

A question of responsibility

January 2012 / No.04

Access to credit: Cetelem launches loans dedicated to non-permanent employees

TODAY, NEARLY 20% OF JOBS IN FRANCE ARE HELD BY PEOPLE WITH FIXED-TERM OR TEMPORARY EMPLOYMENT CONTRACTS, AND 75% OF YOUNG PEOPLE GET THEIR FIRST JOB VIA A FIXED-TERM EMPLOYMENT CONTRACT, I.E. A CONTRACT WHERE A PERSON IS HIRED FOR A LIMITED AMOUNT OF TIME THAT IS DETERMINED WHEN THE CONTRACT IS SIGNED. AS PART OF ITS COMMITMENT TO RESPOND TO THE CHANGING EMPLOYMENT MARKET, CETELEM IS CREATING NEW PRODUCTS AND SERVICES. A FIRST IN FRANCE!

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“NOT ONLY DOES RESPONSIBLE LENDING WORK. IT’S REALLY THE ONLY OPTION FOR THE COMPANY.”

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“Not only does responsible lending work. It’s really the only option for the company.”

Thierry Laborde, Chief Executive Officer of BNP Paribas Personal Finance

The responsible lending policy introduced in 2004 by Cetelem has proven its effectiveness in many different ways. It remains just as important today and focuses on access to credit and prevention.

WHY IS IT THAT A COMPANY LIKE BNP PARIBAS PERSONAL FINANCE CAN’T DO BUSINESS ANY OTHER WAY TODAY? WHY DOES LENDING HAVE TO BE RESPONSIBLE?

Thierry Laborde: Because if it isn’t, then everyone involved is in trouble, whether lenders or borrowers. All lending relies on trust, underpinned by a commitment to **mutual responsibility**, and that concept of responsibility runs right through the legislation and the way it has evolved over the years. Added to which, irresponsible lending just isn’t profitable, at least in the long term. There’s always a price to pay, whether it’s customer dissatisfaction, legislation to control abusive lending or even a change in the economic cycle. The fact is that our business is closely connected with the economic cycles, as the 2008 global financial crisis demonstrated. At the cost of a few sacrifices, we have been able to **adapt our business model**, and are now well-placed to talk authoritatively about the proven effectiveness of responsible lending; a position we initiated and adopted well before the crisis.

SO WHAT ACTUALLY IS RESPONSIBLE LENDING?

T. L.: The first thing that comes to mind is that it is about **countering abusive lending**, but it is also very important to **facilitate access to credit** for all those who have plans they want to put into action and can afford to fund the borrowing needed to do so. Secondly, support is crucial: you don’t turn your back on a customer just because you’ve already “sold” him or her a loan, so we’ve put in place all the resources needed to stay in contact with our customers throughout the loan period. This is a very novel idea. **We have made the conscious decision to put the customer at the heart of our business, rather than the product.** Responsible lending is also about flexibility, by which I mean giving customers the opportunity to postpone, reduce or increase their monthly repayments to alleviate hard times. The very fact of **offering savings opportunities boosts our credibility.** The savings product and service range we introduced at the beginning of 2011 is very complimentary to our consumer credit range. We advise customers whose loans have just been repaid to carry on putting money aside every month and to invest their savings capacity in a high interest account to fund future plans. Clearly the idea has appeal, since we are now seeing more than 3,000 Cetelem savings accounts being opened every month in France. Another major challenge for us is **identifying customers in difficulty** before they miss a repayment. Our goal is to identify them preventatively so that we can offer them solutions, like reducing their monthly repayments or extending the loan period, by taking action ourselves or in association with specialist advisers. It’s clear that the earlier we identify potential problems, the easier it is to resolve them. The new initiative we are currently testing will be rolled out next year. Our

estimates show that around 6,000 of our 3 million active customers in France will be identified each month as being potentially vulnerable, and will therefore benefit from this genuinely preventative initiative. Lastly, we will be continuing the Cetelem Mediation programme, which in 2011 enabled us to find solutions for households that otherwise had none.

WHAT ARE THE COMPANY’S RESPONSIBLE LENDING PRIORITIES AND HOW DO THEY MEET THE NEEDS OF CUSTOMERS?

T. L.: In addition to its economic role, the company also has a significant social role to play. It’s up to us to keep pace with changes in society. As a result, the mission of the Cetelem Foundation has changed a lot, and today is focuses exclusively on **teaching budgeting skills.** The job market has also changed

talk about accessible products and services where the entire focus on a promotional rate. Lastly, we are working on moving away from the concept of products in the strictest sense and becoming more customer-oriented, including in terms of the prices we quote. It is standard practice that customers with a higher risk profile will pay a little more. Facilitating access to loans means accepting that there will be a greater variation: a difference of between 1% and 2% in APR on short-term loans for small amounts will ultimately increase costs by just a few euros.

WHAT EVIDENCE IS THERE TODAY THAT RESPONSIBLE LENDING WORKS AND WILL DELIVER SUSTAINABLE GROWTH?

T. L.: Our **responsible lending indicators** – rejection rate, account repayment rate and bad debts ratio – have, of course, seen a downturn since the 2008 financial crisis, and the strong upward trend in unemployment, particularly in Southern Europe, has made matters worse. But our balanced lending and customer monitoring policy had the effect of reducing the level of risk between 2009 and 2010, and that level will be back under control in 2011. Better still, Cetelem is outpacing its competitors in terms of corporate image and customer satisfaction, largely as a result of greater accessibility and the credible approach we take to our business practices. Our investment in responsible lending is also a key consideration for many of our distributor partners, not only in France, but also internationally.

WHAT IS THE VALUE TO THE COMPANY OF YOUR COMMITMENT TO REGULAR STAKEHOLDER CONSULTATION?

T. L.: It’s absolutely essential! We introduced this long-term commitment at the end of 2010, because we wanted to open our minds to the opinions of others, some of which run contrary to our own, and to bring many different points of view together. So we’ve been working with non-profit associations on our **collections charter** and access to credit, and we plan to address other issues, including the **accreditation labelling of our loan agreements** by organisations specialising in corporate social responsibility... even if it means changing all our documentation!

HAS THE RESPONSIBLE LENDING POLICY BEEN ADAPTED FOR USE IN COUNTRIES OUTSIDE FRANCE?

T. L.: It will be, and in fact we are already doing so in Italy, Portugal, Spain and the Czech Republic. Naturally, its content will be adapted to suit the local culture and legislation of each country. And we also need to introduce initiatives to give credibility to the policy and provide practical evidence of its value! We plan to achieve this by developing customer marketing plans which put the end-user customer at the heart of the policy and make accessibility and responsibility a priority. ●



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Irresponsible
lending just
isn’t profitable.
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a great deal, to the point where nearly 20% of jobs in France are covered by fixed-term and temporary employment contracts, i.e. non-permanent jobs. We have a responsibility to meet these needs and make this demand creditworthy. That’s the goal of the **loans dedicated to non-permanent employees** that we launched at the end of 2011 on a “test & learn” basis. We’ll be observing the behaviour patterns of these customers over a period of several months as the basis for implementing appropriate expert systems and distributing these products more widely. We have also made significant changes to the way we promote our products and services. We

CETELEM PARTNERS WITH NON-PROFIT ASSOCIATIONS

Cetelem regularly meets with French social stakeholders involved with personal lending. These encounters are an opportunity to discuss, elaborate and develop the credit products, services and practices of tomorrow.

Cetelem is committed to encouraging discussion and raising awareness of its activities among all its French stakeholders (consumer associations, family organisations and charities, and social, political and institutional stakeholders), always with complete transparency. Against this background, the Rencontres Institutionnelles meetings were introduced in November 2010 and quickly resulted in four workshops involving the company and a range of non-profit associations. The primary aim of these workshops was to introduce Cetelem by inviting association members to come visit the company, but they also served as an opportunity to delve deeper into collections issues, discuss access to credit and present the company's mediation initiative, explaining how it works and the results it can achieve. *"These four topics have led to relevant proposals and tangible improvements,"* emphasises Head of Institutional Relations François Langlois. *"One of the criticisms to come out of the initiative was that Cetelem was perceived as being too selective, so we launched a product designed for people employed under fixed term contracts (non-*

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We're conducting a wide-ranging survey on access to credit in partnership with non-profit associations and a sociologist.
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permanent employment), which is currently being tested. We've also taken on-board a number of suggestions for changes to our collections charter, which was then at the preparation stage. For example, it now contains a guide of terms to be avoided and terms to be used in the context of collections.”

CREDIT ACCESS SURVEY

The second Rencontres Institutionnelles event held in June 2011 was an opportunity to assess the work already done and propose conducting a survey on access to credit, with contributions from a number of non-profit associations. *"The idea here is to ask the French population how they go about funding their plans and needs, and the problems they encounter in doing so. We will use the findings to develop new solutions,"* explains Isabelle Guittard-Losay of Institutional Relations. Headed up by sociologist Nicolas Herpin and conducted by Ipsos, the survey results will be published at the beginning of 2012. Other areas to be discussed and worked on at end 2011 and in 2012 include testing a new initiative focusing on financially-vulnerable customers in partnership with CRESUS (French association dedicated to overindebtedness prevention and assistance), targeting the issue of creditor insurance and helping consumers to improve their budgeting skills. This demanding initiative relies on the involvement and commitment of company staff, and has been warmly welcomed by the non-profit associations. ▀

A few of the non-profit associations contributing to this initiative.



“It's important to have this dialogue between stakeholders and to work together on thinking about credit going forward.”

We hear from...



Jean-Louis Kiehl,
Chairman of the French
Federation of Regional Chambers
of Personal Overindebtedness
(CRESUS)

Cetelem has taken a unique initiative to consult its stakeholders and involve them in discussions about how its business might evolve.

What do you think about that?

Jean-Louis Kiehl: I have attended all the meetings, which I believe represent a real commitment to openness with non-profit associations. They have helped us to learn more about the responsible lending policy developed by Cetelem and gain a clearer understanding of the stages involved in the company's process, from granting of loans right through to collections. We talk to people who are financially vulnerable or over-indebted every day. It's important to have this dialogue between the stakeholders so we can work together on thinking about credit going forward.

Cetelem is in the process of setting up a system to identify financially-

vulnerable customers at an early stage, before things start to go wrong. What do you think about this initiative?

J.-L. K.: It's a proactive initiative and one which we welcome. It's very important to take action at the earliest-possible opportunity, before reaching the point of overindebtedness, after which it becomes a traumatic event for a household and a financial loss for the company. The type of commitment shown by Cetelem demonstrates that overindebtedness is not inevitable. CRESUS is involved in the current testing programme, with special emphasis on helping households facing financial hardship to manage their budgets effectively. This type of cooperation between the financial community and the social community, on the basis of shared values, is something totally new. Consumers should always be able to count on an attentive hearing

and an amicable solution as soon as they find themselves in difficulty. Every day, we see how reluctant people are to reach out and how suspicious they are of how they will be treated. But prevention is also about improving personal budgeting skills.

What role can finance providers play in this respect?

J.-L. K.: They have a very important role to play. We are currently working hand-in-hand with the Cetelem Foundation on an initiative to teach budgeting skills. In 2011, nearly 3,500 young people and older adults attended our training seminars. The aim of the initiative is to introduce people, many of whom are financially vulnerable, to the banking environment, explain how it works and show them that managing their own budget is the road to self-sufficiency. ▀

ACCESS TO CETELEM LAUNCHES LOAN TO NON-PERMANENT

In France, 75% of young people enter the job market on a fixed-term contract i.e. contract where a person is hired for a limited amount of time when the contract is signed. In a broader sense, 56% of those on fixed-term contracts are aged under 34. To meet the needs of these young people at a crucial moment in their lives, Cetelem has launched the challenge and launching a product

More access, less excess! With this motto in mind, Cetelem has launched a product specially designed for employees on French fixed-term employment contracts. This decision reflects the company's commitment to responding effectively to changes in the labour market as a way to achieve its goal of facilitating access to loans for as many people as possible while combating overindebtedness. Today, nearly 20% of jobs in France are held by people employed under fixed-term or temporary contracts. Many consumer associations deplore the policy of virtual exclusion imposed on an increasingly large fringe of the population. On the basis of these considerations, Cetelem, which holds regular discussions with industry stakeholders (non-profit associations, politicians, experts, etc.), decided to act. *"Few financial institutions are prepared to put their trust in fixed-term employees, and if they do, the process is so complicated and beset by restrictions that it is not commensurate with expectations,"* says Isabelle Chevelard, Head of BNP Paribas Personal Finance France (for the Cetelem brand). Often seen as a particularly high risk, young adults tend to come off worst of all. *"But in France, the 20-34 year-old category represents more than half of all people employed under fixed-term contracts,"* continues Isabelle Chevelard. According to the *Conseil d'Orientation pour l'Emploi* (French Employment Advisory Council), while people may get their first job relatively quickly, making the transition to so-called "permanent" employment can often take several years. Nearly three-quarters of the under-25 population entering the job market are hired under fixed-term contracts. Young college graduates

56%

of fixed-term employees are aged under 34.

25%

of young graduates are stuck in temporary employment for between one and four years.

1 job in 5

is covered by a fixed-term or temporary contract.



CREDIT: ANS DEDICATED EMPLOYEES

a fixed-term employment contract,
ount of time that is determined
fixed-term contracts are aged under 34.
in their lives, Cetelem is taking up
designed for them.

are not exempt from this trend, and a quarter of them are still working under non-permanent employment contracts between one to four years after graduation. *"Yet this is precisely when people have the greatest need for financial resources in order to be independent and be able to afford a means of transport to get from home to work."*

INNOVATIVE PRODUCTS

With these considerations in mind, the company designed a product to meet these needs and take on-board the constraints experienced by employees with fixed-term contracts. They are often unable to obtain any form of credit, yet they have the ability to repay a well-planned loan. Naturally, Cetelem intends to remain vigilant regarding its responsibility in granting loans, as Isabelle Chevelard explains: *"What we're talking about here are redeemable loans to fund a clearly-identified purpose at a particular point in time (a vehicle needed for commuting, moving expenses, etc.), but definitely not revolving credit. We're setting up a completely separate sales and marketing process with specific lending conditions. Rather than apply the normal credit rating rules, we'll seek to assess the employability of the individuals concerned. The real challenge lies in being cautious and responsible while deploying this experimental scheme on a scale large enough to*

obtain meaningful feedback we can then use to fine-tune the range of products and services."

A RANGE THAT'S LIKELY TO EXPAND

A real innovation in France (in many English-speaking countries, the less restrictive legislation on loan interest rates allows the level of risk to be adjusted, making it easier to offer this type of product), this product for fixed-term employees has generated a significant influx of applications since its launch. The first interesting development is that, consistent with this target group, nearly 86%

of contacts came via the Internet. *"We're planning to step up the level of communication so we can remove some of the barriers and create a better understanding of the product among our customer target group, because what we're seeing is a form of self-censorship,"* continues Isabelle Chevelard. *"A lot of people don't contact us because they're afraid of being turned down."* Cetelem has set itself the goal of building on the results of this first initiative – with special emphasis on the trend

in risk levels – to validate its loan granting conditions and finalise its offering for other target groups that are also often excluded from credit. Such groups include temporary workers and contract workers, who find it difficult to get a loan despite having steady incomes. At a time when the job market is changing so quickly, it is essential to understand that stable employment is no longer necessarily synonymous with a permanent employment contract. ●

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**Access
to credit is
a fundamental
of our
responsible
lending policy.**
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READ AND HEARD



21/11/2011

While keeping with its responsible lending policy, Cetelem, the consumer credit subsidiary of BNP Paribas, plans to lend to a group of customers previously little-valued by banks: those employed under fixed-term or temporary contracts.



21/11/2011

In today's strained economy, where bankers are nervous about granting loans, Cetelem is taking the contrarian view of granting personal loans to those employed under fixed-term or temporary contracts. [...] These are traditional loans, rather than revolving credit, with periods of up to four years. [...] Cetelem is simply adapting to the realities of the labour market.

We hear from...



“The Cetelem initiative is impressive, because many French people have sufficient incomes, but that are not continuous, and as a result they have generally been unable to get loans.”

Nicolas Bouzou,
French economist and director
of the economic analysis and forecasting
consultancy Asterès

What do you make of the initiative taken by Cetelem, the company that has launched this loan product for employees on fixed-term contracts, and makes access to credit one of its priorities?

Nicolas Bouzou: In France, 1 person in 5 is now hired with a fixed-term or temporary contract. This segment of the population also received little public funding, hence the need to support them whenever possible. The Cetelem initiative is impressive, because many French people have sufficient incomes, but that are not continuous, and as a result they have generally been unable to get loans.

What role does consumer credit play in France in economic and social terms?

N. B.: Generally speaking, credit is a growth engine and it can be very useful for a country like France, where economic growth is structurally weak. In the 1960s and 1970s, consumer credit gave households access to the things they needed, and today's finance providers are still structured based on that model. Today, we're seeing a specifically French attitude toward credit, which is basically to mistrust it, over-regulate it and pass a series of laws to govern it: Scrivener, Neiertz and Lagarde, to mention a few. Recourse to credit in France is around 13%, which is lower than in most countries, where it is more likely to be 15%, 16% or higher.

Lifestyles have changed a lot.

What new financing needs do you see emerging?

N. B.: We are now in a much more service-oriented economy. Households need to finance goods that are increasingly sophisticated, for example in the realm of sustainable development, their children's education, healthcare, with particular emphasis on convenience healthcare, by which I mean having a second pair of spectacles or going for a spa treatment, neither of which will continue to be refunded by health insurance schemes for long. ►

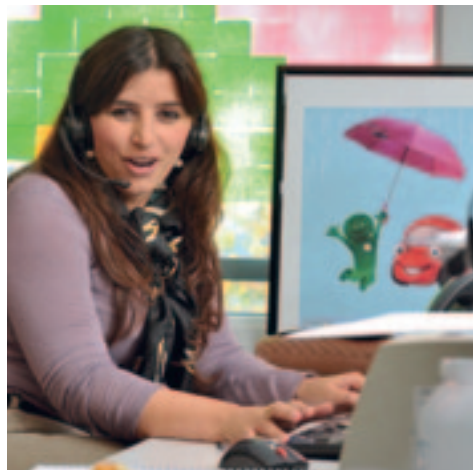
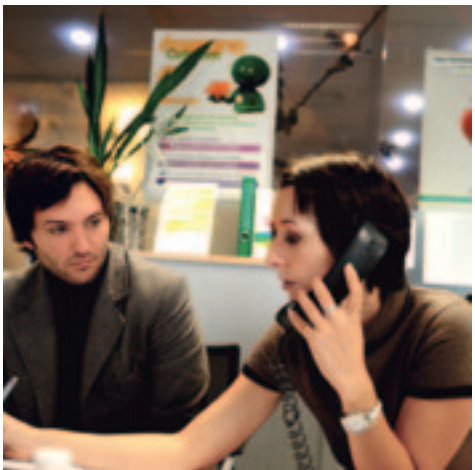
A question of responsibility

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CREDIT, SAVINGS, INSURANCE: PRODUCT FOR A WELL-BALANCED BUDGET

From personal loans to insurance and savings products, Cetelem in France now designs and markets a comprehensive range of budget management solutions for customers in France.



“**T**he way you design a product and the way it is perceived by the customer are two very different things,” begins Cetelem Marketing Director France Stéphane Soulaïne. “Still, today, the market often communicates on the basis of promotional rates that aren’t really accessible to most customers.” For instance, an initially attractive rate of 2.9% may only be attainable on the basis of monthly repayments of over €500, because it only applies to 12-month loans, which are inaccessible to most households. Enticed by the promotional rate, the customer usually comes away with a completely different product. However, fewer and fewer customers are now taken in by such practices, and people have learned how to decipher these offers, which are only accessible to a very small number of customers. “At the end of 2010, we decided to break with these accepted practices and base our communication on meaningful offers that really are accessible to a large number of people. For example, for a loan of around 10,000 – which is bang in the middle of the range of applications we receive – Cetelem offers a rate of 4.8% with monthly repayments of under 230.”

PRODUCTS FOR DAILY BUDGET MANAGEMENT

This market positioning, which is radically different from that of our competitors, is supported by a range of equally-transparent savings products (Livret A

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As a fully-committed financial partner, we encourage customers who have repaid their loans to continue to put money aside.
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regulated accounts and the Cetelem savings book account) and is completely consistent with the company’s core business. These are straightforward products (no market-traded products, unit trust products, etc.) designed to meet the needs of customers. “Not only do customers with loans save just as much as other customers, but they find it reassuring to be able to move funds between investment and borrowing,” continues Stéphane Soulaïne. “We now base our actions on budget management. As a fully-committed financial partner, we encourage customers who have repaid their loans to continue to put money aside to cope with unforeseen events or fund future plans.” Launched at the beginning of 2011, the Cetelem savings book account is distinctive for its no-nonsense financial benefits. Again, there is no promotional rate valid for only two or three months, but rather a pre-tax interest rate of 3.25% for 12 months (falling to 2% after the 12 months). Regular repayments into the account begin at just €15 per month. “The bottom line is that this account gives customers a much greater return than most of the products offered by our competitors. The difference is truly significant,” emphasises Stéphane Soulaïne. In addition to savings, there is a full range of insurance products, from extended warranties and GAP insurance for vehicles to accident insurance cover and repayment card cover. All of these policies extend the range of products and services offered by Cetelem and give consumers backing in hard times, whilst protecting their personal budgets. ●



The Cetelem France customer service department handled 1.6 million requests in 2011.

CUSTOMER SERVICE AT THE HEART OF THE RESPONSIBLE LENDING POLICY

What happens when a customer needs advice or runs into repayment problems?

The Cetelem French customer service team is there to help.

Head of Customer Service Philippe Assedo explains how customer advisers can help.

HOW DOES THE CUSTOMER SERVICE DEPARTMENT PUT THE CETELEM COMMITMENT TO RESPONSIBLE LENDING INTO PRACTICE?

Philippe Assedo: Our goal is to support every customer for the full period of their loan. We understand that quality of service is the only thing that can really make the difference. There are many aspects to a responsible customer relationship, from the choice of contact method, to the welcome customers receive, to the responses they get to their enquiries. These are the commitments that we strive to translate into day-to-day reality. **As part of this commitment, we promise to provide an answer for 90% of phone enquiries within one day, deal with e-mails within 48 hours and reply to letters within a week.** In terms of the quality of response we offer, customer contact is handled by expert advisers who's job is to listen to each customer's needs. Unlike what happens in most customer relationship centres, our advisers are not evaluated on the basis of how many calls they handle a day or the length of the calls. Calls can take time, because customers need that time to set out their questions clearly, and they want to feel reassured by the time they hang up.

WHAT TYPE OF REQUESTS DO YOU DEAL WITH?

P. A.: Telephone systems have changed a lot since the customer service department was created in 2006! As new technologies emerge, they become a channel for advice and reassurance. For instance, since February 2010, our customers have been able to manage their accounts online using their own dedicated web pages. So when they actually call us, it's for clarification and reassurance. **Since the financial crisis broke out, our department has also been very much a sounding board**

of the messages they receive and how their revolving credit agreement works. As you can see, these consumer credit reforms offer us a valuable opportunity to develop customer loyalty.

HOW DO YOU RESPOND TO FINANCIALLY-VULNERABLE CUSTOMERS?

P. A.: Our advisers are trained in active listening techniques to detect situations of financial vulnerability, because customers don't always refer to such problems directly. This summer, we conducted a test in which we examined customer contact events in more detail, and the results have helped us to identify financially-vulnerable customers when they call us or write in. Of all the cases we identified, three-quarters were calling simply to negotiate a lower monthly repayment or to postpone repayment. In 58% of cases, the request concerned a change in the customer's situation (change of address, etc.), and in 70% of cases, the customers concerned had no missed repayments outstanding. For 71% of them, we were able to identify a solution at this early stage before the situation deteriorated. Customer advisers need to be familiar with the many options available for helping customers, from postponing and/or reducing monthly repayments to changing the date of a direct debit. ●

We promise to answer 90% of phone enquiries within one day.

for the broader economic environment. The most recent French legislation and consumer credit reforms have also generated many calls and increasingly complex requests. Customers are calling us to get information and advice to help them gain a clearer understanding

The customer service quality indicator

The Cetelem customer service department continually measures the satisfaction levels of its customers. It uses a service quality indicator based on customer surveys conducted every day by phone, online and post.

7.88
10

the overall customer satisfaction rating.

95%

of customers have a positive image of the welcome they receive from the customer service team.

86%

of consumers say that the answer they are given is satisfactory or fully appropriate.

73%

of customers deal with a single point of contact, which is a particularly important factor when measuring customer satisfaction.

PREVENTION IS BETTER THAN CURE

Anticipating problems before they occur.

That's the challenge of the "Financially Vulnerable Customers" initiative to be rolled out in France in 2012 with the aim of avoiding repayment issues.

In line with its responsible lending positioning, Cetelem delivers on the promise it makes to consumers. "We want to support financially-vulnerable customers through an operationally-effective structure," explains Project Leader Stéphanie Martineau. The goal is to identify customers experiencing financial hardship using a pilot project that has been under testing for the past year. It is both reactive (helping customers who call in voluntarily to talk about their problems) and – perhaps more importantly – proactive. "The real challenge is to identify the customers that are likely to face hardship in the coming months. Then we can step in to help them before we get to the point of a missed repayment. To help us do that, we've introduced an internal scoring system based on a range of variables, such as the frequent use of revolving credit for small amounts," continues Isabelle Chevelard, Head of BNP Paribas Personal Finance France. Every month, this system identifies customers that are potentially financially vulnerable. In the first phase, they are contacted by letter. This personal correspondence raises the possibility of a temporary problem, and proposes an assessment to identify the customer's personal level

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It's about identifying those people who may be facing financial hardship as early as possible.
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Isabelle Chevelard,
Head of BNP Paribas Personal Finance France

of vulnerability. On the basis of tests conducted over a period of more than one year, approximately 30% of the customers contacted in this way proved to be in a financially-vulnerable situation. When customers call in, the customer adviser offers them the best solution for their situation (an immediately appropriate solution may be offered in more than 50% of cases). It may be a simple administrative change (such as postponing monthly repayments or changing the date of a direct debit), reducing monthly repayments or, in tougher cases, restructuring the loan. In some instances, Cetelem is able to activate insurance to cover a loss when the concerned customers have overlooked or discounted such a possibility. These customers then begin a monitoring and stabilisation period whose length varies according to the seriousness of the situation. Regular contact will be maintained during this period, and teaching resources to improve budgeting skills will be provided. "For example, we allow a monitoring phase of 12 months for people whose loans were rescheduled," explains Stéphanie Martineau.

For the most financially-vulnerable customers, especially those for whom the company has no appropriate solution to offer, a partnership



In all countries

CREATING THE RIGHT CONDITIONS FOR RESPONSIBLE COLLECTION

In 2010, BNP Paribas Personal Finance conducted a survey of the rules and regulations applying in all its operating countries, as the basis for preparing a code of conduct for amicable settlements. "Naturally, we want to recover the maximum amount of outstanding repayments, but at the same time we need to show our customers that we understand their problems," explains Alain Dreyfus, Head of Collections at BNP Paribas Personal Finance. "So what we've done is to draw up a code of conduct setting out a dozen essential ethical guidelines." They mainly focus on listening to what customers have to say in a respectful and understanding way. To sum it up, it's about maintaining a professional attitude that enables the implementation

of a long-term solution for the customer, whilst protecting the image of the company. The code of conduct was deployed at the end of 2010 and adapted to suit the needs of all operating countries in ways consistent with local legislation and special circumstances.

Qualitative and quantitative surveys
BNP Paribas Personal Finance wants to go further still in terms of responsible collection. "We encourage countries to conduct customer satisfaction surveys and monitor a set of responsible collection indicators that include waiting time, call answering rate, complaint resolution time and resolution quality, the range of solutions offered when repayments are outstanding, and the support services provided, such as texting



In Spain, posters listing the ten key points of the code of conduct are displayed in collection centres.

customers with a reminder that the monthly repayment is due," explains Alain Dreyfus. Another example of how the system works: last spring, Cetelem Spain surveyed 600 customers involved in the amicable settlement process: 72% of them said that they were satisfied with the way they had been treated. The survey did highlight one clear area for improvement: many

customers raised the issue of insufficient flexibility with regard to monthly repayment direct debit dates. "However, the great majority of outstanding repayments are settled within a few days after speaking to the customer," says Collection Policy Manager Laure Durand. Proof indeed that the best solution always consists in listening and talking. ▶

KEY POINTS

The “Financially Vulnerable Customers” initiative:

▼
6,000 customers identified
as potentially vulnerable each month*.

▼
30% of targeted customers
are actually financially vulnerable (across all studies)*.

▼
An appropriate solution is proposed in 50% of cases:
postponing monthly repayments, changing the date of a direct debit, reducing monthly repayments or, in the most difficult cases, restructuring of the loan.

▼
12 months’ monitoring
for people whose loan was rescheduled.

▼
The initiative will be rolled out in 2012
across all channels.

* Statistics based on tests conducted over a period of more than one year.

involving CRESUS, a French non-profit association that assists overindebted consumers, is another option. CRESUS will then act as a financial intermediary between all the creditors involved and provide extensive training in budgeting skills.

A WELL-RECEIVED INITIATIVE

Initial feedback is very promising, because the Cetelem initiative has been very well received by customers. “They tell us that they are pleasantly surprised by it,” emphasises Stéphanie Martineau. “Since they are the ones who took the initiative to call us, they are more inclined to

talk about personal issues, which in turn helps us to pinpoint the reasons for their problem: an unforeseen and unavoidable financial expenditure, a change of employment status (loss of a job), a personal event (a separation) or health problems.” This proactive system also meets the expectations of most French consumer associations that assist overindebted individuals. For Cetelem, there are many benefits. In addition to reducing the number of cases escalated to the collections stage, it is also a powerful influence on loyalty, because once their situation improves, customers are automatically reintegrated into the normal commercial process.

DEPLOYMENT BEGINS IN 2012

The “Financially Vulnerable Customers” initiative is due to be rolled out across all channels in 2012. The process requires significant IT development and a tailor-made training plan for customer advisers. “Calls with customers experiencing this type of situation can often last for more than 20 minutes, so the ability of advisers to listen attentively to people explaining their problems is absolutely key to the success of the programme,” concludes Stéphanie Martineau. ●

“In a third of all cases, my response is purely educational, which shows that we still have work to do in terms of communication and education.”

We hear from...

127

rulings made by the Mediator in 2010.

45%

of rulings partially or entirely in favour of the customer.

32%

of rulings were purely educational.

13%

of rulings involved loan restructuring.



Marie-Pierre de la Gontrie,
BNP Paribas Personal Finance
Mediator

“On 1 January, 2010, BNP Paribas Personal Finance – and specifically its Cetelem brand – introduced its own mediation service: the first such scheme to be launched by any specialist personal loans provider. We learned a lot in year one: 684 customers contacted me, of which 547 were redirected to the appropriate

department, leaving 127 cases where rulings were made. In a third of those cases, the responses provided were purely educational, because all the customers required was a straightforward explanation of their situation, for example explaining the amount of capital outstanding in the event of an early settlement. There were

also many enquires concerning credit rejection. In fact, Cetelem rejects around 35% of loan applications because we feel that the customer’s financial situation isn’t stable enough. We now know that communication and education are Cetelem’s priorities for improvement.” ▶



Young people receive training in budgeting skills as part of dedicated workshops organised by Aurore.

TEACHING BUDGETING SKILLS: A PRIORITY

Fondation Cetelem 
Pour l'éducation budgétaire

GRUPE BNP PARIBAS 

In an economy where the risk of exclusion for households is on the rise, Cetelem has committed itself to developing the teaching of budgeting skills. Since the end of 2010, the Cetelem Foundation has focused on addressing this issue in France. The entity has since been renamed la “Fondation Cetelem pour l'éducation budgétaire” (Cetelem Foundation for budgeting skills).

How do you use a current account? How do you build and manage your budget? How do you go about funding your plans? What are the different forms of repayment? Despite being an essential part of each citizen's role in society and the economy, questions like this are rarely addressed in school. “There's a very strong need for this type of education in France and in Europe more generally,” says Cetelem Foundation Managing Director Catherine Sainz. “The teaching of budgeting skills just isn't part of the school curriculum, and this kind of knowledge is not always passed on in the family.” The problem is that in today's world, consumers of all ages need to be savvy customers. Financial

culture should be part of the basic knowledge required for good citizenship. With the introduction of modern repayment methods – cheques, credit cards, direct debits and electronic transactions – money is becoming increasingly virtual. At the same time, the broader economic context is making households more vulnerable, building uncertainty about the future and creating the need for more prudence in order to be able to cope with problems that may lie ahead.

MAKING EXPERTISE AVAILABLE TO ITS PARTNERS

For Cetelem, the teaching of budgeting skills is a natural responsibility that is fully consistent with its daily business and its commitment to responsible

lending. When the company reviews a loan application, it assesses the customer's budget and helps them to make the right financial decisions. It's an area of expertise that the company shares with others by making its knowledge available (usually *via* the Cetelem Foundation) to its French non-profit partner associations: AGIRabed, Aurore, CRESUS, Secours Catholique and FACE (Fondation Agir Contre l'Exclusion). In practical terms, the Cetelem Foundation creates learning resources in the form of kits that can be personalised by users. These resource kits contain trainer guides, exercises and practical case histories tailored to the specific needs of its partners. They are designed to support those who lead training and/or awareness-raising initiatives by giving them the skills needed to pass on the appropriate knowledge.

STARTING YOUNG

So which groups are the prime targets of this initiative? As young people get involved with money at an increasingly early age, this group is a natural prime target in preventing future financial vulnerability. This group includes secondary school students, those receiving vocational training, apprenticeship training centre (CFA) students who are still in the educational system but receive regular income, and young people with no qualifications who are attending “first work experience” courses. But the initiative also addresses those already in difficulty who need help and support in maintaining a balanced family budget to prevent future problems. In 2010, around 4,000 people received budgetary skills training *via* partner associations, and it's likely that the figure will have risen to 9,000 in 2011. ●



A DAILY COMMITMENT TO PREVENTING FINANCIAL VULNERABILITY THROUGH EDUCATION AND INFORMATION

As part of encouraging the adoption of this basic culture of financial awareness, BNP Paribas Personal Finance has also set up a website to reach the most people possible. This non-commercial **www.moncreditresponsable.com** website, available in France, Italy, Portugal, Brazil and Spain, has one essential goal: to provide consumers with all the information services they need to manage their loans as efficiently as possible. Featuring videos, chat facilities, practical advice and a quiz, the website is built around three key topics: everything you need to know about credit, efficient management of your budget, and what to do if you have a problem. BNP Paribas Personal Finance is committed to getting these key concepts across to its customers *via* dedicated resources, and on a daily basis *via* its customer relations services. One way this commitment is visible is the way the company encourages consumers to use its savings products to put money aside, but this corporate commitment to responsible lending is delivered in other practical ways as well.

For more information:
<http://fondation.cetelem.com>



“The real value of this partnership with the Cetelem Foundation is that it is based on the company’s credibility and budget management skills.”

Vincent Baholet, Managing Director of the Fondation Agir Contre l'Exclusion (FACE), a French non-profit organisation that combats economic and social exclusion

What form does corporate social responsibility take these days?

Vincent Baholet: Corporate Social Responsibility, or CSR, isn't a new concept, but it has changed in recent years, such that companies today are less involved in humanitarian and arts sponsorship, choosing instead to show their benefit to society by supporting social initiatives. The trend has been away from charity towards social supportiveness, and from philanthropy towards responsibility.

To what degree is training in budgeting skills a priority in France, and how can it be improved?

V. B.: We know that right now there are 8.2 million people in France living below the poverty line, and that deprivation and vulnerability are on the rise. Poverty is becoming a pressing social issue, in the same way as exclusion and discrimination. It's also a major concern for the corporate world in general, and banks in particular. Working via the Cetelem Foundation,

BNP Paribas Personal Finance has made a commitment to promote and develop the teaching of budgeting skills as one way to prevent the risk of overindebtedness and exclusion from the financial system. In the same way as we've seen with personal microcredit schemes for low-income populations, preventive initiatives like this one reflect a real change in attitude.

What form does your budgeting skills training partnership with the Cetelem Foundation take?

V. B.: The real value of this partnership is that it is based on the credibility and skills of the company. The budgeting skills training resources we use with target groups are created by Cetelem Foundation experts, who make all their expertise available for us to use, and we've worked together as a team to define them, test them and adapt them. The FACE trainers involved in these initiatives are themselves trained by the Cetelem Foundation. As a result, we've been able to train

800 people since September 2010 in the skills they need to manage their household budgets. In this experimental phase, we decided to target a number of wide-ranging groups: students, apprentices, families living in under-privileged communities, jobseekers and people in care.

What lessons have come out of the initial feedback?

V. B.: It was a first for us, and the people who received this training are very happy with it! Managing personal budgets is complicated and difficult, and given the mistrust towards banks and banking, the involvement of a third party is sometimes necessary. That's what makes our partnership with the Cetelem Foundation so innovative and remarkable. We've started the process of bringing in contributors from the company as joint leaders for some of our sessions, and would like to develop that further. Given the success we've achieved so far, we're hoping that the initiative will be deployed more widely and funding for it will continue to grow. ▶



In the space of a year, together FACE and the Cetelem Foundation have trained nearly 800 people in budgeting skills.

PERCORSI, AN ONLINE AND OFFLINE FINANCIAL EDUCATION PROJECT

Launched on 28 September 2011 at a ceremony attended by consumer credit industry stakeholders, the PerCorsi project, initiated by our Italian company Findomestic, is an online financial education training initiative. Designed primarily for young people, the training programme takes the form of a comic strip. A module called “What do I know?” gives website visitors the opportunity to evaluate their own knowledge of credit and gain an end-of-session qualification. ▶



2,500 STUDENTS ALREADY TRAINED VIA FREE SESSIONS

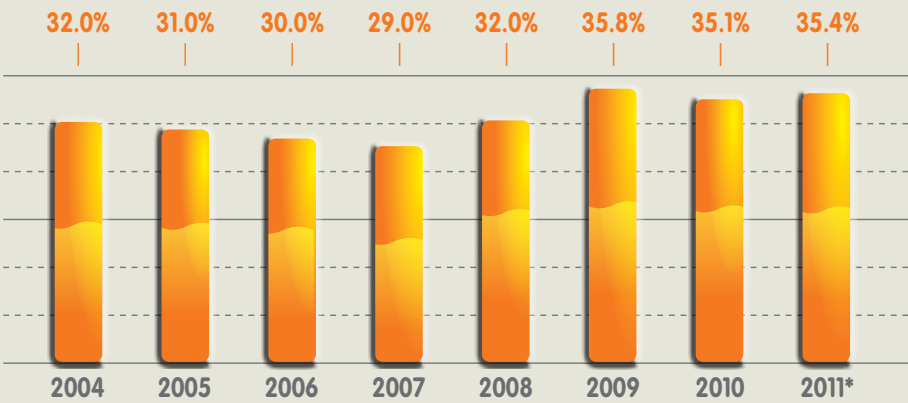
Against the backdrop of an economic crisis and high indebtedness among Portuguese families, Cetelem Portugal took the decision in 2010 to make an active contribution to restoring the image of financial institutions by promoting financial education for young people. These sessions brought the company's responsible lending policy into play in two ways. Firstly, by educating young people in the essential financial concepts required for efficient budget management; a subject that simply isn't taught in schools. To achieve this, a specially-designed training programme was sent out to a large number of primary schools, secondary schools and colleges. The second initiative involves organising free information sessions for students aged 15 to 18. ▶

CETELEM'S RESPONSIBLE LENDING INDICATORS

Cetelem is the only french company in its market to annually publish three activity indicators: refusal rate, percentage of accounts with normal repayment status, and rate of risk.



REFUSAL RATE

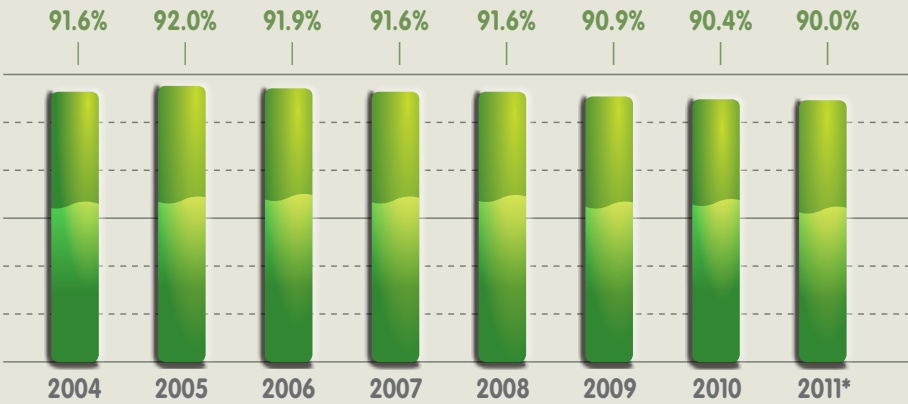


Average refusal rate for loans over three months through various Cetelem retail channels in Metropolitan France: at point of sale (stores and car dealerships), by telephone and via the Internet.

Against a backdrop of economic crisis, the rejection rate remains stable year-on-year, reflecting the balanced lending policy adopted by Cetelem, which still prefers to say "no" to more than one-third of the applications it receives, in the best interests of its customers. Combined with its commitment to provide increasingly personalised support, this policy helps the company to keep tight control of risk.

* At 31 October 2011.

ACCOUNT REPAYMENTS

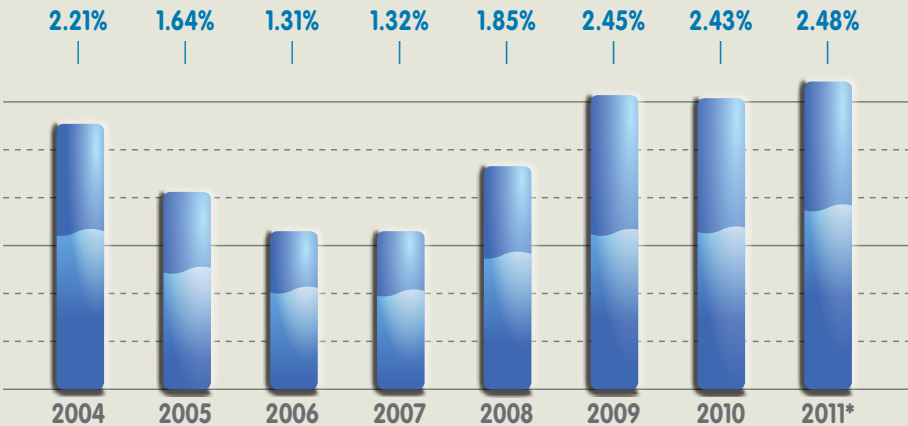


Percentage of accounts in numbers, with normal repayment status of outstanding loan, annual average. Zone of coverage Cetelem France, in Metropolitan France, loans at point of sale (stores and car dealerships), by telephone and via the Internet.

Despite the economic crisis and the increase in unforeseen life events (mainly unemployment), the percentage of Cetelem accounts with normal repayment status remains stable at 90%, which, like the previous responsible lending indicator, sends a clear signal that lending is well managed. As was the case last year, more than 97% of loans are settled in full.

* At 31 October 2011.

RATE OF RISK



The rate of risk indicator is defined by the ratio between risk change and the outstanding loan.

After dropping in the period from 2003 to 2007, the bad debts ratio showed a slight rise at the end of September 2011 relative to the two previous years of economic crisis. Nevertheless, risk remains closely controlled, despite the lacklustre economic environment, reflecting the ongoing success of the responsible lending policy introduced by the company in 2004.

* At 30 September 2011.