



Artificial Intelligence in debt collection

Using AI in debt collection

Why would you use AI?

- streamline processes
- improve efficiency, save costs
- enhance effectiveness

How to apply AI

1. Data Analytics

Use AI algorithms

Analyse historical data

Identify patterns

customer behaviour

payment trends

default probabilities



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How to apply AI ...

2. Predictive modelling

Prioritise accounts

3. Speech Analytics

Speech recognition and analysis

Analyse tone, sentiment, keywords, risks

Compliance monitoring.

4. Chatbots and Virtual Assistants:

AI-powered chatbots to engage with debtors

FAQ's

Info on ways to pay

Setting up payment arrangements

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How to apply AI ...

5. Automation of Routine Tasks:

- Repetitive tasks

- Time-consuming tasks

 - sending of payment reminders

 - generating reports

 - updating records

6. Behavioural Biometrics:

- Analyse typing patterns

- Mouse movements

- Fraudulent activities

- Unusual behaviour

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How to apply AI ...

7. Machine Learning for Negotiation Strategies:

- Training of machine learning models

- Optimise negotiation strategies

- Base on successful collection outcomes

8. Credit Scoring and Risk Assessment:

- Integrate AI algorithms

- Assess creditworthiness of debtors.

- Useful for repayment plans or settlement offers

9. Compliance Monitoring

- Implement AI tools to monitor and ensure compliance

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How to apply AI ...

10. Debtor Profiling

- Segment debtor profiles

 - Personalised communication

 - Tailored debt recovery strategies

11. Sentiment Analysis on Social Media:

- Monitor social media platforms.

- Public perception

- Potential reputation risks

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How to apply AI ...

Implementation

Prioritise ethical considerations

Strictly adhere to legal regulations

Maintain transparency in comms with debtors

Combine AI with human expertise

Unintended consequences of AI

Potential unintended consequences

1. Lack of Human Empathy

- Lack the emotional intelligence and empathy

- Less compassionate

2. Bias in Algorithms

- Amplify existing biases

- Unfairness of certain demographic groups

3. Privacy Concerns:

- Collecting personal data may raise privacy issues

- Ensure compliance

- Prevent unauthorised access or misuse

Unintended consequences of AI

4. Automated Decision-Making Challenges:

Relying solely on AI for decision-making can be problematic if there is a lack of transparency in the algorithms. Debtors may face difficulties in understanding the basis for decisions and may challenge the fairness of automated processes.

5. Overreliance on Technology

Overemphasis on AI may lead to a reduction in human oversight and critical thinking. Humans should still play a significant role in reviewing and making decisions, particularly in complex or nuanced situations.

6. Inaccuracies in Predictive Models

Overreliance on these models could result in missed opportunities or inappropriate actions

Unintended consequences of AI

7. Escalation of Conflict:

Automated messages may inadvertently escalate conflicts with debtors

Misinterpretation may lead to a breakdown in communication

8. Unintended Legal Consequences:

Automated systems may inadvertently violate debt collection laws or regulations if not programmed and monitored carefully. This could result in legal challenges and reputational damage.

9. Resistance and Distrust

Some debtors may resist engaging with AI-driven debt collection processes, preferring human interaction. This resistance could hinder the effectiveness of AI tools and lead to a breakdown in communication.

Unintended consequences of AI

10. Technology Accessibility:

Debtors who lack access to technology or are not comfortable using digital channels may face difficulties engaging with AI-driven debt collection processes.

Mitigate unintended consequences

- Balanced approach that combines

- Human oversight

- Regularly assess and audit

- Adhere to ethical guidelines

“Kintsugi” collections

Kintsugi means "join with gold"

Japanese art of repairing broken objects, often ceramic pottery or glass.

Traditionally, gold lacquer is used to piece shards together again, creating a more beautiful object through the acts of breaking and repair.

Kintsugi encourages us to fix rather than discard, thus placing a higher value on the objects we bring into our lives.

- credit to Tim Paulsen, Canada

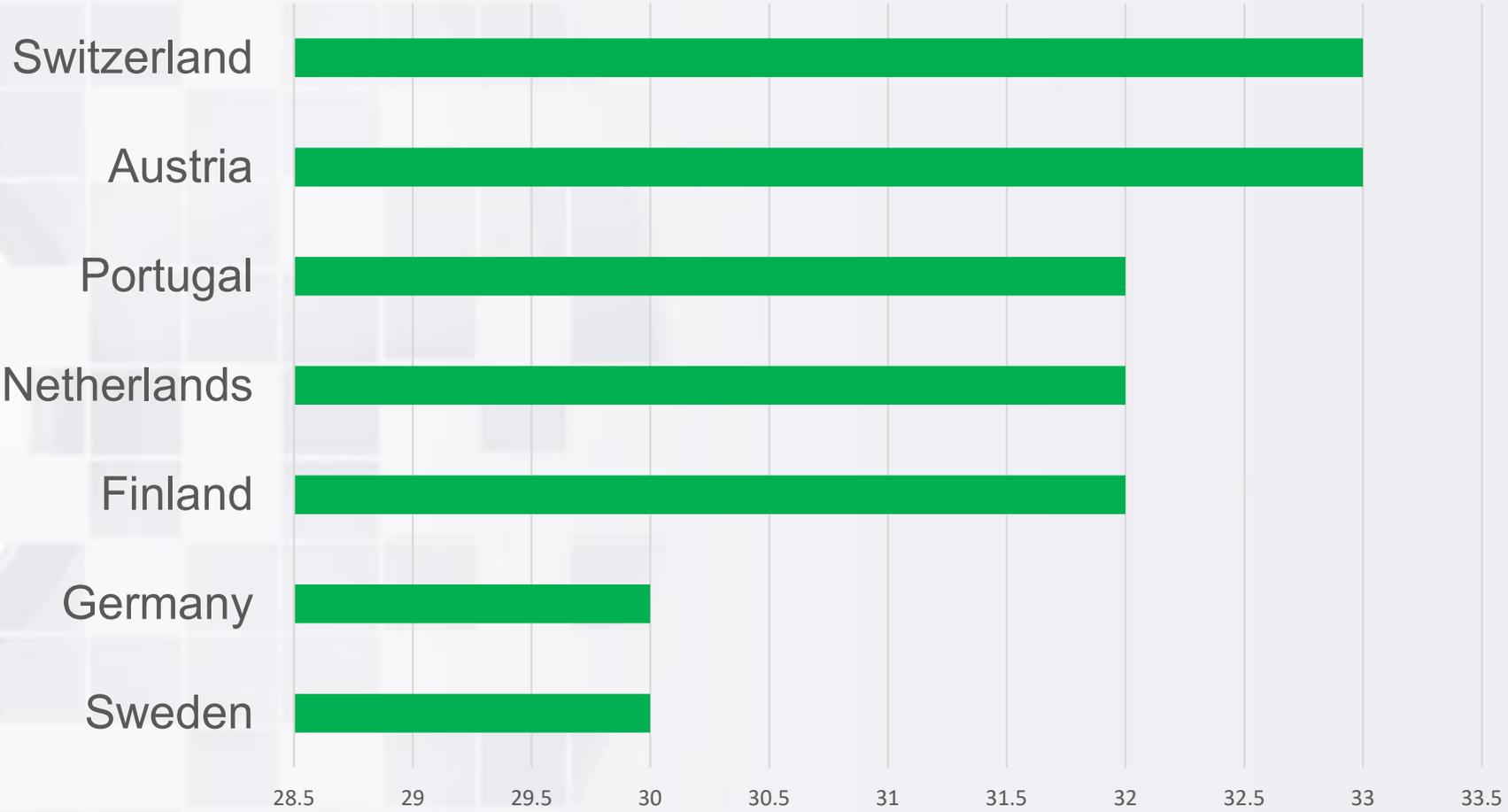
Using behaviour analysis to improve collection performance

Behaviour, Psychological & Encouragement Analysis

Ongoing research will give you the advantage of studying the reasons for debtors making payment. The research is applied to your collection procedure based on **behavioural**, **psychological** and **encouragement** criteria and changing statistical models. The benefit is that it not only leads to the fastest possible route to payment, but also the highest eventual success. Research on behaviour in relation to type of action is an on-going process.

Worldwide Trends

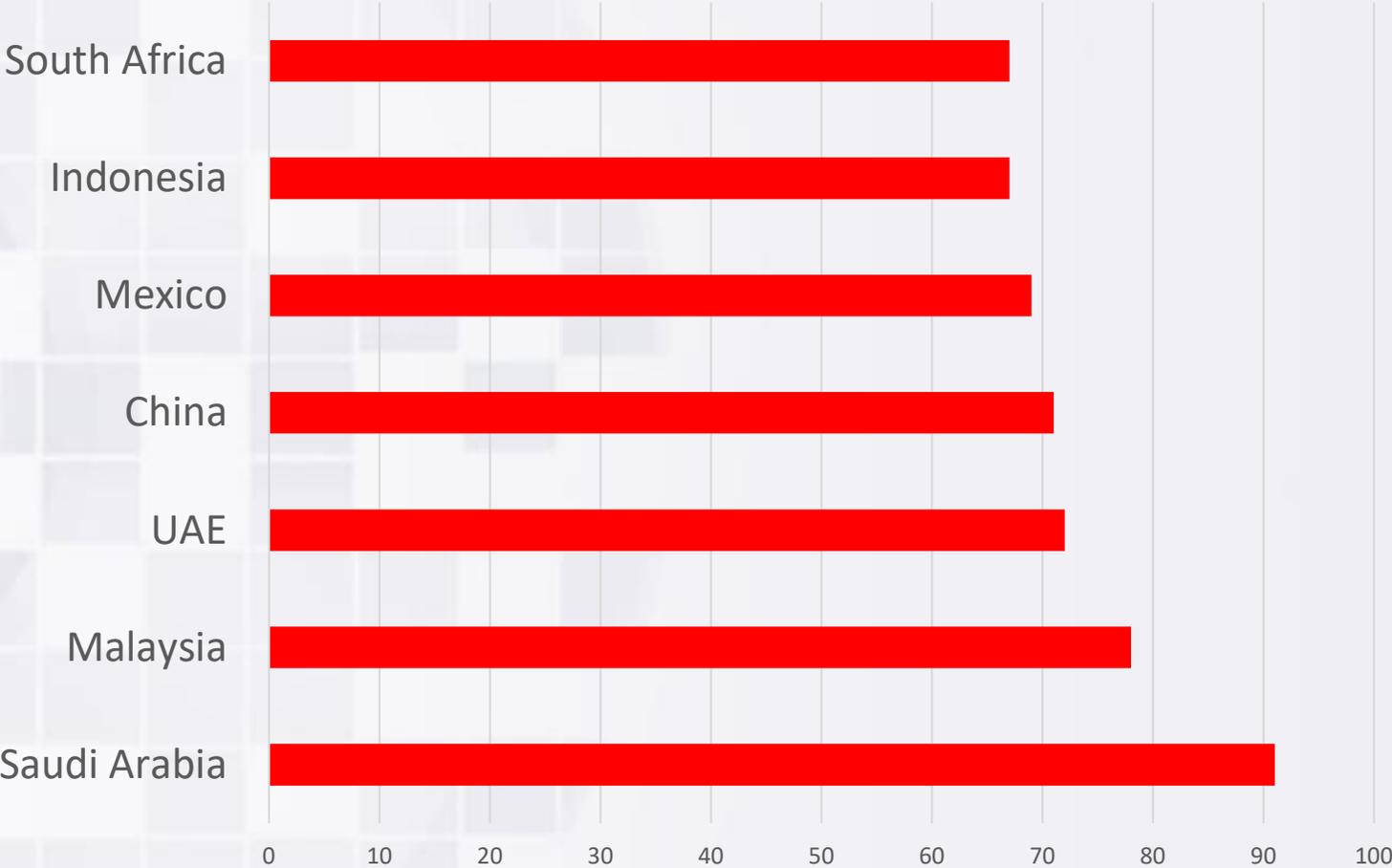
Debt Collection Complexity – Least complex



Source: Allianz

Worldwide Trends

Collection Complexity – Most Complex



Source: Allianz

Worldwide...

U.S.A.

The Federal Reserve Bank of New York says credit card debt hit a new high of \$1.1 trillion at the end of 2023.

In a lawsuit last month, two debt collection firms Harris & Harris and Optimum Outcomes were co-accused with their clients who are hospitals in the state of Washington, for failing to inform 160,000 patients that they may be eligible for charity care.

May 2023 - The CFPB issued an advisory opinion prohibiting debt collectors from suing or threatening to sue a “time-barred” debt.

Worldwide...

U.S.A.

The number of third-party debt collection firms declined from 10,550 in 2012 to 6,305 in 2024.

U.K.

20% Increase in enforcement actions as local councils resort to bailiffs for debt collection.

Nigeria

The Nigerian government has said it will clamp down on loan apps involved in illegal debt recovery and exploitation of consumers. The crackdown comes amidst an upsurge in violations, including forgery, impersonation and privacy breaches.



"Schuldturm" in NUREMBERG, Germany

A man's indebtedness is not virtue; his repayment is. Virtue begins when he dedicates himself actively to the job of gratitude. - Ruth Benedict