

'CHEAPEST SELDOM MEANS BEST' FOR THIRD-PARTY AGENTS

I WAS interested to read the article from Chris Vicary of Oriel Collections in the November issue of *CCR* ("Are tenders killing competition", p37), which detailed the use of tenders and procurement teams in the selection of third-party agents to support businesses.

Whilst this article related specifically to debt collection agents, it could easily apply to a number of other suppliers appointed by lenders in the mortgage world.

In my 35 years within the mortgage industry, I have acted both as a supplier and as a panel manager of suppliers with Cheltenham & Gloucester and Bradford & Bingley.

I also have a role now, as the independent chairman of the Association of Arrears Mediators (AAM), which sits between the suppliers (field agents) and the lenders, who provide their instructions.

I think it is fair to say, therefore, that I can appreciate all of the angles in this matter.

My own education and training in financial services has taught me that the best way of working with somebody is to create an honest and trusting relationship. Without that trust, relationships do not work – a little like a marriage!

You cannot create a relationship in five minutes. It takes time to develop. It needs working at constantly and it needs reviewing on a regular basis.

In selecting a potential third-party agent to work with, there are many considerations including:

- ◆ Their age, experience and size of the operation.
- ◆ Their past performance.
- ◆ Their position in the market.

- ◆ Their reputation.
- ◆ Their ability to provide value for money, adding value to your own business.

My own use of internal procurement teams, in the past, has been part of the appointment process – ultimately the work undertaken by them has been used to support my operational and strategic business decision.

If procurement is used exclusively for the selection of a third-party agent, as the previous article suggests, it is likely that the main driver for appointment will be cost reduction. This can have serious consequences for businesses. As we all know, cheapest seldom means best.

Take field agents as an example. The government has estimated that it costs around £15,000 to re-house a person evicted from their home. Add to that the



Ray Hugill, chairman, the Association of Arrears Mediators and director, Cobbetts

likely to be a denigration of service, reduced success rates and the knock-on effect of increased possessions and losses. In addition, the guiding principles

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potential loss suffered by a lender, if the property has little or no equity.

The use of field agents is an accepted and important part of the end-to-end arrears and possessions process in seeking to, at best, prevent and, at worst, minimise the number of possessions.

From research of the AAM members, the average fee for a home visit and completion of a fact find is £75 plus VAT, a figure that has changed little in the past 10 years. Any move to reduce this fee, in new or re-tenders could have negative impacts.

Field agents firms have seen a growing number of self-employed agents leaving the industry for a better remuneration elsewhere. If this continues, there is

of TCF will be stretched to the limit.

In my opinion, it is vital to maintain a more rounded approach to agent selection. The regulator demands, and rightly so, that fees are transparent, appropriate and justifiable – agents would like to see a selection process that has the same principles.

Ray Hugill, chairman of the Association of Arrears Mediators and director at Cobbetts

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CCR, 6 ROSEDALE COTTAGES, TURKEY
COCK LANE, STANWAY, ESSEX, CO3 8NA
OR E-MAIL STEPHEN@CCRMAGAZINE.CO.UK



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