



FinScore

# CASE STUDY



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# Telco Credit Score Predictive Power Validation

A FinScore Case Study

## THE CLIENT



Our Client is an international credit services provider, originating from Japan, offering innovative loan facilities for purchasing consumer products.

Guided by its fundamental principle of 'Customer First' philosophy, the company has successfully grown to one of the leaders in consumer micro-lending industry in the Philippines and South East Asia.

## THE CHALLENGES



Similar to other players in the financial industry in the Philippines, our client was experiencing a lot of challenges in the credit evaluation process.

There were 3 main areas of concern:

### Unpaid Credits

High percentage of unpaid credits as a result of using only traditional social-demographic models for credit evaluation and thus not taking into consideration different aspects of a risky customer profile

### Fraud Level

Very high fraud levels due to lack of unified Philippine Identification System and high manual effort in the KYC process

### Approval Rate

Low approval rate, with significant percentage of the "through the door" population not reaching scoring – the lack of established nationwide government credit registers as well as low coverage of the private credit bureaus result in more conservative credit evaluation criteria and therefore – missed sales opportunities



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## THE SOLUTION



As a solution, Finscore offered to its Client the “Finscore ACE” credit scoring portal - a quick, easy to implement tool, with user-friendly interface and customizable features:

In this portal, the credit agents will be enabled to access the different fraud flags as well as the Finscore’s proprietary telco score. The portal can be accessed from a web address in a browser, without set-up fee and without investing any IT resources.

In order to assess whether Finscore’s telco score adds value to our Client’s risk management, a **Proof of Concept** stage was conducted. Via historical analysis Finscore was able to produce a score, geo-location fraud flag and contact person fraud flag for approx. 10,000 borrowers from the active portfolio of our Client. The back-testing has the following benefits:

- ✓ **Completely free of charge;**
- ✓ **No IT development required;**
- ✓ **Can be completed within 2 business days.**



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## RESULTS

After comprehensive analysis of the applied products, the following results were identified:

**48%**  
INCREASE 

When combining the Client's internal score with Finscore's proprietary score, there was a significant uplift – 48% increase in the combined score predictive power compared to the Client's standalone score

**40%** CONTACT  
PERSON  
MATCH

For 40% of the tested customers there was a positive match with the provided contact person, suggesting that the verification calls for these customers could be skipped

**70%** ADDRESS  
VERIFICATION  
MATCH

There was a positive address match for 70% of the analyzed sample, meaning that the manual effort for address verification could be significantly reduced

**6%** ACCEPTANCE  **12%** DEFAULT 

The cost-benefit analysis showed that the default rate for first time borrowers can be reduced by 12%, (saving approx. 500 PHP per loan) while increasing the Acceptance rate by 6%.

In conclusion, based on the cost-benefit analysis of the back-tested customers, our Client came to the decision to move forward and to enter into commercial agreement with Finscore. "Finscore ACE" credit scoring portal was specifically designed to suit the Client's needs and it was ready to go-live in a matter of days.