

## CASE STUDY - NAB Assist



In 2013, the culture within NAB Collections was characterised by a lack of clear communication and understanding of its customers and their needs. Faced with a collections division that underperformed the major banks and was attracting external criticism, NAB engaged the team at Uniting to conduct a review of the bank's financial hardship process.

The department refocused itself on providing solutions that respond to the root causes of customer hardship. Rebranded to NAB Assist, the team now operates on the understanding that the financial health of the customer and the bank are inextricably linked, and that strong relationships with their customers have a direct correlation to better financial outcomes for both.

### **Social Issue** Financial hardship

**Business Opportunity** Reshape NAB's hardship assistance program to support customers to improve their financial wellbeing, while increasing customer retention, improving customer service, improving productivity, employee engagement and retention in the hardship team and reducing costs to the business.

### **Social Value Creation**

- More than 2700 customer referrals to support services provided by partner UnitingCareRing
- Lowest financial hardship related complaints of the big four
- 97% of customers back on track with financial commitments within 90 days
- 96% first call resolution

### **Business Value Creation**

- More than \$70m reduction in costs associated with loan defaults and operational efficiencies
- Improved customer service driven by better conversations & understanding
- Improved employee engagement of +25% points
- Transformation of culture and other shared value opportunities unlocked

### **Partnerships** Uniting CareRing



## The Opportunity

*Returning to the original purpose of banking*

More than 1 in 5 Australians experience financial insecurity or cash flow problems in any given year. The catalysts of financial vulnerability include high levels of indebtedness, unemployment and underemployment, falling household wealth, as well as slow income growth. Financial hardship often results when life events such as domestic and family violence, the death of a family member, or the breakdown of a relationship exacerbates these vulnerabilities.

Against this backdrop, NAB Assist is designed to support individuals at risk of default, eviction, and cycles of bad debt – all of which can result in long-term impacts for the individual and their families. For NAB, having customers default on loans, close accounts, or turn to alternative providers for banking services or access to credit, poses a risk to the bank's economic performance. In this way, enhancing the welfare of its customers offers shared long-term benefits:

- NAB helps customers avoid costly defaults, and legal battles, thereby retaining customer loyalty;
- By retaining customers and helping them weather financial challenges, the bank can continue to serve these customers once they have made it through difficult times, for example through more appropriate credit, savings, and insurance accounts.

In addition to the direct social and economic benefits of the program, these shared value initiatives often generate indirect dividends, through improvements in corporate reputation and employee engagement.

## The Strategy

NAB Collections was responsible for recovery of all NAB's consumer and small business debt products, including handling cases of financial hardship. By 2013, the department's performance trailed those of the other major banks and received the highest number of Financial Ombudsman (FOS) complaints of any Australian bank. Underpinning much of the criticism was the idea that NAB's approach was based on a lack of trust in the customer.

The hardship application process was laborious, requiring customers to complete a lengthy paper form which requested a broad range of information including details about their current financial commitments and spending habits. Implicit to the team's operations there was an assumption that customers applying for hardship were looking to cheat the system, by delaying, or trying to escape their obligations to the bank.

Faced with a growing number of loan defaults and increasing external criticism, something needed to change. Central to this change was the understanding that most customers want to be responsible clients of the bank, and continue making payments. Unsurprisingly, many of the people who NAB Assist deal with have experienced an unexpected turn of events, like losing their job, an illness, domestic violence, separation from their spouse, or a relocation. NAB Assist set about finding ways to support customers through financial shocks, and get back on track.

In partnership with specialist NFP service providers, NAB set out to really understand the needs of their customers, and then to reimagine their products, services and organisational processes in order to deliver on those needs. The team worked with Kildonan Uniting Care, now Uniting, who provided further training for NAB employees on understanding customer needs, as well as complementary financial and mental health services for hardship customers.

In early 2014, the principle of "first point resolution" was introduced to the program. Instead of forcing customers through a lengthy paper-based application process, front-line staff were trained to process hardship applications in real time, through a facilitated telephone conversation with each customer; to unveil the root cause of their financial hardship. In the pilot alone, 96% of customer issues were resolved on the first call, within 15 minutes.

Further, as the knowledge and understanding of financial hardship grew within the department, resources were allocated differently. Previously, all customer interactions were treated the same with a standardised customer engagement process.

By understanding the challenges facing their customers more deeply, team leaders were able to re-deploy resources to where they were needed most. More in-person resources were directed to customers with the greatest need for support, while simpler processes such as late payment reminders were automated.

Due to the mental health, domestic violence and hardship training, the NAB Assist team were also able to refer customers to financial assistance programs, both within NAB, as well as with external partners. As time has gone on, NAB has expanded its referral network to include: adult safeguarding agencies, domestic and family violence services, and gambling health services.

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*"We realised that our job wasn't just about collecting debts - we deal in people's lives" said Norm Kalcovski, Head of Customer Care.*

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## Results

### Social outcomes:

- NAB Assist has enabled tens of thousands of customers to avoid financial strain and bankruptcy.
- 97% are meeting their financial obligations within 90 days.
- Awareness of the program is rapidly growing, and 1 in 5 customers now seek hardship assistance before missing a payment. Over 40% of NAB Assist customers voluntarily seek advice before escalating to a collections event.
- Customer satisfaction improvement - Net promoter scores for NAB Assist went from +1 in 2013 to +73 in 2020 (these scores sit within the top 10% of NPS interaction scores measured across the bank)

### Business outcomes:

- NAB Assist has contributed hundreds of millions of dollars to the bank's bottom line over the years. The program avoids >\$70 million in lost collections revenue each year
- Almost \$1m savings in annual complaints processing costs
- Reduced cost of managing complaints to the AFCA with an average cost of >\$1000 per complaint
- Improved employee engagement
- Implemented a new third party debt collection process
- By 2017, the number of monthly Financial Ombudsman Service complaints across the bank was reduced to an average of less than 30 from a high of around 75, four years prior.

## Lessons Learned, Challenges and Outlook

- In order to truly understand the root cause of customer hardship, a complete overhaul of culture, systems, and policies was required. An almost two year transformation saw an 80% turnover in staff: new NAB Assist employees were recruited based on their ability to demonstrate empathy with, and understanding of, different customer situations.
- Wholesale transformations such as these are time and resource intensive, so it is important that a long term view is taken to allow for effective implementation, and then realisation of outcomes.
- When you do something well, the others will follow: the other major banks have taken inspiration from NAB Assist and now operate their hardship functions in a similar way, allowing positive social impact at even greater scale.
- You manage what you measure: Rather than measure the time spent per customer, NAB Assist now measures "customer cure rates," a performance metric that measures the rate at which customers' financial positions are improved at 30 and 90-day intervals.
- At one point, Uniting was brought to the attention of the regulator due to the community sector's concern of a potential conflict of interest. Uniting met with the regulator to explain their intent, philosophy and practice approach and the matter was dismissed. This was illustrative of the suspicion and ideological barriers between financial counsellors and for-profit companies.





## Driving Forward

*New horizons in creating shared value*

Since the initial launch of the program, NAB has continued to invest in efforts to address some of the most common causes of hardship facing its customers. These investments are based on the premise that positive financial outcomes for customers deliver strong returns for the bank.

One example is the launch of the 'Customer Care Hub' - led by NAB Assist. The hub brings together financial advisors, community legal providers, welfare and mental health services, to provide a directory of the hardship assistance tools and programs available. Through the network, NAB Assist and other members can quickly and effectively refer customers to the hub in order to find them the right program.

Looking forward, the team has a dedicated customer analytics function, which analyses data collected through post interaction surveys and other NAB data sets. Using insights gathered they are able to continuously innovate in order to tailor and deliver best-in-class services.