

Create a Frictionless Process for Mortgage Product Switches



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Why Focus on Mortgage Product Transfers?

Around 70 percent of UK mortgages are sold on a fixed rate basis. A diminishing proportion of these will revert to follow-on rates or SVR. According to the FCA¹, over three-quarters of borrowers switch to a new mortgage deal within six months of moving to a reversion rate.

The implication of this is that mortgage providers accrue an administrative debt with most mortgages that they sell. Typically, they must pay back two or five years later—either by helping each customer switch to a new product or, sadly, facilitating their switch to another lender.

Wouldn't you rather have employees focus on customer retention than administrating customer departures?

Most lenders are keen to maximise customer retention for obvious reasons:

- It costs on average five times less to retain a mortgage prospect than it does to acquire a new one.
- Across the financial services sector, increasing customer retention by five percent should increase profitability by over 25 percent².

So, there's a rock-solid business case for focusing on customer retention. But as we'll illustrate in this eBook, a profitable and effective retention programme requires a systematic approach, or you'll squander the opportunity.

¹ FCA calls for more innovation to help consumers find the best mortgage deal
² Bain & Company, Loyalty Rules

Three Reasons Why Retention Teams Fail

Because even meagre improvements in customer retention can dramatically swell the bottom line, the response of many lenders is to dedicate a retention team to the challenge. But here are three reasons why simply throwing more people at the problem won't maximise your returns.

Simply throwing more people at renewals/retention won't maximise your returns.

Lack of Scalability

Seventy percent of your accounts will go through one or more switches. Handling all these in-house isn't a scalable approach. After all, to sell new business, most lenders have multiple distribution channels, such as brokers and aggregators, in addition to direct sales.

Your retention strategy needs a similar distribution multiplier.

The Peaks and Troughs of Maturity Windows

Your past sales patterns mean that demand for switching will fluctuate wildly—either because of seasonal factors or hundreds or thousands of borrowers reaching fixed term maturity at the same time. Neither your human resources nor office space is elastic. People alone won't cut it.

Your retention strategy needs elasticity.

Cobbled-together Systems Mean Friction

What systems will your staff and customers use to streamline the switching process? The answer is often a chaotic combination of core systems, data extracts, spreadsheets, marketing/email automation systems, web pages, web forms, and shared email inboxes. Such friction-filled chaos wastes human resources and is a compliance risk in waiting.

A frictionless experience for customers and operations staff requires a more systematic approach.



Why Non-switchers Stay and How to Make More of Them?

The FCA wants more customers to switch and in 2020 published its research on switching³. If you're going to encourage more customers to transfer to another of your mortgage products, the following customer traits extracted from the FCA's report are illuminating:

Confident Non-switchers are confident in managing their financial affairs.

How can you leverage this confidence and make more customers similarly confident?

Time-starved Non-switchers lack the time needed to research numerous alternatives.

How can you reduce the time and complexity of choosing an alternative product?

Switchy Non-switchers have used price comparison websites to switch other products like insurance.

How can you leverage this apparent willingness to self-serve?

Commission averse Over half of non-switchers perceive a potential conflict of interest when advice involves commission payment.

How can you maximise their confidence in dealing with you rather than a third party?

Loyal Non-switchers are loyal to their current lender, having had a good customer experience or an absence of issues.

How can you engender loyalty from more customers and reward it?

³ FCA issues research on mortgage switching

Governing Principles for Engineering a Mortgage Product Switch Solution

We identified three goals for your mortgage product switch business line on page four. It must:

1. Leverage a distribution multiplier
2. Have the elasticity to cope with the peaks and troughs of maturity windows
3. Provide a frictionless experience for customers and operations staff.

On page five, we identified five customer traits and considerations when building your product transfers capability. These include:

- Leveraging and inspiring customer confidence
- Minimising the time and effort required by customers
- Leveraging the willingness to self-serve
- Recognising that many customers fear commission-led advice
- Earn and use customer loyalty.



Pulling these together, we propose the following principles should underpin the mortgage product switch approach you build for your business:

- Customers should be your distribution multiplier. You need more pull and less push to scale such a crucial capability.
- Customer self-service should provide the elastic scalability that this business line requires.
- A frictionless experience is required to make customer self-service effective and make operations staff productive.

Delivering a great customer experience that engenders customer loyalty should overarch all of this. If you've failed to establish a trusted relationship with customers throughout their fixed period, it's a little late to try "turning on the charm" just when their maturity window draws near.

A Vision Statement for Mortgage Switches at Your Organisation

At [insert your organisation name], we value our customers time and want to ensure we provide them clear and concise information regarding their options when the end of their fixed-term period is approaching.

We send them the information they need to make informed decisions. We provide customers with the self-service tools necessary to compare mortgage product offers side-by-side easily and quickly. All information and financial illustrations are accurately personalised for each borrower.

We do all of this automatically, securely, and compliantly, supported by technology that eliminates all unnecessary manual steps. We have complete visibility of all customer communication and status so that operations staff can assist customers when they are ready and in need of our help.

Switching is now easier for our customers, more scalable and cost effective for our business, leading to better mortgage rates for our members.

Our mortgage switch capability drives increased customer retention and significantly higher profitability.

If the above vision paints a picture of how you'd like mortgage product switching to be at your organisation, find out about ieDigital's Interact Switch platform for mortgage product switching with an interactive demonstration.

[BOOK A DEMO](#)

About Interact Switch

Interact Switch empowers your customers to manage mortgage product switches the way they want. It allows them to review, compare, and renew their mortgage product without the need for time-consuming paperwork, branch visits, or phone calls.

Interact Switch has a host of customisable features which integrate and dovetail with your existing systems, making it fast and cost-effective to keep your online experience up to date.

Interact Switch adds secure sign-in functionality to your website using unique customer data and one-time passcode. This enables the provision of personalised illustrations. Users can agree to terms and conditions as part of the sign-up process.

Interact Switch will keep customers notified via SMS and email with product information such as when their deal is coming to an end.

Customers can log on to see an overview of their mortgage information, switching options, and see how their switch is progressing. Interact Switch allows customers to view offers and compare products side by side to aid decision making.

The platform automatically populates an ESIS compliant mortgage offer pack that shows the customer how the offer was calculated and the new monthly fees. Both wet signature and e-signature can be catered for.

The Interact Switch agents' portal gives lenders the ability to see a real-time record of customer activities as they happen, ensuring mortgage retention teams focus their time on customers that are ready and in need of help.

Dashboards and reports give operations managers oversight and detailed performance visibility to drive continuous operational improvement.

Interact Switch typically takes just nine weeks to implement. That includes full integration with your core systems and tailoring to your business requirements.

About ieDigital

ieDigital enables banks, building societies and financial organisations to meet the demand for increased customisation and personalisation of services that today's consumers have come to expect. As the demand for innovation in financial services runs at an all-time high, ieDigital's Interact Application Suite provides the leading marketplace solution to digitally elevate the customer experience to a new level.

Visit iedigital.com to discover how to accelerate growth, optimize cost efficiency and manage risk with low code technology in weeks rather than months.

ieDigital is owned by Parabellum Investments, a family office operating as a private equity firm, founded and led by Rami Cassis, Chief Executive.

www.iedigital.com

Riverview House

20 Old Bridge Street
Kingston upon Thames
Surrey, KT1 4BU

SOLUTIONS

+44 (0) 20 8614 9800
solutions@iedigital.com

MARKETING

+44 (0) 20 8614 9800
marketing@iedigital.com