

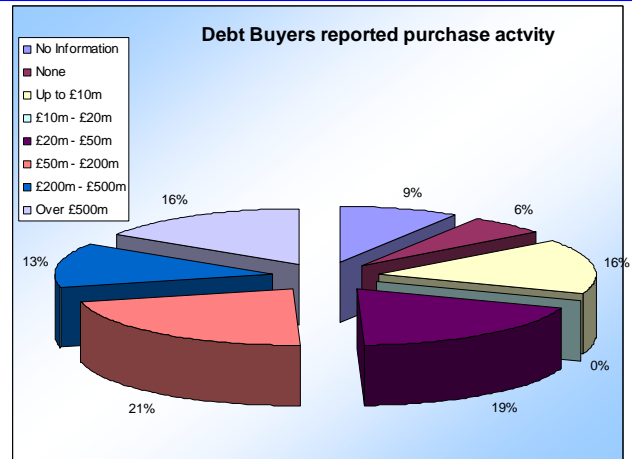
News for
Members
of the
DBSG

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Digest Results astounds with £6billion figure!

The 2007 debt survey carried out by the CSA & DBSG provides a comprehensive outlook on the debt sale, purchase and collections industry. Providing valuable insight into market practices and future trends expected in the industry.



Debt purchasers report acquisitions of portfolios' at face value of £6 billion in 2006.

The survey also shows that as sellers have become more confident and the market has become more sophisticated there is evidence of the emergence of secondary sales giving buyers the option to break up the purchased portfolio and sell on part or even all of it to smaller specialist buyers, enhancing profitability.

More lenders are turning to debt sale not only to capitalise on old written off debt but increasingly as a way of regular asset management. As the availability of portfolios has increased, so has the number of buyers. In addition to those companies that were specifically formed for debt purchase, many of the large DCAs and increasingly also smaller ones have turned to debt purchase as a way of diversifying and attempting to increase revenue.

Additionally new entrants to sales are anticipated in the form of utility debt, insurance premium portfolios, and medical insurance debts. The liquidity of finance currently available for debt purchase will further fuel this growth.

Continued on page 5.

**Half-Yearly Meeting for DBSG & CSA Members
01st March, 2007, Hilton Northampton**

David Heppell, Association Manager

This year's Half Yearly Meeting was heralded as, and duly became, the most successful members' meeting thus far with over 140 delegates for the conference day itself.

With a "Welcome" dinner the night before, the event yet again afforded an excellent opportunity to network for all of our members - and for the CSA staff who made the trip down from our Newcastle office.

The meeting was led by **Key Speaker Mark Hoban, Shadow Financial Secretary to the Treasury** who presented at the 2007 Members only Half-Yearly Meeting, providing an overview and an understanding of the conservative view on the debt industry.

Continued on page 4



Mark Hoban

Chairman's Column

2007 got off to a flying start for the Association, with more members than ever before attending the Half-Yearly Meeting in February. Thank you to all those who attended and the feedback from delegates so far has been excellent.



The HYM posed a number of questions and issues for DBSG Members regarding the development of the industry and I look forward to discussing these further at the DBSG Focus Meeting held on the 2nd May at the Hilton Hotel, East Midlands Airport (further details will be distributed to members shortly).

We are now preparing for the access of full data as agreed by SCOR (which will also be discussed in May) which will create a number of benefits for members, how the industry operates and how we can again improve business practices. The May meeting will cover these issues and much more and I must encourage more lenders to become involved and put your view forward in this area.

We now also find more and more people having issues with elements of the Consumer Credit Act regarding responsibilities to provide application forms etc, upon request from customers (debtors). This is an issue affecting the industry currently and this amongst other will be discussed at the May meeting and guidance will be issued thereafter.

We shall also be discussing the outcome of the court case involving Lowell's and the CAB as presented at the half-yearly meeting. The relationship and responsibility of both CAB's and CSA/DBSG members is a key issue.

We have a dedicated membership and marketing team now at Head Office who are continually targeting new members to add to the strength of the DBSG. If you know of anyone who you think would benefit from membership of the group please contact Adriana at: Adriana@dbsg-uk.com.



Ken Maynard
DBSG Chair

DBSG Members' Focus Meeting –

2nd May 2007

Where? - Hilton Hotel, East Midlands Airport

Off Junction 24 of the M1

The next DBSG Members' Focus meeting will be held on Wednesday 2nd May 2007

**Venue: Hilton Hotel,
East Midlands Airport,
Off Junction 24 of the M1**



Meeting Agenda

- Chair's Welcome
- Challenges to the Industry
 - Rights of Assignment
 - Consumer Credit Act
- SCOR – New access to full bureaux data by DBSG Members
 - Access
 - Benefits & Responsibilities
 - Compliance Requirements
- AOB

A full programme and booking form will follow shortly so please add this date to your diary.

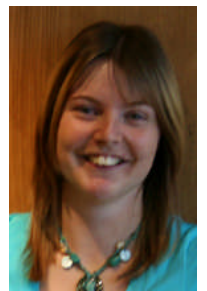
For further details or if you have any questions please contact Ashleigh Quinn on: 0191 286 5656 or e-mail: Ashleigh@csa-uk.com

Editorial Note:

This bi-monthly publication is for members of the DBSG. The content of the newsletter is the responsibility of the contributors and it is not necessarily the opinion of the Association.

All advertisers are independent of the DBSG and adverts are placed at the discretion of the Association.

For questions, comments or if you wish to advertise please contact: Amanda Tait, Editor, at the CSA offices on: 0191 286 5656 or e-mail Amanda@csa-uk.com



Association Meeting Diary 2007

2007 Diploma Course:

Exams

Milton Keynes 17th April 2007
Manchester 17th April 2007

Diploma Presentation Day

28th June 2007 – Prestwick Hall

Training Courses:

Compliance Training Course

London 19th April 2007

Gone without a trace – Trace & Investigation Course

6th June 2007 – venue to be confirmed

Compliance Focus Group Meetings

TBC

DBSG Members Meetings:

Focus Meeting for DBSG Members only

East Midlands Airport Hotel 2nd May 2007 – see programme on page 2

Association Meeting Diary 2007

Board & Committee Meetings

25th April 2007 – Newcastle
2nd May 2007 – DBSG Committee meeting, East Midlands
18th July 2007 – Castle Donington
17th October 2007 – Newcastle

Conference/Exhibitions:

Annual CSA & DBSG Conference 2007

Carden Park 19th – 20th September 2007 – see Page 8 for further details

A successful start to Association training courses – with even more to come!

The DBSG and CSA are at the heart of training the modern credit professional.

In today's highly competitive market place, the business world is demanding increasing levels of personal performance, skill and effectiveness and it is for this reason why the Association developed bespoke courses/seminars to meet the needs of the market.

With this in mind, the launch of the new compliance seminar, held on the 29th March in London and 19th April in London, is aimed at raising awareness of the issues faced by the collections, debt sale and purchase industry with regard to all matters of compliance.

These courses have proved to be extremely popular and due to such high demand, the Association will be running a third course in this area. To pre-register for this please contact gillian@csa-uk.com for further details.

Announcement – Two new training seminars

From the high demand and success of the compliance seminar, we now have two new seminars to offer you:-

1. Gone without a trace.....finding the gone-away's
To be held in June, this seminar will examine trace and investigation techniques and advice.
2. Improving in-house credit control and dealing with your commercial debtors
To be held in July.

To pre-register for any of the above seminars please contact Gillian Forrest, Head of Training on: 0191 286 5656 or e-mail gillian@csa-uk.com

For further information on all of our training services available, visit the website at: www.csa-uk.com

Your Newsletter – Your Feedback

Articles and Features

With your DBSG bi-monthly newsletter now a regular addition to your membership benefits, we would like to hear your comments, tips and letters.

- Are we covering the issues and industry news that is relevant to you?
- What are your opinions/issues following some of our articles?
- Do you have any tips or advice to pass onto other DBSG Members?

Or, is there an article or issue you would like to post your comment on? Then let us know, all of your letters and feedback will be posted (when possible) in our DBSG Newsletters.

Advertising

We can also advertise debt portfolios you may have; allowing you to use the DBSG newsletter to target those Debt Buying and Selling professionals.

If you would like to contribute to the content of the newsletter or advertise in our bi-monthly newsletter, contact your editor on: Amanda@csa-uk.com.

HYM

01st March, 2007, Hilton Northampton

David Heppell, Association Manager

Continued from front page



As usual, the Meeting opened with an overview of the various activities the Association/Group undertakes on behalf of members, before kicking into gear with presentations from two of the main governmental organisations affecting (or set to affect) our industry. Ray Hall (Director of Markets, Projects & Services for the Office of Fair Trading), opened a window for members into the Debt Collection Review carried out last year and also the forthcoming changes to, and strengthening of, the OFT's licensing regime - with the addition of new powers from the Consumer Credit Act 2006. This was preceded by David Millington, an Ombudsman with the Financial Ombudsman Service, who gave a précis of the new alternative dispute resolution service the Service, will be offering to debtors from 6th April this year.

It was interesting and gratifying to note that both speakers made reference to the excellent work the executive office of the CSA has been doing in the field of compliance and liaison with the respective departments. The OFT, noting the creation of a dedicated "Code & Compliance Executive" role at the CSA, and the FOS, highlighting the positive working relationship they now have with the Association.



Later in the morning, the focus turned to various factors affecting

relationships with debtors - the area of people in debt being encouraged to resolve their own problems by Jim Fearnley of the Money Advice Trust - the effects of IVAs and Bankruptcies on the collectability of debts was explored by Jan Smith of the Consumer Credit Counselling Service - and the Debt Arrangement Scheme and its impact on collectability north of the border in Scotland were discussed by Yvonne Gallagher of Money Advice Scotland.

After lunch, members were treated to a well-informed presentation by Mark Hoban MP - the Shadow Financial Secretary to the Treasury for the Conservative Party - who outlined his party's view on several areas of the industry.



For the final session of the day, the meeting split into two groups - one considering training, client services and whether Commercial debt would ever be bought/sold - the other focussing on debt buying and selling issues.

Francesca Gardner opened the debt buying and selling session. She is a Barrister at Kings Chambers in Leeds and has been directly involved in a recent case for Lowell Portfolio where a debtor, backed by a Citizens' Advice Bureau, brought a case questioning the validity of the sale of debt. The debtor claimed that the assignment of the debt was defective - for two reasons - that the debtor's consent to any assignment was required and that the "duties" required to have been transferred had not been so transferred. This crucial case for the industry was fought and won by

Lowell Portfolio, both at Court and at Appeal.

Gillian Key-Vice, Director of Regulatory Affairs at Experian then outlined the benefits of the new data set to be available to members further to the Association/Group joining SCOR (Steering Committee on Reciprocity) - and the responsibilities which are implicit alongside access to that data. She also provided an insightful update on the latest developments in data and regulation in the UK.

Then the contentious issue of "Secondary Sales" was covered by John Telford, Head of Debt Sale Brokerage at TDX Group. Following the US experience, where 50% of portfolio sales by volume are resale, he suggested that the development of the secondary sale market is critical to long-term stability of the debt sale market in the UK - opening opportunities for companies not previously involved. Although the US market, he said, was not mature (just *more* mature) there did appear to be key lessons, which would be applicable to the UK.

Finally, looking at the trends and drivers in four main areas of the debt sale arena, Najib Nathoo, Director at 1st Credit (and our current Vice President), showed an insight into the industry today - its size, the freshness of debt, segmentation and spot versus forward flow sale.

Digest Results provide astounding facts – continued

Continued from front page

Prices appear to have settled somewhat and a pattern of a wider spread of pricing is evident, perhaps reflecting the greater diversity of portfolios. With the economy showing signs of slowing down and over indebtedness on the increase, as well as rising levels of insolvency, all pointers are to a tougher collections environment.

It is in the debt purchase arena where there has been the greatest M&A activity and the highest values. High profile and well reported were the acquisitions in 2006 of Cabot Financial by Nikko Principal Investments in a £275 million deal, the management buyout of 1st Credit with funding from Bridgepoint in a transaction totaling £72 million and as part of an overall fund raising of £128m and finally, the capital injection of £50 million by RJD Partners into Equidebt.

This industry sector is changing continuously and all of these changes and much more are reported in the Association's Digest of the Industry.

The 2007 Debt Digest will be available from 23rd April: to reserve your copy of the Digest, contact Amanda Tait at: Amanda@csa-uk.com

Alternatively visit the website at: www.dbsg-uk.com



CALLCREDIT WELCOMES tougher penalties for misuse of personal data



Leeds-based credit reference agency Callcredit warmly welcomes the tightening of the law on misuse of personal data, announced by the Department for Constitutional Affairs.

Director of industry relationships Melanie Mitchley said: "The fact that courts will be able to jail people who trade in - or deliberately misuse – individuals' personal data will be far more of a deterrent than a fine.

"Identity fraud is a growing problem. The number of victims rose to 67,406 in 2006, up by 20% on the previous year and this additional action to protect people's privacy is to be welcomed.

Lord Falconer, Secretary of State for Constitutional Affairs and Lord Chancellor, said he planned to increase the maximum punishment to two years' imprisonment as soon as Parliamentary time allows.

Callcredit, DBSG Member

OFT writes to 17 IVA providers

A question asked in the Lords on 8th March of the Parliamentary Under-Secretary of State, Department of Trade and Industry (Lord Truscott) by Baroness Wilcox established that the OFT had written to 17 IVA providers expressing its concern regarding the quality of advertising by those providers. Below the exchange between Baroness Wilcox and the minister, Lord Truscott:

Baroness Wilcox (Con): My Lords, with Britain's personal debt increasing by £1 million every four minutes, it is right for the Minister to be as concerned as he is, and I am delighted to hear what he is doing to help prevent the problem worsening. What is he doing to prevent the unethical marketing of individual voluntary agreements? Will he support the Conservatives' calls on the Advertising Standards Authority to enforce the rules governing the marketing of IVAs more rigorously than at present?

Lord Truscott: My Lords, the noble Baroness makes a fair point. We are taking action on individual voluntary agreements. A very small proportion of individuals obtaining credit have difficulties. IVAs are not sold; they are contracts between debtors and creditors, which must be approved by 75 per cent in value of those creditors. IVAs can be administered only by licensed insolvency practitioners, who are subject to stringent regulation. As the noble Baroness said, there have been concerns about the quality of the advertising of IVAs. The OFT has recently taken action and written to 17 IVA providers regarding areas that it feels require attention.

US DEBT COLLECTION MARKET



By David Howard

In recent years frequent travel across the pond has enabled me to meet with many collection agency owners, debt purchasers and operators in the USA & Internationally and in doing so I have been able to make comparisons and gain insight into the burning issues that effect many US agencies.

The debt Sale & Purchase market is a more mature market to that in the UK, apart from the size the main difference being the secondary and brokerage sales which have enabled many initial smaller buyers into the market to try their luck and subsequently progress to bigger and more ambitious targets, it is not uncommon to find agencies that were predominately contingency agencies now only collecting on purchased debt, this has led to an ever increasing demand for

portfolios and subsequent price increases of 50-60% over the last 4-5 years. This is great news for sellers increasing the asset sale value by a similar amount, although for the buyer this has resulted in the break-even point (recovery of purchase price) of an average portfolio extending from 9-12 months five years ago to 18-24 months now and a subsequent lower margin overall, however the consensus of opinion is that prices have now settled down to approximately 8% increase for the time being.

If you would like to take a closer look at the US collection Industry a visit to the ACA International Convention in Chicago 25th-28th July 2007 maybe worth a visit.

One of the most notable differences between the UK & US industry is the sheer size of the US market; the most recent estimate puts the number of agencies operating in the US at 6,500. According to a Federal Reserve Board release in March 2006 the total consumer credit outstanding was nearly \$2.2 trillion. The total amount of debt recovered in 2005 by third-party debt collection agencies was \$51.4 billion, of which \$49.1 billion represented gross collections on a commission basis and \$2.3 billion of debt recovered on purchased accounts. Employment of collection professionals is reported to be in excess 450,000 of which

collection agencies employ approximately 150,000, the rest being employed by banks, retailers, government and medical establishments, According to ACA International's Benchmarking Survey, 76% of respondents indicated healthcare collections as one of their top three collection markets. There is extreme concern in the industry as some Democrats are favouring a Federal sponsored healthcare programme should they be elected.

The US industry is heavily regulated by "The Fair Debt Collection Practices Act" (FDCPA) this Federal Statute often conflicts with state law and agencies often find themselves facing lawsuits from consumers who are encouraged by "success only fee" lawyers to sue on some technicality or minor misdemeanour, an average size US collection agency can expect 12 – 15 filed complaints per year, each one will have to be defended taking time effort and cost that deflects attention from the core business.

David Howard.

CSA member; Revenue Collections Services, Sunbury UK

ACA International Director Europe & Africa



Healthcare Debt: Not Your Typical Portfolio

By Paul Legrady, Director



Our recent research, *Healthcare ARM 2006*, found that healthcare providers set aside \$129 billion annually to cover bad debt – that’s roughly 7 percent of industry revenues. Yet despite the pressures to recover this debt, the size of the healthcare debt purchasing market is still relatively small. Of the estimated \$110 billion in face value of delinquent debt purchases that took place in the United States during 2005, we estimate less than 4 percent was healthcare debt.

We anticipate the healthcare debt buying marketplace will grow, however, as healthcare providers increase their willingness to sell portfolios, and debt buyers compete for them. Prices of healthcare portfolios have been increasing in recent years, feeding added incentive to some healthcare providers to sell their debts. Kaulkin Ginsberg’s research suggests that the average price of a healthcare debt portfolio ranges from 0.25 percent to 5 percent of face value, with an average between 1.5 percent and 3 percent.

Hospital debt portfolios aren’t like other asset classes. One factor in the relatively small size of the market segment is the unique nature of medical debt. The charitable mission of many healthcare providers and their overall sensitivity to public relations problems preclude many from selling debt at all. When debt sales do take place, portfolios may not be awarded to the highest

bidder. Healthcare providers are aware of the impact the debt buyer will have on their reputation within the community. As a result, retaining control over accounts may rank as high on a seller’s requirements for the transaction as making a profit.

Since healthcare providers are unusually sensitive to the effects of the collection process on their community reputations, liberal buy-back provisions have been included in their agreements with debt buyers. These provisions allow hospitals to repurchase accounts that have been sold to a debt buyer on request.

Another important distinction between healthcare and other sectors of the debt buying market is the absence of a secondary market. While reselling accounts and portfolios is common in other industries, the practice is excluded in contract provisions by hospital finance managers who may be concerned more with maintaining control and mitigating public relations risks than with maximizing profits as part of a transaction. The absence of a secondary market for medical debt also has the consequence of holding prices relatively low relative to other markets, in which cash flows from the expected resale of debt portfolios are often incorporated into the price of a purchase.

The good news is that with the prolonged relationship between debt buyer and seller, forward-flow

agreements have become more popular in recent years with healthcare providers that sell debt.

These agreements involve the ongoing sale of delinquent receivables, typically on a monthly basis. These agreements can decrease the administrative work on behalf of the hospital and can serve to strengthen the relationship between the healthcare provider and the debt buyer. As hospitals become more comfortable selling debt, the number and frequency of forward-flow agreements are likely to increase. This may cause successful debt buyers in the space to cultivate relationships with debt sellers and work closely with them as if they were clients, rather than sources of inventory.

This article is based on Kaulkin Ginsberg’s *Healthcare ARM Report, 2006* (October 2006). This 60-page research publication was developed in partnership with healthcare providers and receivables management companies throughout the United States. Kaulkin Ginsberg’s research on the healthcare ARM market is available online at www.insidearm.com/go/research. A copy of the executive brief, “Healthcare Receivables Management: Strategic Data on a Growing Market,” will be available free of charge on this section of the site in mid-February.

As Director at Kaulkin Ginsberg, Paul oversees custom research projects and publications focusing on the ARM industry. Contact Paul at +1-301-907-0840 ext. 104.

New Members strengthen Debt Purchase side of the DBSG

The most recent members to join the ranks of the DBSG are Scotcall Ltd. Joining and adding to the group's strength Steve Tyacke Head of Sales comments, "The UK Debt Sale & Purchase market is growing rapidly; the dbsg is at the centre of this growth - promoting the interests of buyers & sellers alike. ScotCall has joined the dbsg to maximise opportunities & promote our interests in this market".

Scotcall Ltd have been members of the Credit Services Association for over 10 years now and bring to the group a wealth of experience and carry out a number of different debt collection and debt purchase activities, such as:

- Debt Purchase
- Consumer Debt Collection
- Business to Business Debt Collection
- Court Action
- Repossessions
- Card Recovery

If you know anyone who would benefit from becoming a member of the DBSG then please let our membership department know. Contact Adriana Galli on: 0191 286 5656 or e-mail: membership@dbsg-uk.com

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We're on the Web!

For full details of all our
members visit

www.dbsg-uk.com

CSA & DBSG Annual Golf Tournament & Conference 2007

19th & 20th September 2007 – Carden Park

The Annual Golf Tournament this year is to be held on the Nicklaus Course, home of the De Vere Seniors' Championship. Providing challenges and surprises for players of all levels, the Nicklaus Course is one of the two golf courses set in the magnificent 750 acre Cheshire estate. The estate has quickly established itself as one of the world's leading golf and leisure resorts, catering for the needs of all golfers from beginners to scratch players.

(5,906 yards, par 72, 18 holes)



a Hotel, Golf Resort and Spa, it is sure to be a stylish and energizing location for the CSA Conference.

Topics for discussion, and the format of the conference, are yet to be announced.

As well as the programme of discussions and presentations, there will be an exhibition, the CSA & DBSG AGM, and a spectacular Gala Dinner.

Details and full programme contents will be available soon, but for any questions or queries please contact the marketing department on: 0191 286 5656 or e-mail marketing@csa-uk.com.

