navigating the regulatory minefield to undertaking audits, training and devising and implementing policies and procedures.

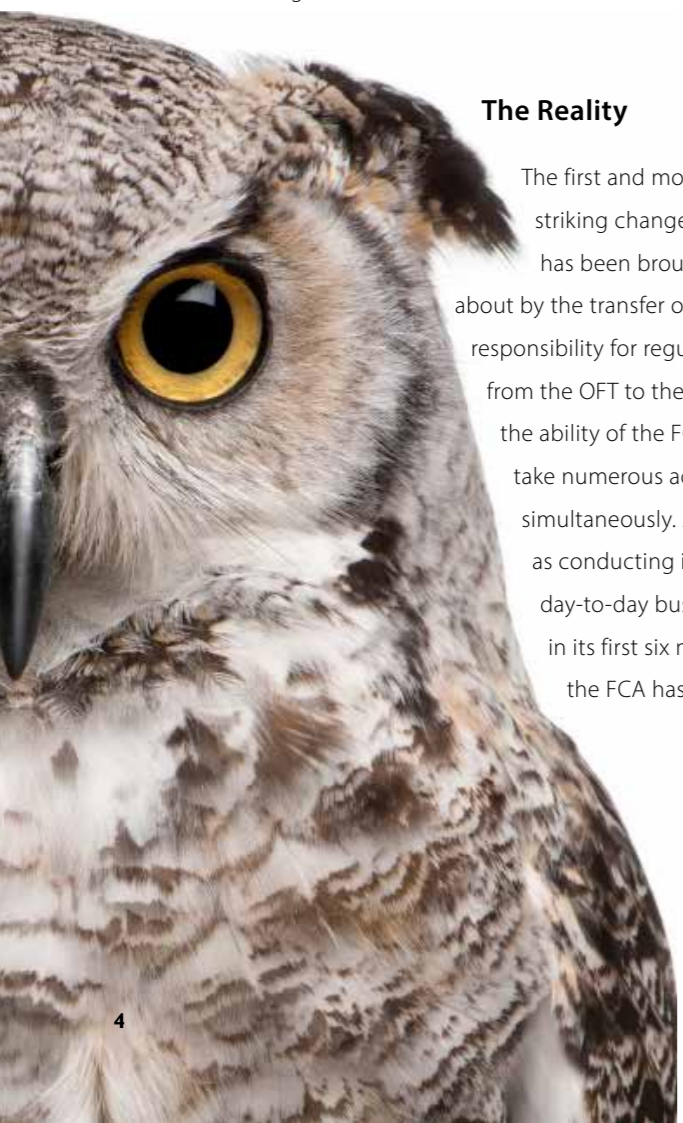
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# LEADING THE WAY



In this edition we speak to Tony Lilley, Regional Development Manager about the impact that Shawbrook’s technological advances have had on the suppliers he works with.

## E- SIGNATURE

### What is e-signature?

E-signature allows frontline sales staff to complete and sign loan agreement documentation on an iPad or laptop in ‘real time’ in the customers home, removing paperwork and countless hours of time.

### What has the suppliers’ reaction been to e-signature?

This is arguably the biggest change ever seen in the application process. Naturally, the initial reaction is generally one of caution and scepticism, however once people witnessed the speed and efficiency of our revolutionary paperless process they are usually hooked! For those who have converted across to e-signature, incorrect documentation is thankfully a thing of the past.

### What has the take up of e-signature been?

For some suppliers, almost 100% of new applications are now processed electronically. Due to the popularity and success of the electronic system, I cannot remember the last training session I conducted when we exclusively focussed on paper applications.

### How is e-signature changing the way that applications are processed?

For all concerned parties, electronic submission is a much more efficient system. As a direct result of e-signature, overall documentation errors and cancellation rates have reduced considerably. This means that the salesforce can now focus on new prospects that produce incremental business. As the execution of the paperwork takes place at “point of sale”, with customers receiving immediate electronic copies of the documentation, numerous hours are saved and administration time can now be devoted to more productive tasks.

### How does it differ to other similar systems on the market?

Charles Caleb Colton once said “imitation is the sincerest form of flattery”. We are starting to see variations of this system from other lenders, but from feedback provided by the marketplace, I firmly believe nothing currently compares favourably to our electronic proposition.

## THE SHAWBROOK ‘APP’

### What is the Shawbrook App?

The Shawbrook App, which evolved from the hugely successful textback service, helps frontline sales staff perform loan calculations in ‘real time’ with the customer. The ‘sliders’ give customers a live illustration and demonstrate how they can control the life of their loan by making overpayments. The App contains all of the correct rates and products required for the calculator itself and has been specifically designed to be available at all times, even when there is no cellular or WiFi coverage.

### What has the reaction been to the App?

Having been involved with the App since its inception, I really enjoy witnessing the audience reaction when they first see the demonstration of its capabilities. Without exception, the reaction has been very positive and is seen as a “must-have” in the salesperson’s portfolio.

### How are suppliers using the App?

This section of the professional sales process now becomes fully interactive. As well as explaining the concept of additional repayments, the customers are now able to accurately see the impact of overpayments with the use of the sliding bars. Not only does it show the reduced expected term, but also calculates the interest saved. The support and FAQ section have also been well received as this provides clarity and confirmation of benefits mentioned earlier in the sales process.

### Has the App changed the way they sell to customers?

Without a shadow of a doubt it has definitely brought the electronic sales process into the 21st century. Sales people enjoy the instant responses available, especially compared to

the textback system. The ability to immediately alter deposit levels and terms depending on customer requirements provides a greater degree of confidence, control and professionalism. Based on feedback provided, customers seem to enjoy the electronic interaction, especially toggling the sliders and understanding more about the financial savings available in the additional payment section.

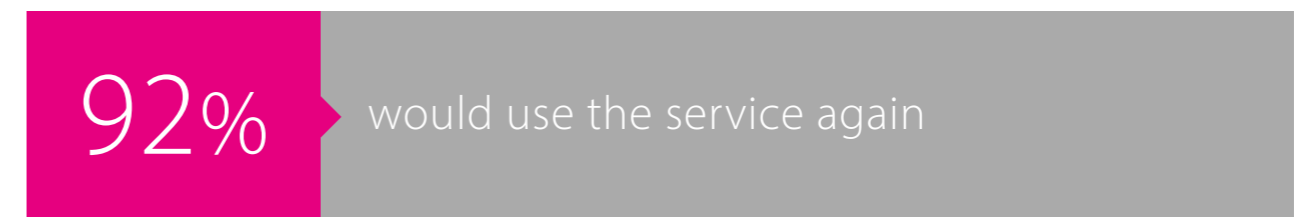
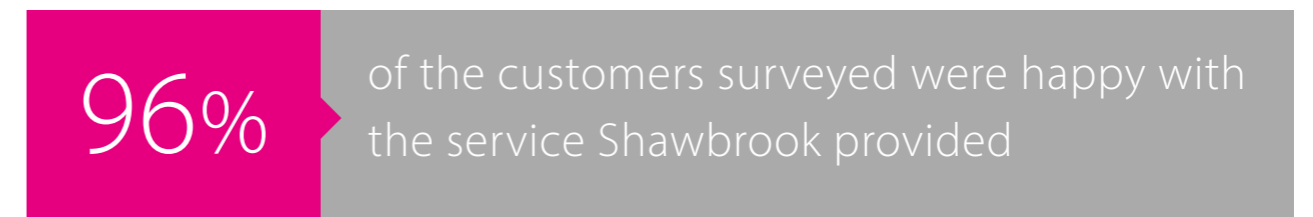
### What are the new developments to the App?

Constructive feedback and suggestions from committed users is vital for the continued improvements planned for the App. The current version includes FAQs, as well as a direct link to the ‘Live’ e-signature site. We are currently working on further exciting developments for version 3... watch this space!

## CUSTOMER SATISFACTION GUARANTEED

Each month we survey our existing customer base to ensure that we are maintaining our high standards of customer service and to highlight any potential issues that we need to address.

### We are pleased to report that for the month of November:



(Source: Target Customer Survey, November 2014)

# CONSUMER FINANCE FACES

## SUPPORT FROM ACROSS SHAWBROOK

Behind our consumer lending team there is a wider group of professionals helping to deliver the fantastic service, technological developments and products that you experience day-to-day. Hear from a few members of the wider team on how they support the consumer lending team.



**From left to right:** Stephen Connolly (Project Manager), Julian Nutley (Sales Director), Jason Latham (Head of Business Systems Development), Mike Bradshaw (Head of Conduct Risk), Jennifer Burns (Marketing Manager), Nick McAuliffe (Managing Director), Jeff White (Head of Retail Sales), Chris Jones (Director of Lending Operations), Laura Mortlock (Customer Operations Manager), Simon Austin (Collections & Recoveries Manager), Dylan Minto (Head of Business Planning & Analysis), Leighton Grew (Head of Operations)

### Dylan Minto

#### Head of Business Planning & Analysis:

*"I help the division look to the future in all things budgeting and forecasting related, as well as assist with new product and new acquisition opportunities."*

### Laura Mortlock

#### Customer Operations Manager:

*"Operations look after our customers once their loan completes. We have a customer service team to answer any queries a customer may have and a collections team to work with customers on any payment difficulties."*

### Jennifer Burns

#### Marketing Manager:

*"I support the team by collating Consumer Lending News to communicate to suppliers the latest regulatory developments and the wonderful news from within the team, as well organise the events you attend."*

### Jason Latham

#### Head of Business Systems Development:

*"IT provide design and implementation advice on software development initiatives, as well as full design and management of implementation of those systems where Shawbrook Internal Development are the delivery partner."*

### Stephen Connolly

#### Project Manager – Change Team:

*"The change management function is responsible for the planning, management and implementation of medium to large projects within the Consumer business. The project manager, and entire project team have responsibility for ensuring project requirements are captured, documented and communicated effectively. As well as reporting and escalating risk and issues associated with projects and ensuring the projects are delivered within agreed timescales and budget."*



## GOLF DAY PART TWO

Fortunately after the first annual golf day was a wash out due to torrential rain, the second golf day on 17th October was much drier! Congratulations to Tony Roodt (Betta Living), Mike Bradshaw (Shawbrook), Ian Tansley (Betta Living) and Philip Moore (Genius Energy) on winning the team competition. Congrats also go to Matt Stevens (Britelite) on coming first in the individual competition and Iain Forsythe (Premier Kitchens) for winning the longest drive.



Firstly I would like to personally thank all our home improvement partners for contributing to a fantastic 2014 for Shawbrook's home improvement lending business. We appreciate your support as a specialist lender in this market.

We have recently welcomed several new high profile home improvement partners to Shawbrook, and these along with the ongoing success in our selective existing relationships will ensure an exciting 2015 at Shawbrook.

In Issue 3, I wrote about the importance under the FCA regime of a strong, direct indepth relationship with your lender, and that the FCA had indicated it would be looking at unauthorised credit brokers. On 1st December the FCA announced new rules aimed at dealing with poor practice in credit broking. The rules were introduced without prior consultation and provide further evidence that the FCA will act quickly and forcefully if necessary.

The FCA advised that it was concerned about a number of issues including 'a lack of transparency, resulting in consumers often not realising they are dealing with a broker rather than a lender'. The FCA also advised that they were investigating a number of credit broking firms and have referred some for enforcement action.

At Shawbrook we remain convinced that direct lender relationships are critical in the home improvement market, where the regulatory risk is borne by lenders and home improvement suppliers. We are here to help and work closely with our partners to assist in dealing with the many changes and opportunities that increased regulation brings, I also hope you find Ray Watson's article useful in this regard.

Thank you for your continued support

### Julian Nutley

Sales Director  
Consumer Lending



# A VIEW FROM THE TOP



I can't believe we are already in 2015, where did the year go? It was great to see how well the Consumer division did in 2014, which was all down to the strong support from our partners.

It really feels like the economy has started to recover, albeit slowly, and with consumer confidence increasing and wage inflation under control, interest rates should remain low for the next six months at least.

I am sure you are all preparing for your landing slots for authorisation with the FCA. It all looks daunting, but we are there to help wherever we can.

Shawbrook too is having a good year overall. Our new business volumes continue to be strong across all divisions, and as a result the balance sheet is growing fast, so we have plenty of liquidity to support your new business.

Our commercial business is going from strength-to-strength, with new business up by 31 pc on September last year and balances up by 80 pc for the same period. The secured business had seen competitive pressure, but remains market leader by some margin and saw new business increase by 15 pc and balances by 47 pc. After two years of hard graft by our team and our own IT team we launched a market leading origination system for brokers to connect with us much more easily and cheaper. Regulatory changes are keeping us occupied, but we are well prepared for the big change in 2016.

Our asset finance division is doing really well with volumes up by 37 pc and the balances by 31 pc up from September last year. We have financed cars and equipment for some of your businesses and are happy to help wherever we can. Our wholesale team, who lend money to small finance companies also had a fantastic year and has helped 15 clients already with another 10 in the pipeline.

The newly acquired invoice discounting business now renamed "Shawbrook Business Credit" is settling in well within the Shawbrook stable.

The consumer business is growing fastest of all with new business up by 102 pc and balances by 145 pc. A number of you are using our iPad and mobile apps to help make it easier to do business with us and we will always combine this with premier service and human interaction - so lacking elsewhere!

Thank you for your support in 2014 and we look forward to a prosperous 2015 together.

**Philip George**  
Managing Director

## JULIAN NUTLEY, SALES DIRECTOR

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## REGIONAL DEVELOPMENT MANAGERS

Our RDMs are experienced and always on hand to help, please feel free to get in touch.

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