

LEASE TRAINING

Risk training? More empowerment than training

Seasoned trainer, **Paul Collis**, notes that credit and risk assessment are back in vogue!

Credit underwriting, and risk assessment in general, is back in vogue! It's, once again, front page news. More power to the FSA! Banks and financial institutions must "beef up" their risk underwriting functions! All this in the hope of averting future financial catastrophes that are so often the price of turning a blind eye to the fundamental canons of lending. Get the feeling we are in the middle of a recession? Yes, the past year has seen more and more reflection and soul searching within the financial sector and the wider political domain. Even the tabloid press has got on the bandwagon. On more than one occasion the tabloids have managed to control their addiction to reality TV gossip and the jungle exploits of celebrities to focus a few column inches on the woes of the financial world.

"Credit underwriting is not just for the Risk department"

Is this just a mild flirtation, or can some genuine progress be made to bring risk assessment and credit underwriting to the forefront of the business agenda? Will recovery, when it comes, cast all this soul searching aside in the quest for that perennial favourite; volume growth?

Come boom or bust, the dissemination of credit underwriting skills throughout an organisation can produce tangible benefits, and training can provide the vehicle to deliver these skills to meet the challenging demands of the current, very harsh, business environment; and I do mean throughout an entire organisation. Credit underwriting is not just for the Risk Department. Everyone in the supply chain: sales, sales support, risk, administration, finance and human resources should be taught basic credit/risk assessment skills. The benefits go much further than just the financial aspects. A positive commitment to



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training has consistently proven to be a major factor in developing staff loyalty and morale. It emphasises that in today's competitive market the development of a vision that places a "one team" philosophy at its core is a key contributor to success. Training can and must play a part in this.

The financial benefits are myriad. Accurate risk assessment is not a business prevention exercise. The aim is to create better quality business and increased sales. The simple fact is that key performance targets will not be met if people are incapable of negotiating and presenting an acceptable business-like proposition, which addresses not only the financial gains available but also the financial and non financial risks involved. Experience throughout financial services, and particularly within the Asset Finance sector, indicates that up to 30 percent of all proposals submitted should never have entered the sales to underwriting chain. Effective training can aid staff in recognizing these "non-starters". The immediate impact on productivity is self evident.

The idea that the aim is to make the lives of those in the Credit Department easier is utterly mistaken. Price is often quoted as being a key feature in the buyer's decision making process; however, quality of service and avoiding any waste of time are so often quoted as being just as important. In any transaction the

elements of risk involved will surface. The ability of individuals to undertake the professional negotiation of those risk elements with both the external customer and the internal customer (the Credit Department) will produce a higher standard of credit application, which will lead to quicker and better credit decisions and, ultimately, to a more satisfied customer. Being able to gather the right information from the customer in "one hit" is the best way of ensuring a long lasting, loyal, professional business relationship. Playing "telephone tennis" with a customer should carry a business health warning! For those involved in Sales the old adage still stands; "the customer buys YOU before the product or service."

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The correct application of relevant and tailored training will lead to many benefits within an organisation, including; a marked improvement in the quality of the client portfolio, supported by enhanced management of credit quality, the implementation of a more robust credit policy leading to a consistent methodology for credit assessment and best practise in business management.

It is often said, rather cynically, that those who cannot do the job become trainers, but the simple truth is that those who haven't been trained, cannot do the job.

Paul Collis is course leader on LeasingWorld sponsored risk courses. See <http://www.deversolutions.co.uk/training-asset-finance.html>