



Affordability Engine: Case Study

Increasing automated decisions and lending revenue using Infact’s Affordability Engine.

EXECUTIVE SUMMARY

We worked with a non-prime lender to assess if incorporating Infact’s Affordability Engine into new lending decisioning could increase automated decisioning and responsible lending while maintaining their default rate.

RESULTS

- ✓ 21.5% increase in lending revenue
- ✓ 11.56% increase in automated decisions
- ✓ 18.56% increase in new lending

SETUP & EXECUTION

During the exercise, we used a sample of 200,000 consumers paired with lending decision and outcomes (auto-accept, decline, refer, arrears, defaults). In addition to this, we further calibrated the expenditure prediction with applicant-declared income which enhanced its predictive accuracy.

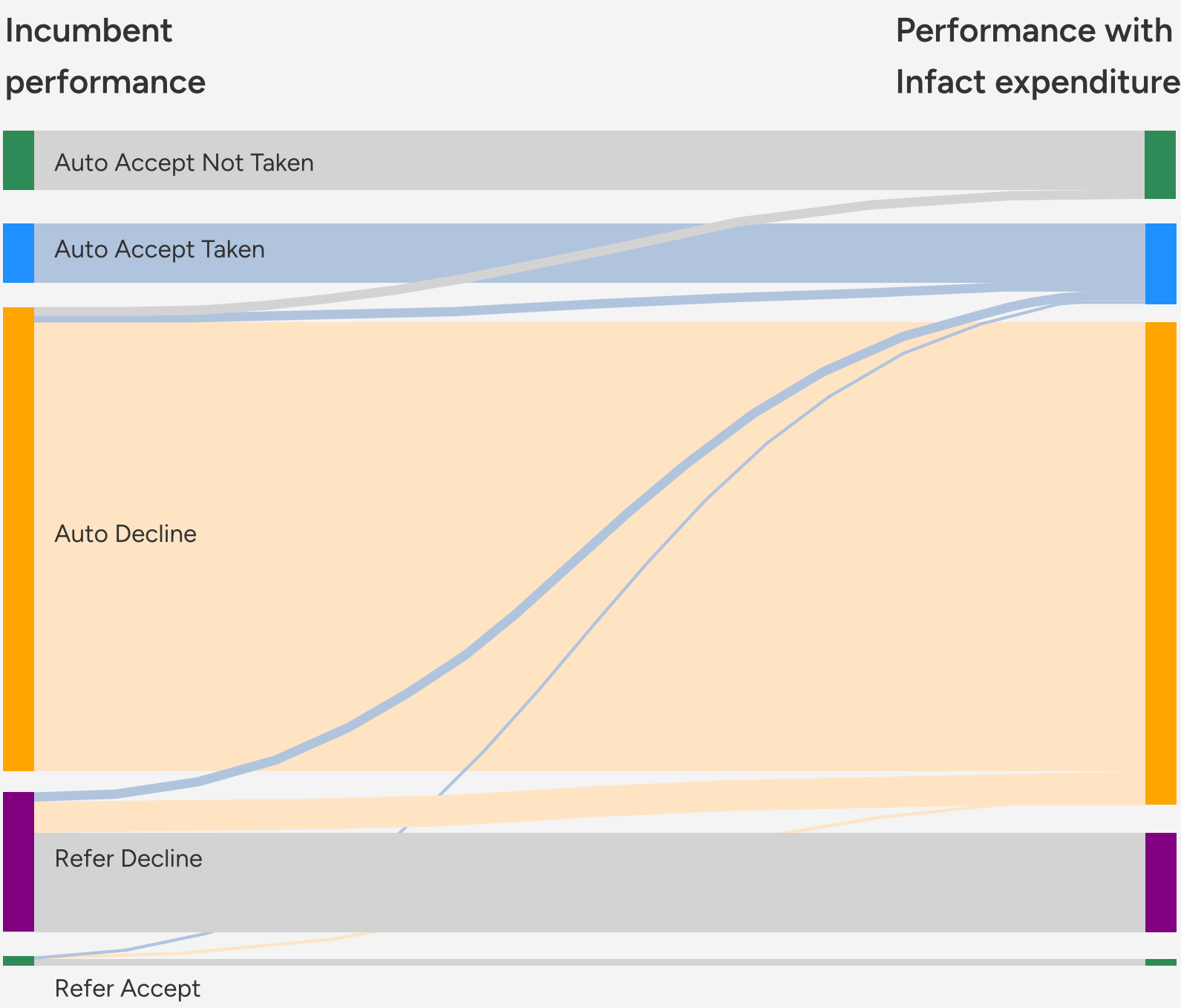
Our Affordability Engine delivered an individual-level expenditure prediction for each applicant which was used in conjunction with other credit risk and affordability solutions already used by lender.

RESULTS

Our expenditure prediction, calibrated with applicant-declared income as a replacement for the incumbent expenditure model, delivered the following headline improvements in new lending performance.

- Model returned prediction for 100% of sample
- 12% increase in automated decisions
- 19% increase in new lending
- Default rate was slightly lower (immaterial)

The Affordability Engine, combined with the clients internal decisioning, proved to successfully increase automated decisioning and lending with minimal effect on default rates.



CONCLUSION

For more interpretable validation, we also modelled how much can be earned from interest and carried balances offset against losses from defaulting customers which gave us a headline increase of 26.5% in interest revenue, or 13.1% after bad debt.

The lender is now integrating and is lending to individuals it previously rejected, helping provide lower-cost credit to individuals who may otherwise be pushed into products such as high-cost short term credit or loan sharking.

Get in touch to book a demo

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Request a demo

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