Financial Inclusion TechSprint (May 2024) video Transcript.

Team 11 - Gain Credit

Delegate 1

Hello. Hi, I'm Richard Node. I'm the CTO at Gain Credit. As a lender in the subprime space, we form an important role as a legal last resort for many people, many thousands, hundreds of thousands of people today.

However, the unfortunate reality is that just looking at affordability alone, taking risk out of the equation, for every individual we help, there are three more that we have to turn away because they wouldn't be able to afford to repay. Now that's all well and good. We're, you know, we're fulfilling the consumer duty. We're not going to give them a loan that they can't pay back.

But their problem doesn't go away. They still have a need. So what do they do? Well, you know, bluntly they suffer, right? They choose between heat and eat, or their situation gets worse because they miss a bill payment. Or, you know, just came out last week. The latest Fare for All report they go to a loan shark tie your knot right running joke today. Um, much more likely to go to A to a loan shark and they are not regulated right. They, they do not have POS as a backstop to ensure they're being protected. They're not going to get a good outcome.

So let's do something about that, with Afforda, we're taking a step back and we're trying to start from the users actual problem. Their actual problem isn't I need a loan. That's a possible partial solution to a problem, and it might not even be a good one. It might just create more problems of its own.

So we start with free text, or even speech input. I need new washing machine. Again, a recurrent theme, bizarrely, and I think Hotpoint needs to step their game up and need to repair them, need to repair my car and so on.

We take that problem or goal and we use AI to interrogate it, to build understanding of what that problem is, different attributes of it. Importantly, we're not just going freeform.

We're not just like throwing into chap GPT and saying, hey, Chad GT, what is the solution to this? That is a dangerous thing to do that will result in Sheldon asking me questions like, well, how do you make sure that it's not going off the rails for me? Making sure that it's giving good solutions.

We look out for safeguarding concerns. We assess whether is this an immediate need or a longer term one because the the timeliness of the need determines what the best solution is. We can look for benefits as part of the

solutions, but if I have a problem today, getting more Universal Credit in eight weeks time doesn't help me, right? It frustrates me. If anything, we still want to do that. So we want to build on to looking at how we improve their financial resiliency over time. For the long term problem, that's where you start short term problem, fix the problem, then build up the resiliency, maximising income. I think everybody is Manu's best friend right now. Like he's come up so many times today.

Umm, we've partnered with Inbest on the benefits checking and grants checking capabilities. We're looking at how we can reduce expenditure through retail discounts and so on. But really importantly in this, and it's, it might seem like a subtle thing, but it's actually super important is the use of nudging in order to increase engagement with the app. We know that digital tools that provide insight into people's financial lives can help improve their financial literacy.

But we also know that 5% of people are using them after a month. That's a that's a heck of a dropout rate.

Nudging is generally seen as a useful strategy for improving utility and utilisation of apps and digital tools in general. Um, and one of our pieces of secret sauce here with the, with the AI interpretation is our ability then to contextualise those nudges.

So for example, in the app, instead of just having a service that gives you a discount, actually one of our products today has this and its utilisation rate rounds to 0. Because it's out of sight, out of mind. People aren't thinking about it within the Afforda app. We know that you're in, let's say best Co, you're in best co, you're doing your shopping and the app nudges you, says hey, don't forget to save money at checkout. Click here and take you straight through to the checkout experience to save money at the till.

It can then contextualise that further by leaking it to your goal. So from a psychology perspective, it's increasing the likelihood of adoption. So don't forget to save at Check out and put that towards your holiday linking into all of the different solutions. I'm sorry, I will mention the making, um, using that to then further nudge you could have saved. We're not seeing this benefit come through and so on.

I'm going to speed up. So some examples that we've built out. If we take a long term goal example, I want to go on holiday. It's a long term goal. Let's focus on income maximisation because I've got time to do it. Daily expenses we should reduce, encourage savings that help them find an account and provide education for a short term goal. You know, the proper washing machine. We have to address that first. We may be able to look for hardship grants, OK. This is a thing that we're currently looking at building out. We've got a little placeholder line in there for right now, but find it for less. So it costs me less. If I do still need credit, I need less of it, OK, which means I'm more likely to get it. And this also just going to cost me less if I'm taking less. Move on to financial resiliency.

Obviously we actively look out for safeguarding concerns. So, you know I'm debt and I don't know where to turn. so don't offer them alone, right? Send them in the right direction to the people who are specialised in this. And we have different journeys for different safeguarding needs. So I need some money for the horses today. OK, well let's take you to gambling. Aware it's still useful to improve your income and expenditure. But let's focus on the safeguarding concern first.

At all times we're transparent in our choices. So OK, why are you telling me this? So click away.

We explained the breakdown of why the AI thinks this should be the case, to provide that transparency. And you know, if we get it wrong, they can correct us. We can then log that, we measure it, learn from it.

In terms of progress, we did an initial website launch that doesn't include the fancy AI bit, so I just want to be super clear, I don't want to oversell. We did the initial website launch where we used our partnership with Inbest, the benefits check, we allowed for a credit search and provide articles and guides and we did a very and and we captured people's reasons for being there to help validate some initial assumptions and beliefs.

The initial indications were super promising. About 30% of people that visit the site like not have already clicked. Some things just go to the home page will complete a quick benefit search and we put up, we put up some friction on that. Like we say, OK, well, you know, this costs us money. So we're going to make sure we know you and you validate your e-mail. That's a big, that's a big barrier. Still, 30% of people do it and all of that 30%, we found an average potential increase of 500 a month.

To contextualise that our average loan size is 350, so that's a big deal. OK, in the future, the stuff that I've just shown that was all screenshots from our mobile app. There's no mockups. We are looking to launch that in the app stores in June. That will include the novel AI driven experience with the benefits check for credit search discounts for one off bigger purchases and your regular shopping. The contextual knowledges the sign posting at the articles and guides Dong, and in the future we'll be looking to expand out the set of solutions that are incorporated.