

# Impacts of Covid-19 on Credit Unions

May 2020



wilkin chapman llp  
solicitors

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The ongoing impact of COVID-19 has many Credit Unions reviewing potential impacts to cash flow and operations, as well as developing contingency plans to address disruptions that have or will inevitably arise, including how best to deal with requests to apply holiday loan repayments.

Particularly in the current regulatory environment, where regulators are encouraging financial institutions to work with their borrowers who may be impacted by the effects of COVID-19, Credit Unions need to be prepared to assess requests from members and to evaluate the rapidly changing credit risk to portfolios.

This guidance note highlights a few key areas which you need to focus on as you review your portfolios of borrowers and make sure you can fulfill your obligations to your members.

## Credit Management – 3 phases to support COVID-19 affected customers

### **Relieve** – *assess financial burden on each member*

- Capture correct data on customers to record that COVID-19 is a reason for reduced/non-payment/payment holiday – recording data will be critical to impairment reporting and future recovery strategy.
- Important to understand financial impact on customer and over what period they are likely to require changes to payment terms.
- Adopt a flexible approach, subject to financial circumstances.
- Signpost customers to all applicable financial support that is available – make necessary changes to signposting documents.

### **Nuture** – *monitor financial position of customer*

- As payment holidays expire, customers will require more contact to ensure the correct options are put in place to enable the appropriate outcome for the customer in the long run.
- Payment holidays will run off at 90 days, so follow up action required in advance of expiry date.
- Customer communication and interaction will be critical at this stage, as customer journey may change subject to affordability or additional forbearance.

### **Recover** – *rehabilitation of customer to original payment terms (consider option of enhanced payments)*

- Multiple points of engagement with customer required to validate customers financial wellbeing.
- Understanding reasons for COVID-19 payment holiday/forbearance will be critical for internal recovery strategy.
- Longer term financial impact will have to be considered and worked through.

## How can we help you?

### Customer Profiling

We understand the importance of an effective arrears collection strategy – one that can help you realise measurable improvements while focusing resources where they are needed most.

Our customer profiling service provides detailed reports on each member to establish “propensity to pay”, whilst providing data to verify:

- Confirmation of residency;
- Existing County Court Judgments (including if satisfied or not);
- Telephone numbers (landline only);
- Property ownership;
- Average property price;
- Any insolvency links; or
- Any Directorships.

By adopting a customer profiling exercise within your recovery strategy, you can maximize arrears collection efforts and ensure that more informed decisions are made as to whether to litigate on accounts. By scoring, segmenting and prioritising accounts, you can develop better strategies to collect more debt.

Our service unlocks the power of data and analytics, giving your credit control teams a process that’s fair, efficient and compliant. The result is a more effective, customer-focused collections process that turns even hard to find and difficult customers into valuable customers, while increasing recoveries and reducing costs.

### Our complete recovery solution for Credit Unions

Here at Wilkin Chapman we act for both employer and community-based Credit Unions across the UK in relation to recovery of outstanding loan agreements.

Unlike other law firms, we offer a complete recoveries service incorporating customer profiling, pre-legal collections, legal recoveries, enforcement action and trace solutions, which gives us the flexibility that you expect. We have complete control over the whole recovery process, providing you with the assurance that any data collated throughout is captured and used to ensure that the most appropriate and cost-effective recovery routes are taken.

Our dedicated credit union team consider commercial considerations, provide advice on the recovery options available and adapt them to meet the diverse needs of our Credit Union client base.

By working closely with you, we will endeavour to tailor a service that integrates with your systems and operational methods whilst adopting a proactive approach to recovery of outstanding arrears on loans.

Our service to you includes:

- A dedicated team managing your matters;
- An understanding of the issues being faced by Credit Unions;
- A range of added value services and service delivery options;
- Commitment to on-going service innovation and improvement;
- Skills, expertise, experience and resources to compliment your in-house teams; and
- Competitive pricing proposals.

**For further information, please contact:**

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