Vanquis Banking Group PLC

Strategy Seminar and Q&A

27th March 2024

Transcript

Disclaimer

This transcript is derived from a recording of the event. Every possible effort has been made to transcribe accurately. However, neither Vanquis Banking Group PLC nor BRR Media Limited shall be liable for any inaccuracies, errors, or omissions.

Seminar

Miriam McKay: Ladies and gentlemen, good afternoon and welcome to the Vanquis Banking Group Strategy Seminar. I'm Miriam McKay, interim head of investor relations here at Vanquis, and I just have a few housekeeping notes for you before we get started. Given the nature of this event, the slide pack contains the customary disclaimer about forward-looking statements for you to read at your leisure.

For those of you with us in the room, please be aware that there are no fire alarms scheduled for today. So if the fire alarm does go off, the team from Deutsche Numis will help us exit the building in an orderly fashion. Bathrooms can be accessed during the seminar via the door at the back of the auditorium, and there'll be tea and coffee and water ready for you during the refreshment break. And if there's any other assistance that you require, please speak to a member of the events team. For those of you who are joining us on the webcast, you'll be able to ask questions by clicking on the questions icon in the control bar at the bottom of your screen and typing your questions in, and we'll be sure to take them. And with that, it's my pleasure to introduce Ian McLaughlin, CEO of Vanquis Banking Group.

Ian McLaughlin: Thank you, Miriam. All right, good afternoon, everybody. Thank you, Miriam, for doing the tea and toilets bit. Nice to not have to do that. I'm Ian McLaughlin, as Miriam said, chief executive of Vanquis. We're delighted to have you with us for our strategy seminar this afternoon.

I guess a few of you listened in this morning too, so I think we got into some of the questions that we're actually going to do some detail this afternoon on. So looking forward to that. And as I said earlier this morning, I introduced Dave Watts, who you'll hear from a little bit later for his first outing as our CFO. Dave took you through our 2023 results. And obviously we issued a market statement that you saw back on the 11th of March with our revised view of where we are in profitability for 2024, 2025, and 2026.

And Dave showed you the progress that we've already made in understanding the issues that we found and, more importantly, the actions that we're taking particularly on margin stabilization and cost control. Dave has shown you the key drivers of our business in much more detail than I think you've ever seen before and given you a sense of the forensic bottom-up review of the business that we've been undertaking. And going forward, including this afternoon, we're going to build on that transparency. We want to give you the insights that will allow you to have confidence in our ability to deliver the transformation that we have underway with Vanquis.

And in that spirit of frankness and transparency, let's not shy away from the fact that we can all see we start from a pretty challenging place. You heard us describe this morning that this business has been in decline for several years. 2023 in particular was eye-opening. Certainly, I found some surprises on joining. And without the immediate management actions that we took in the second half, we would've been loss-making for the full year.

But that's the past, and you can only learn from the past. You shouldn't live in it. So what we can control is how we move forward from here. We're going to change our trajectory. 2024 and '25 will be periods of restructuring for Vanquis, and we will get through that while remaining prudent. We have clarity on our plan, momentum, and most importantly, we believe we have the right team in place to make sure we deliver. And you'll hear today, we've taken action on costs, on margin, on technology transformation, outsourcing, and risk management. And we'll spend some time on the customer opportunity analysis that we've been undertaking and describe how we're starting to acquire new customers in much more innovative and cost-effective ways.

Through 2024, we will be back to writing new business, but that business needs to be written at the right margin. And as a consequence of the action that we're taking, by 2026, if I'm being positive, only 20 months from now we do expect to deliver a much more attractive adjusted ROTI, as we described this morning.

So let's take a look at our agenda for this afternoon. We'll hear shortly from Jill, our new chief customer officer, on all the work that she's been doing on customer. And then from Gem on the progress we're making as we invest to transform our technology before Dave takes you through our forward-looking financials and key metrics. You'll also hear directly from our new leadership team in a panel session after the coffee break, and they will help provide more detail for you on how we will deliver this transformation.

We will ensure there's plenty of time for you to ask us questions, whether you're here with us in the room or online. And if you are in the room, we'd be delighted if you'd join us for a drink and maybe a more informal conversation if you have time afterwards. But look, let me kick off by talking about the foundations of this business and what gives us confidence.

And I'm going to talk to you about four Ps: purpose, people, proposition, and position. The first one is purpose. Vanquis has a strong and I believe a unique sense of social purpose. Our people were keen to refresh the purpose that we had. They felt what was there was a little condescending and a little out of tune with the way we're now thinking about our customers. Our purpose from here on in will just appear in a second. It's to deliver caring banking so that our customers can make the most of life's opportunities. And let me just say that again. Delivering caring banking so our customers can make the most of life's opportunities. And our people came up with that refresh. It is different, it's a bit simpler, and it breaks into two parts. The care is our differentiator, but it's enabling our customers to access opportunities that otherwise they simply may not be able to.

And we know we make a real difference to our customers' lives, often when they need help most and when they can't find it elsewhere. And we've collected hours of in-person customer testimony over the last few months. I've had the privilege of personally meeting many of our customers as we've done this. And our customers have told us why Vanquis really matters to them and what they need from us. And you'll hear directly from some of those customers today.

Our refreshed purpose much more clearly articulates what our customers want to allow them to access those opportunities. Things like just buying a car so they can take a job a little further away and get to work or get their children to school in a safe way or have access to a credit card that helps them if emergency spend turns up, like a boiler breaking down. But they also talk about how our people want to deliver this purpose, with care, with humanity, with heart.

Let me turn to the second P then, which is about our people. And since I took over last August, we have moved at pace to establish a refreshed, high quality leadership team. And actually, that strong social purpose has really helped us to recruit real industry talent and experience. You can see the executive team on the slide. Pink means that they've been appointed over the last six months. They're here in the front row today, and I will ask those that are speaking today to introduce themselves later.

But a few comments from me on why I'm so proud of the team that we have put together. Let me start with Dave, that you heard from earlier. Dave joined us as chief financial Officer after a 29-year career at HSBC, including four years as the chief financial officer of their UK ring-fence bank. Dave knows banking. Jill Armstrong that you'll hear from later joined us on the 1st of February this year. Jill will lead us forward on customer. And I know from previously working with Jill at Bank of Ireland, she is passionate about that.

John Natalizia has been appointed as our chief digital officer, and Gem Walters as our chief technology officer. And both John and Gem joined Vanquis as part of our acquisition of Snoop. They therefore bring both first-hand FinTech experience of what they've done over the last five years as well as deep traditional banking know-how. That's a real differentiator for us. So overall, as you can see, we've got a really nice mix of new blood together with the all-important corporate memory and stability that's contributed by long-serving quality leaders like Gareth Cronin and Ian Fielder.

You'll hear from them later, but Gareth was our CRO and is now our transformation lead, and Ian is our chief operations officer. And they're working alongside our established divisional heads, including in areas like HR, internal audit, comms, and legal. All of the executive team are in the midst of reviewing their structures to ensure they have the right teams in place to take this business forward. And look, I want to say for a second a thank you to the wider team at Vanquis as well. This last month, the eight-month period, has been really hard on our people.

We've had to make some very difficult decisions and do it very quickly, and we've given our people a lot of challenging news to absorb in a very short period of time. And I want to take this opportunity to acknowledge that and to say thank you to them for how well they've handled this. We are genuinely blessed with passionate, experienced people who care deeply about delivering great customer experience. It's that passion, that focus on the customer, and aligning it with that clear sense of social purpose that I believe will set us apart as we go forward.

So I've talked about purpose and I've talked about people. The third P was proposition. Some of you will be more familiar with this than others but let me just briefly start by describing what Vanquis offers today. We're a specialist bank with over 1.7 million customers and we've been supporting customers, providing financial inclusion, and supporting their social mobility for over 140 years. And we offer credit cards, vehicle finance through our Money Barn brand, personal loans, and savings solutions.

And more recently, through Snoop, our new money management app, we can provide our customers with the personalized insights to help them to better manage and understand their finances. Snoop helps customers save hundreds of pounds a year. So that's our proposition as it stands now. And as I said, Jill will talk you through how we're developing it from here on to be truly needs-led and fit for the future.

And my fourth P was around our position in the market. Probably the most powerful factor in Vanquis's favour is the growing customer demand for the services and the solutions that we offer. And as I said, we start with 1.7 million customers. Many of these fit into an Under Financial Pressure cohort, but the research we've done over the last few months shows there's a further addressable market for us in the UK, in particular a segment of the Stretched But Managing cohort. And again, Jill will describe this in more detail next.

And while we've typically served customers who have lower financial resilience, there is another strand to our proposition building as we diversify this business. And this is with more affluent customers who are already coming to us for their savings and soon for second charge mortgages. And this product diversification I think is a really important point to note from today.

Our savings book is already just under 2 billion from 48,000 customers, and our forward flow agreements and second charge mortgages are planned to make up some 12% to 14% of our book by 2026. And look, this diversification does support a more affluent customer base, but our heart will always be with the customers who need us most. It's the section of the market that is really expanding, and at the same time provision of overall supply to the customers who are struggling is contracting. A reduction in available loans from traditional lenders means more financially vulnerable customers can end up moving more towards unregulated credit products. And you probably saw the ClearScore and EY survey that was published in February highlighting that the non-prime lending market in the UK has reduced by 34% since 2019. And within that, loans offered to customers who have the lowest credit ratings are down 76% in the same period.

Alongside that, unregulated products like buy now, pay later have risen by 53% since 2021, and research shows that up to 3 million people in the UK could currently be borrowing money on the black market. That's the risk of a lack of controlled credit supply, and that's what we want to help address. So demand is increasing at a time where the provision of proper regulated credit is reducing, and at Vanquis we believe we're in the unique position, specializing in this space, and are therefore well-placed to help these customers and therefore to grow our business. And Jill, as I said, will talk through that in a little more detail.

So our four Ps: purpose, people, proposition, and position. And these are fundamental foundations of our business, and they give us real confidence for the future. And they combine with what I want to talk about next, which is some of the fundamental structural advantages that we also have.

I've already mentioned a few of these, experienced colleagues. The length of service in our operations transformation team is over 10 years, for example. And deep relationships with our customers over a significant period. Our average credit card customer, 10 years over five years. And I would add to that our strong capital position. And Dave will discuss that a little later. And on liquidity, as you heard this morning, we're over 80% retail-funded already. That's different to most specialist lenders. A couple of other points to note: I stated earlier that we shouldn't live in the past but we should make sure the foundations we're building this business on are safe.

So we have been checking back over the last few months as well. And I talked to some of you back in August about commissioning an independent external risk assessment of our book. That exercise is now complete, and I'm pleased to say has not identified anything new that we need to pay immediate attention to. Of course we'll always stay vigilant, but that's very good news. And while I'm on the subject of risk, let me again state, because I was asked in the Q&As this morning, that Vanquis is not exposed to the FCA review of discretionary commission arrangements in motor finance.

However, not all plain sailing either. We did announce earlier in the month that we do have a cost challenge to manage as a result of the volume of mainly spurious claims that we've been receiving from claims management companies, and Ian Fielder will talk a little bit about that later, what it means to us, what it means to customers, and most importantly what we're doing about it. And I want to stress we are not idly sitting by just observing this. We said this morning, we've already issued legal proceedings against the one firm that has been submitting the vast majority of these spurious claims to us.

So purpose, people proposition, position, strong structural advantages, solid foundations to deliver for our customers and for our shareholders. But I said not all plain sailing. There are issues that we need to address and we are making changes to get Vanquis in proper shape to perform. So what are we changing? Firstly on customer proposition, we were previously product-led and very siloed. We used to be organized around product lines, creating anomalies for customers. An example would be a customer could automatically be rejected for one of our products if they had one of our other products. That's just ridiculous. That's been changed.

Our product lines were limited and some of our product discipline frankly was poor. I think the worst return on tangible equity we found in a product was -68%, and we were trying to grow volumes in it. So it will be no surprise to you to know that that product has been suspended and will not be back on sale.

We are now moving to be focused on our customers' needs. And Jill will run customer proposition on a holistic, integrated, and coordinated basis. She'll tell you more about the research that we've done on customer needs later and how we're going to help customers save money and prudently offer credit and other support that will drive customer loyalty. And Jill will also talk about how we're changing our distribution approach through some exciting new partnerships, demonstrating the start of some new initiatives and a fresh approach to how we acquire customers. There's also more we can do in risk management critical to a business like us. And Gareth will talk through how we're improving our approach to this. For example, looking to say, "Yes," more frequently when customers apply for credit. But if we just can't offer them credit, how we develop a, "Not yet," response to customers rather than a, "No."

We'll also talk about operational efficiency. And I mentioned earlier, we've not been as concentrated as we should've been on cost control. For example, our central costs were up 200% between 2019 and the first half of 2023, and that's just not acceptable. As you know, we've already taken some decisive and important actions on costs, and we will continue to manage cost very carefully as we go forward. But we also know that we have to invest in the business, and we can't shrink ourselves to success. So again, Ian will talk about the great progress we've been making, improving our operational efficiency through offshoring, our new debt sales strategy, and revising our approach to customer collections. And look, none of this is banking rocket science. We're just getting on with a systematic improvement of the fundamental business processes that we need to have in place.

I touched on technology, and you'll hear from Gem shortly about, he and the team have refreshed our technology transformation strategy. It's now clearly defined, progressing well, and will be delivered earlier than was originally planned. And each of these initiatives that I'm describing is tied to a tangible benefit in either cost-saving, revenue uplift, or increased customer coverage. And when you take all this together, our plan is to deliver sustainable income growth that will see us move from our current position of a ROTI of 3.2% in 2023 to a much more compelling mid-teens ROTI by 2026 and beyond.

Let me touch on Snoop for a second. John will talk more about this later and how Snoop fits into our strategy, but it is a key enabler for us, and it's a differentiator as we transform our customer proposition. It's also, very importantly, a great example of this management team's ability to successfully integrate an acquisition. Snoop has brought four major benefits to Vanquis that you will see emerge over time. Firstly, the quality of the Snoop management team. As I said earlier, some of them are now in leadership positions across Vanquis.

Secondly, Snoop brings platform, capability, and data. Thirdly, the Snoop brand and mobile app, which is highly rated by customers. And finally, Snoop does provide us a really important customer incubation opportunity for us. That not yet space can be, "Can't give you credit, can give you Snoop." That will help you sort your finances out and allow you to come back later and get credit from us.

So let me conclude my comments by sharing our strategy on a page. Our purpose, as we've said, is to deliver caring banking so our customers can make the most of life's opportunities, and everything you will see us do will be grounded in deep understanding of the needs of our customers. This is how we're going to deliver an attractive financial profile and create a business which we, our customers, and our investors can be proud to be associated with.

After Jill, who'll come up next, and then Gem on technology, Dave will then round off this section by taking you through the key metrics that underpin all of this. But I'll end for now by saying we know we have a lot more to do. We are addressing several years of decline, so this will take us some time and there will undoubtedly be bumps in the road as we execute this plan.

We'll have to adapt as we go, but we are excited to be started on this journey and we hope that what you see and hear from us today will allow you to share in that excitement. I'll finish with a direct quote from one of our customers. This was someone's daughter that we were able to help a few weeks ago. You can read it, but let me just maybe read it to you, actually. "I just wanted to personally thank you from the bottom of my heart. My daughter is in tears that you have done this for her. You've actually changed the course of her life, and we are so, so grateful. Thank you so much. I hope you and your family have an amazing life."

That was a LinkedIn message to me from the mother of one of our customers that we were able to help. And no one else would or could. This is what we're all about. This is the way forward for Vanquis. Imagine millions of customers feeling like that about this organization. That's what we mean by banking with heart. Thank you. With that, we will ensure there's plenty of time later in the session for you to ask us questions. But it's now my pleasure to hand over, as I said, to our new chief customer officer, Jill. Come on up.

Jill Armstrong: Thank you. Thank you, Ian, and good afternoon, everyone. I'm Jill Armstrong and I joined Vanquis as chief customer officer in February. Before this, I have spent my 21-year career across Bank of Ireland and GE, most recently specializing in product and commercial leadership with the retail consumer focus, and earlier across a wide range of finance roles. And I'm also secretly a chartered accountant. During that time I have grown unsecured and vehicle finance portfolios, optimized a substantial retail deposit space, and engaged key partnerships, leading both the assessment and implementation of consumer duty. I've joined Vanquis for the opportunity to transform how we serve customers who need us and to seize the current market opportunity to deliver future commercial success.

Today I will take you through how we're focusing on our customers, but first let's start with a macro view on what is changing. Demand is increasing. As cost of living has become more expensive and earnings have dropped in real terms, customers are finding it hard to make ends meet. Some are making tough choices and are going without essentials, but there is a clear increase in demand for borrowing to support everyday living. At the same time, as Ian has referenced, there has been a decrease in supply by more than 1/3 in the non-prime space since 2019, with lenders having retrenched into nearer-prime business, which is easier to automatically underwrite, and yet offer rates in this near-prime space have also fallen.

What does this mean for our customers? They've been increasingly pushed to borrow from friends and family or unregulated finance options such as buy now and pay later, which is offered as an easy way to pay, even for their weekly shop in Iceland, which can quickly become unaffordable when multiple agreements are stacked. Beyond this, almost 1/5 of these customers are being targeted by unauthorized lenders, where high interest rates and collections practices have no oversight, and this often becomes their only option.

This means that the very customers who most need the consumer protection that regulation provides are those not being well-served Today. With this, there is an opportunity to bolster the supply of regulated credit in the UK for these customers, and we see that as our natural foothold as Vanquis. There are some key banking capabilities needed to serve this space well. Firstly, an understanding of who these customers are and their individual circumstances around income and expenditure, and how these vary. For example, having multiple jobs and having irregular pay cycles.

Lower financial resilience means the ability for these customers to consistently meet their commitments can be challenging. Should an unexpected expense occur, there may be an adjustment period to work longer hours to cover that gap, and therefore ensuring we can appropriately understand and price for risk is absolutely critical.

Advanced operational and technical supports required to engage customers effectively throughout their life journey and to really maintain their financial health. Doing all of this whilst meeting high regulatory requirements around affordability and fair value is key and, most importantly, we need to be able to do this in a way which is easy for our customers to understand, and therefore builds trust.

Ian has spoken to you about our refreshed purpose and how we're uniquely positioned to deliver caring banking so our customers can make the most of life's opportunities. To do that, we're starting from the customer, and have conducted extensive research to form a deep understanding of their needs. Recognizing our customers are real people with real dreams and engaging with them one-to-one to understand their needs and share what we're doing has been truly inspiring. We've used this to define our future proposition supported by our current product offerings. You will hear from the team today around how we're reorganizing and enhancing our capabilities to deliver this.

As we talk about our target customers, over the last nine months we have conducted extensive research and analysis, both qualitative and deep quantitative, visiting our customers' homes, understanding their lifestyles, challenges, and dreams. By repositioning how we think about our market and our customers to what we're calling a needs-led approach, we've identified new opportunities. Historically, our highest penetration has been in a cohort that we're calling Under Financial Pressure.

The recent work that we have done has identified a significant opportunity in the Stretched But Managing cohort. And whilst these customers are diverse from both a behavioural and a demographic perspective, they have common characteristics; low disposable income, limited savings, if any. They've often experienced a bump in the road with regard to credit, and they are digitally-savvy. They share common needs with our existing 1.7 million customer base around lending, saving, and managing their everyday money.

In addition, you can see here our existing affluent cohort, who have a disposable income and a desire to find a good home for their savings. We will continue to serve these customers with a wider savings offering. Thinking of customer needs, we've sat down with customers side-by-side to build a deep understanding of what they need most. We have identified three foundational needs. We've articulated these as help me borrow healthily, help me feel in control of my everyday spending, and help me build a financial safety net.

As we move on to our vision for the proposition, today we are already well positioned to serve these needs through our core lending products underpinned by Snoop, and we expect to enhance the offering by having a single Vanquis app with always-on offering for customers across our expanding range. And John will discuss this in our panel further. We are also expecting to add second charge mortgages. This allows Vanquis the option to reposition away from being just a specialist lender to a bank, per our license. This lowers our overall portfolio risk and is beneficial from a capital efficiency perspective, allowing us to focus on servicing those who need it most.

As we grow our funding base, we will increase the range of products available across our customer base, with ISA and Easy Access products due to launch in April. Today, we source over 70% of new cards customers from price comparison websites and via our partnership with Thimble, and in vehicle finance this is predominantly through intermediaries. We also, be surprising to know it's declined, around 93% of traffic that comes to our Vanquis website today where customers do not currently meet our lending requirements.

This provides several opportunities going forwards as we switch our focus to how we increase customer retention through improved offerings and service, increasing customer product hold, and the active tenure within our existing base. Then, as we look to grow upon this base, optimizing our direct channels, leveraging from the experience from Snoop and building our brand through consistently telling the story of the differentiated propositions we're building for our customers.

As we build our credit innovation approach to say, "Yes," to more customers and, "Not yet," to customers, where they have an action that they can take themselves to get themselves to a, "Yes." This empowers customers rather than putting them to a straight decline. Expanding our partnerships to balance our sources of new business and meet customers where they are is absolutely key. Today, we're delighted to announce two new initiatives. Firstly, in order to provide options to those customers that we cannot serve today, we've established a new and unique partnership with H&T Pawn Brokers.

HT are an FCA registered business who provide loans between £200 and £400 secured against assets such as jewellery and watches. With 280 stores distributed across the UK, we see this as a valuable alternative for customers we are unable to lend to today. Where customers would normally receive a declined message, an abrupt end to their journey, they will now be shown the option of H&T and guided through the process to their nearest store. Further opportunity exists as we develop our insightful risk management to utilize positive payment behaviour in our future lending decisions.

Secondly, in meeting our customers where they are, we've been approved to appear within the National Pharmacy Association, Your Health Your Pharmacy initiative. Across the UK, pharmacies will be the front line in supporting customers on overall wellbeing across the UK. And for example, if a customer is concerned about financial stress, the materials that they will receive from the pharmacy will include how Snoop could help them manage their money better. This provides valuable brand exposure for both Snoop and Vanquis. The National Pharmacy Association includes 6,500 pharmacists across 11,500 pharmacies nationwide with a daily footfall estimated around 1.5 million customers. As we transition the business towards a more customer-centric approach, you can expect us to deliver further developments in this area shortly. Our roadmap. As you have heard, there's significant opportunity to go after and we are on a journey. We've taken the foundation steps to organize ourselves around the customer, and there are brilliant basics that we need to build to ensure that we can deliver the right products and services in an agile manner, understanding and pricing for risk, and building sustainable growth as we move towards 2026.

This is expected to lead to tempered growth forecast for the next couple of years as we recover from that period of decline and get these building blocks in place. To succeed, we need excellent digital customer journeys, rapid to market new product and pricing capability, and fully integrated self-service capabilities.

And Jem will tell you more about how we plan to achieve this. No pressure, Jem. Over to you.

Jem Walters: Thank you, Jill. Good afternoon everyone. I'm Jem Walters. I'm the Group Chief Technology Officer. I joined Vanquis last year following the acquisition of Snoop, where I was also the CTO and one of the co-founders. Prior to that, I spent over 20 years at Virgin Money in a variety of technology leadership roles, including within the credit card and digital bank businesses. I have experience of large scale complex platform transformations as well as greenfield builds ranging from banking platforms, data platforms, digital apps, and even online fundraising. Through Snoop, I had the privilege of getting valuable experience in a cloud native start-up environment where every penny counted and every day mattered. It is my intention to make Vanquis more Snoop, and by that, I mean more agile, more efficient, more adaptable, more cost conscious, and more entrepreneurial in the way we enable technology for our business.

Move the slide on, please. Our technology transformation strategy, which we refer to as Gateway, is well-defined, understood, and progressing to plan. Okay, this is the bit you need to pay attention to. Gateway is a customer-centric, multi-channel, multi-product, multi-brand state-of-the-art cloud-based platform, which will deliver significant financial and non-financial benefits progressively over the next two years, we expect the technology transformation to achieve between 23 and 28 million in annual cost savings from 2026. The Gateway development is well underway with all the key integration points built and proven. In fact, I'm pleased to say that many of the technology components are already deployed and operating in production, meaning execution risk going forward is greatly reduced. We are confident that the transformation will be complete over the next two years within an investment range of 25 to 30 million, which is predominantly CapEx.

Deployment of the Gateway platform will be phased, thereby avoiding the risk of a big bang switchover at the end. I feel I am well placed to bring the best of Gateway and Snoop together to create a compelling digital proposition for our customers. In fact, our strategy to build the new Vanquis mobile banking app is to leverage Snoop using the same team, the same ways of working, the same technology that Snoop has used so successfully over the last five years to build a best in class money management app. You just have to look at the number of industry awards that Snoop has received over the last few years if you need any further validation of what we are capable of. This is a low risk play for us. Plus, it has the added benefit of coming in at approximately 50% of previous estimated bill costs for the mobile app. Bringing Snoop and Gateway together to build a great mobile banking app with integrated money management features, personalized insights is a compelling proposition in which we are genuinely excited about.

And then on the flip side of that, Gateway with its multi-brand white labelling capability should enable us to integrate Snoop branded Vanquis banking products into the Snoop customer experience, thereby creating an additional low cost to acquire distribution channel for Vanquis. We call that a win-win. There's more to come on this later from John.

Okay. I'm going to spend a little bit of time talking about the story so far, what's happened since I've joined, and what lies ahead of us. During 2022 and 2023, a lot of progress was made defining the platform architecture, selecting key technologies such as Salesforce, Genesis, Zoot, Mambu, Snowflake, building and launching the first product and completing a significant amount of systems integration. Since I've joined, I've taken the opportunity to look at how the transformation programme was being delivered and I found there was room for improvement to reduce cost and time to completion.

For example, lowering our dependency on third party resource reduces our costs and sets us up better in the future in terms of capability and continuity. Reducing the size of the Agile development teams is to an optimal level and investing in test automation increases efficiency, throughput and our velocity.

We have adopted and are committed to the scaled Agile framework. Already today we have a number of agile teams up and running, delivering working software every two.

Now, I suspect some of you may be thinking, look, this sounds great, but can you really make it happen within this cost and time envelope? In any large transformation project, there's always execution risk. In my experience, the most of that risk is either front end or back end loaded. Let me explain what I mean by that. By front loaded risk, I mean that any platform or system always works brilliantly on paper, but the only thing that really matters is working software and the more working software you have and the more systems integration you complete, the less execution risk you have. It's really as simple as that. Over the last two years, most of the key components of the Gateway platform have been integrated and in many cases already deployed and running in production.

By backend risk, I mean complex data migrations from one platform to another are always fraught with risk. I had personal experience of this while working at Virgin Money where we migrated 650,000 credit card customers from MBNA and while we did a great job, it cost a lot of time and it cost a lot of money. We are deploying Gateway capability on an incremental basis and thereby, we're creating value and unlocking the benefits as we go, which of course means we also avoid that dreaded big bang go live risk at the end. Credit cards are staying put on Fiserv, which is our incumbent cards processing platform, meaning there is no complex or risky or expensive cards migration to deal with as part of this program. This gives me great confidence that much of the execution risk is behind us and there is no doubt in my mind at all that the Gateway platform will come to fruition in the way that we want and need it to.

Looking ahead, we've got a plan and we are delivering against it. Already this year we have moved our credit card contact centre onto the new Genesis telephony platform. And in June, we'll be doing the same for vehicle finance. Later this year we expect to implement the new credit decisioning platform, which is called Zoot, to improve decisioning in our vehicle finance business. We also expect to implement that new decisioning system for cards and move all complaints processing onto Gateway during 2024. So to repeat my earlier point, my team and I are confident that this transformation will be complete over these next two years within an investment range of 25 to 30 million, which is budgeted in our forecast.

So far, I've talked about the what and the how of the Gateway technology transformation, so let me now talk a little bit about the why. The benefits case for Gateway is a strong one with customer, risk, operations, and technology benefits across the board. One area I'm particularly excited about is that our speed of change and our speed to market will be night and day different from where we are today. We expect to be able to make tech enabled change on a daily basis instead of the drawn out release cycles that we currently operate today.

Let me bring that to life for you. So far this year, the Snoop team has implemented over 100 changes to its platform and app. That's an average of more than one change a day. This goes to show what's possible if we combine the right technology environment with the right operating model and the right ways of working, and that's where we're going to get to with Vanquis.

To give another recent example, it took five weeks in an IT project just to add a simple offer promotion message to the current Vanquis mobile app. The Snoop team can do this in their platform within a few minutes without any IT involvement. Today, it takes up between three and five months to reprice our cards book. That should take just a few weeks in the new platform enabled by dynamic product pricing and digitized customer terms and conditions.

I can't give a tech transformation presentation without covering the topic that everyone is talking about, AI. The AI machine learning opportunity is unlocked for Vanquis through the new technology and the unified data platform. Some of the examples of this are an AI driven chatbot for customer servicing, machine learning models for customer segmentation, and propensity and retention forecasts. Machine learning also has a role to play in risk management by enhancing traditional credit scoring, predicting default rates, and improving affordability assessments. With Genesis and Salesforce, we get access to out of the box embedded generative AI, which will improve operational and process efficiency. For example, we can generate real time voice call transcripts. We can then use those call transcripts to analyse call quality and customer sentiment. Large language models will help us improve the efficiency of our complaint handling.

Okay. Let's look at what the Gateway platform is going to do for our customers. Our customer experience will be better. Our products will be better. Our decisions will be better. The new mobile banking experience will give customers access to improved self-service capability, embedded money management features, personalized and actionable insights, which will help them be more in control of their finances and crucially help them save money. We are moving our fulfilment to digital channels, which will be more convenient for customers and more efficient for us. Product pricing will be dynamic and more tailored to individual customer needs. Risk management will be better. Better systems, access to more data such as open banking, and the ability to change our strategies and scorecards in real time. Risk-based pricing may allow us to decline fewer applications and better support more customers. Better customer outcomes means better business for us.

I show here some of the examples of how we will measure success. Adopting a continuous improvement culture of measure, learn, adapt, repeat. That's measure, learn, adapt, repeat. This will be at the heart of how we operate and how we will ensure customer obsession is embedded into our business.

Okay. Numbers. Looking at operating costs, we can see real and ongoing cost savings here, which Dave has already mentioned. Operational efficiency comes through reduced demand, increased productivity, and lower fulfilment costs. Operational demand drops because of a better mobile app, which empowers our customers to self-serve more. Process automation is a key enabler for increased productivity. What takes maybe 10 to 15 green screens and multiple systems today can typically be done in three or four clicks in the new platform. When we scale this across hundreds of processes and hundreds of support agents, we expect to see significant productivity gains. And as I mentioned before, digitization of our fulfilment processes saves both production and mailing costs.

On the tech side, I get to decommission three legacy tech platforms and this realizes significant cost savings. Plus, we move to a more optimal operating model and more flexible cost base while at the same time reducing our operational risk. The combination of these factors gives us a high degree of confidence of additional annual cost savings between 23 and 28 million.

In closing, I would like to thank the Vanquis team for their dedication and their commitment to this technology transformation strategy. We have made great progress in the few months since I have joined, and I'm looking forward to being part of this story as it unfolds. I've talked about the benefits of the Gateway platform and what it will mean for us as a business and most importantly, what it will do for our customers. We have much to do, and I'm confident that we will succeed.

Thank you. So with that, I am now going to hand you over to the lovely Dave Watts.

Dave Watts: Wow. Thanks, Jem, for that. I wasn't expecting that one.

Good afternoon. I would like to use the next 10 minutes or so to set up the building blocks in terms of how we're going to transition from a 3.2% ROTI business in 2023 to deliver a much more compelling mid-teens targeted ROTI in 2026. I'll take you through our forward trajectory on, firstly, receivables and income, looking at how we'll deliver sustainable growth through to 2026. Secondly, our trajectory for net interest margin due to the strategic decisions we are taking, and thirdly, operational efficiency and the impact on our cost base. I will then recap on the 2024 guidance that I sent out this morning and outline our target for 2026.

As Ian and Jill have already explained, we have transitioned to become a business focused on meeting our customer's needs, run the business selling products. However, to make our plans clearer and transparent as possible and help those of you look to model what this means in terms of our financials, I'm setting this journey out by product rather than customer segment over the next few slides.

Firstly, turning to gross customer receivables. As I set out this morning, active volume management occurred in the fourth quarter 2023 as we reappraised our financial priorities. We now expect to begin growing our cards and vehicle finance products from the second quarter of 2024 with the appropriate pricing in place. Our current receivables book is predominantly unsecured cards lending, which we intend to grow steadily over the coming years. To create a better balance and to potentially take advantage of some dislocation in the vehicle finance market, we expect to grow our vehicle finance book a little bit faster than cards. We are re-evaluating our personal loans proposition, by far our smallest lending product. For existing customers whose credit we know and understand, we intend to restart offering personal loans in a moderated manner in the second quarter of 2024 as we retest this product's profitability. If successful, we expect to increase volumes in the second half of 2024. We continue to re-evaluate offering new open market personal loans. As it stands, we are unlikely to relaunch this product to new customers in the near term.

A positive development during 2023 saw us enter forward flow arrangements to onboard second charge mortgage assets onto our balance sheet with the first few transactions booked at the end of 2023. We are testing the water with this product, which has the advantage of attracting a smaller IFRS charge when compared to our other lending products due to the secured nature of the underlying product. Therefore, less capital is required to grow this part of our balance sheet. The secured nature of the product should also bring greater stability to our future earnings.

As we build further relationships, we expect from a notional position at the end of 2023 to build up a medium sized portfolio by 2026 comprising 12 to 14% of our gross receivables. This product helps with balance sheet diversification, risk weighted assets, and is a product that is attractive to our customers that provide us with their savings. This growth in receivables will be funded within our existing balance sheet capacity. Ultimately, this receivables growth strategy should lead to a larger, more diversified and stable balance sheet by 2026, more akin to a bank than a specialist lender.

We are forecasting total income, net interest income plus non-interest income, increasing to a range of 570 million to 600 million by 2026. We will continue to be a balance sheet driven business in 2026, so receivables growth will continue to be the main driver of income growth. A new second charge mortgage forward-flow arrangements and the expansion of distribution options including new partnership agreements, which Jill covered earlier, should help facilitate this growth with a lower cost of acquisition. In 2023, we introduced upward repricing strategies for both vehicle finance and cards, noting that further planned price increases to these products are imminent.

Increased discipline is being applied to ensure that we are pricing correctly and, most importantly, fairly, making appropriate price changes as required to reflect changes in our cost of funds, cost of risk, cost of acquisition and administration costs. It is important to remember that when we price the vehicle finance, this is setting the revenue for the product sold for the next five years or so, hence the focus on ensuring this pricing is appropriate over the lifetime of the product. A small increase in our non-interest income is forecast mostly from Snoop, which generates commissions when a customer switches and from sales of the rich data that Snoop has collated to date. Besides an increase in income, Snoop will enhance our proposition for our target customers, which John will cover later.

Our focus will remain on retail funding. This is one of our key structural advantages that Ian mentioned earlier and it's provided us with a strong platform of surface liquidity to support our growth. Through funding optimization, we are forecasting a small benefit related to a number of potential initiatives. Firstly, a diversification of a small part of the excess liquidity currently held at the Bank of England into a portfolio of liquid investments hedged appropriately, of course. Secondly, a further diversification of retail funding into deeper pools of variable rate savings products. For example, easy access accounts, short dated notice accounts, and ISA's that Jill talked about earlier. And lastly, with a surplus liquidity at our disposal, we are considering early repayment of some of our TFSME ahead of its contractual maturity in the second half of 2025.

Over the next few years, we anticipate benefiting from potential base rate tailwinds. There is a natural lag between base rate movements and our retail proposition. However, we expect this impact to be less material compared to other drivers.

What does this mean for our net interest margin? Excluding mortgages, which attract lower yields, but coupled with lower risk and IFRS 9 charges, we expect our NIM in 2026 to be broadly stable compared to 2023. This is driven by a mix of, on the one hand, our repricing strategy and receivables growth, and on the other hand, changes in risk appetite to service our target customer segments. Our customer centric strategy includes a review of our current capability to understand and price for risk.

In cards, we are exploring a selective widening of our credit appetite to higher risk bands with an APR 59% or higher, if appropriate. This will allow us to better service the needs of our target customers. Including second charge mortgages, we expect NIM to reduce to approximately 17 to 18% driven by the change in product mix with a secured offering attracts lower yields. While not factored into any plans, there is a focus on capital efficiencies, which could help reduce our interest expense.

Turning to our cost base, this is too high for the income we currently generate. To date, we've executed upon operational actions to mitigate our cost headwinds. Going forward, we expect more strategic solutions which are being as part of the Gateway program that Gem described to drive cost efficiencies over the latter part of our transition period. From an operational perspective, we will continue with the 60 million of cost saving initiatives we commenced in 2023, including right sizing of our operations, concluding our in-flight offshoring initiatives, simplification of our operating model, and further critical challenge of our third party spend. To date, 15 million of these cost saves have been realized against our 2023 cost base with a further 28 million rolling through into our forecast 2024 cost base. The remaining 17 million of actions are progressing at pace and we will continue to embed cost management as a key discipline across Vanquis going forwards. Excluding complaint cost increases, we expect our 2024 cost base to be broadly the same as 2023.

Why is this? Our cost saves are being offset by, firstly, a growth in our propositions and IT spend such as the full year impact of our Snoop acquisition in August 2023, while our Gateway program spend will be around £9 million in 2024, increasing further in 2025. Secondly, our investment in partnerships for second charge mortgages. Thirdly, there is inflation but with a lower impact in 2024. Finally, there were some one-off actions that we took in 2023 such as no bonuses for colleagues and cut the acquisition and marketing spend. This cannot be repeated if we have to grow Vanquis in the future.

Any potential benefits from changes in the complaints trajectory, such as from legal action or changes in regulation, have not been baked into our plans. The current false consultation fees, which if implemented, would result in CMCs being charged a £750 fee and not us would change their business model. As I said this morning, we are forecasting a circa 50% increase in complaint cost in 2024 before returning to a more normalized level in 2025. As we progress towards the end of 2025, we will begin realizing the benefits from our investment in the Gateway program. We expect the 2026 cost savings to be in the region of £23 to £28 million from tech enablement, automation, and the decommissioning of legacy systems. These actions, when delivered, should result in a cost income ratio in the region of 49% or lower in 2026, which would be a step change from where we are now.

While we have not set a target for absolute costs in 2026, there are a couple of key points to note. Firstly, cost discipline will be a central part of our culture going forwards. And secondly, the benefits of the IT investment we're currently undertaking will create operating leverage for us. Therefore, as we grow receivables and the top line, we fully expect positive jaws to develop and this should continue beyond 2026.

This slide summarizes the way we are beginning to look at and manage our costs. We have not shared this before and this view will be refined over time as we recategorize and better manage activities across the group. However, I wanted to share it with you now to illustrate how. Firstly, we are pivoting to an increasingly customer focus rather than a product-led proposition with a greater proportion of our costs directed towards meeting the needs of our customers. And secondly, with the delivery of the Gateway program, we expect our manufacturing component, essentially IT, change, and non-customer focus operators to reduce as a proportion of the cost base. Ultimately, we're aiming to operate a more efficient organization which is scalable. We will service a larger and broader receivables book with an increased number of customers without the need to increase our manufacturing and functions cost base.

What does this mean for our ROTI when we pull the various building blocks together? We see a transition from a low single digits ROTI in 2023, which benefited from one-off cost saves, as well as some significant IFRS 9 impairment model releases that will not be repeated going forwards, into a mid-teens ROIT by 2026, driven by four key components.

One, a significant increase in interest income from higher receivables with appropriate pricing covering our cost of risk, funding, acquisition, and administration. Two, a lower cost of funds from continuing to optimize our already strong retail deposit funding base through enhanced savings propositions to meet the wider needs of our customers and a more dynamic management of the associated interest rate risk that arises. Three, a small increase in non-interest income driven by Snoop, which will have a broader product proposition to meet more customer needs, all delivered by improvements in our technology over time. And four, evolving efficiencies from our existing cost transformation program and the gateway technology transformation being delivered.

This is expected to be underpinned by managed growth in our receivables over the coming three years, noting that a different timetable delivery of the above four building blocks will drive a non-linear growth trajectory between now and 2026.

To summarize, in addition to delivering mid-teens ROTI returns in 2026, we plan to meet the following targets. Firstly, a 19% NIM including second charge mortgages or greater than 17% with factoring second charge mortgages. Improvements to both our pricing and our cost of funds will be offset by the dilution from a broader mix in our receivables book, in particular, second charge mortgages. This should provide greater stability to our earnings going forwards. Secondly, a significant improvement in our cost to income ratio to around 49% or lower due to a combination of increased income and a transformed efficient cost base. Thirdly, continued growth in our already high levels of retail funding to ensure we continue to meet over 85% of our funding needs, the retail savings and deposits. You will note that we are not providing a long-term CET1 capital ratio target.

Firstly, we continue to evaluate our risk appetite. Secondly, regulatory requirements are typically reviewed every three years, therefore, we expect to update this over time. Finally, we intend to review our dividend policy in 2026 when we expect to have a much higher level of profitability when compared to the period from 2023 to 2025.

I hope this has helped give you a better understanding of how we plan to deliver a much more attractive financial profile for Vanquis. It's been an incredibly busy four months since I started, but I'm fully committed to helping rebuild this business. There is a lot of work to do, but we're already making great progress and there's a lot of great potential here.

(Break)

Ian McLaughlin: Look, you heard obviously in the plenary sessions earlier, you heard from Jill on customer, you heard from Gem on tech transformation, you heard from Dave on the numbers and how we're sort of pulling this together. We didn't want it just to be presentation after presentation, so we're taking somewhat more of a risk at the minute. You can imagine as a management team, there is nothing more fun than your boss quizzing you in front of an audience of investors and analysts. So they're delighted to be here honestly, if they tell you anything different later. But look, we think this should be quite a nice way to do it. We have prepped a little bit so you'll see some supporting information.

We're going to talk about delivering for our customers, driving sustainable growth, and building an efficient organization. But I think maybe start with some introductions. Jill, you obviously introduced yourself earlier, so welcome again.

But, Gareth, can I come to you just to say hello to everybody?

Gareth Cronin: Sure, Ian.

Hi everyone. Good afternoon. My name is Gareth Cronin. I've been with Vanquis now for four and a half years. For three of those years, I was the group's Chief Risk Officer. And last year, I had a brief stint as interim CFO before Dave joined us, and I'm currently leading out on our transformation program. Prior to joining Vanquis, I had leadership roles at Irish Life Assurance, Aviva, and Allied Irish Banks, and I played a role in large transformation processes within each of those organizations.

I joined this group in 2019 because of its unique social purpose. It really, really appealed to me, and I see it as a key differentiator in the UK banking market.

Ian McLaughlin: Super. Thank you, Gareth. John, let's come to you.

John Natalizia: Hi, everyone. My name is John Natalizia. I'm the chief digital officer here at Vanquis but also the CEO of Snoop, 25 years in the industry, primarily focused in lending and digital banking. But really, my area of expertise has been building businesses and banks within banks as well as last five years, setting up Snoop with Jem and many other colleagues, literally from my front room, and now delighted to be back in full banking. And I'm looking forward to talking to you about Snoop.

Ian McLaughlin: And as you can tell, John sings bass in the band as well, which is very important. Great. John, thank you. And last but by no means least, Mr. Fielder.

Ian Fielder: Very good. Afternoon. I'm Ian Fielder. I'm the chief operations officer for Vanquis. I've been with the group for four and a half years. As one of the elder but not eldest, I hasten to add, members of the team, I've got 35 years in financial services.

I've had senior leadership roles at Lloyds, Halifax, Bank of Scotland, Virgin Money, and I've made a career out of building, fixing, and transforming businesses, which is actually what attracted me to Vanquis. We've done a lot. We've still got a lot to do, and we'll be talking a bit about that in a short while.

Ian McLaughlin: Super. Thank you, team. Right. Let's get to some questions, then. Jill, I'll come to you. Great update earlier, I think, lots of information, and we will get to Q&As from the floor as well. But eight weeks in, I think you said?

Jill Armstrong: Seven. Yeah.

Ian McLaughlin: Seven. Seems longer. You should've done more. Most interesting thing about our customers that you've learnt so far?

Jill Armstrong: It's really, coming from a prime background into this newer prime space, it's around actually the more complex composition of income. As we look at the UK, you've got about 38% of people in receipt of benefits, whether that's universal credit, housing benefit, income support, those types of things.

As we look to our stretch book managing cohort, that increases to 40%. But actually, if you look at under financial pressure, which is most of the customers we serve today, that increases to 54%. Those complex makeups of income aren't fitting through that cookie cutter approach of automated decisioning, et cetera, very well. In terms of how well we are positioned, understand that better than anyone else, and serve those customers better than anyone else, I think we're in a really strong position.

Ian McLaughlin: Okay. Thank you. John, let's come to you. We've talked about Snoop. Jem talked about Snoop earlier as well. Key differentiator for us in our plans going forward. For the audience, not everyone will necessarily have used it or seen it, but do you want to just give us your overview? What is it? How does it work? What does it do for customers?

John Natalizia: Thank you. What is interesting, I find from listening to Sonada is that we are already helping Sonada and some of her needs through Snoop. We created Snoop five years ago, as I mentioned earlier. Our mission, really, was to make everyone better off.

And although our customer base is broad, it's spread nationally, we don't skew in any particular city, however, we do primarily skew towards the stretch book managing cohort, which I think is important as we fit and integrate the services that Snoop offer into the wider Vanquis proposition.

And thus, I really believe that the capabilities that Snoop brings and the customer proposition can act as an accelerator to fulfil the beyond banking products and services that we can do to satisfy the three core needs that Jill outlined earlier.

I'll quickly now show you what Snoop does, but ultimately, it is there to help you manage your money. It's there to make you feel more confident and help you make better financial decisions.

The first of all, as you heard Sonada say, you can view all your accounts in one place. We currently connect to 65 banking brands, and on average, each customer connects three different bank accounts to us.

And just to give you the first of a few things I'll talk about over the next 10 minutes or so around our data, every time a customer connects their bank account for the first time, we bring in two years' worth of transactional data. I'll give you a little bit more in a second.

Secondly, we help people manage their money. There are a range of features to help you understand where you've spent, forward-looking, things to look out for, and you can categorize and manage your spending across all your different bank accounts, really whichever way you want.

Thirdly, we give you access to personalized insights and ways in which you can save money. Fourthly, you can set up a budget, two simple taps. And finally, something we launched three days ago, you can now in Snoop view and manage your credit score.

This is something that we have built since we've been at Vanquis. We started this project from scratch, and four months later, we've already deployed it out to our whole base and users are starting to do that.

Snoop also helps customers switch a range of different bills across a range of different categories, and this is one of the ways in which we can support customers, save hundreds of pounds a year, and also one of the three revenue drivers for Snoop.

We do all of this using open banking data. For those of you familiar with open banking, it is highly supported by government and regulators as a way to create better customer outcomes. I think Snoop is a great example for it. And one of the things I'm most pleased about is as we have built our vision forward for the whole group, I'm really confident that Snoop fits in fantastically with that from a customer proposition perspective.

Ian McLaughlin: As you can see, the challenge sometimes is to get John not to talk about Snoop eventually. But, no, really love the passion, John. Really good. Look, it's a very enumerate audience here, so if there was a couple of things that you wanted them to take away from all of that, what would they be?

John Natalizia: It's a good question. Thanks for asking it, Ian, because I think aside from the customer proposition, there are some things that I think the group can leverage and things that I, with my group hat on, I'm thinking about.

First of all, Snoop already makes money. Clearly, it needs scale, and I'll talk a bit about how we do that and some of the numbers behind that in a moment. Secondly is our acquisition. We have built in-house know-how to drive direct traffic and customers to us at a significantly low cost, and that is something that we can use to leverage for the group, both from actual, practical bringing customers in, but also from a capability perspective.

We are a data-driven business. For me, being customer-centric, it's all about data. Everything that we do in Snoop is based on hard facts, data-driven decisions, and the way we attract customers, and the way we understand what their needs are, and the way we target them, and how we recommend things to them, et cetera, et cetera, et cetera.

And this is the type of capability that you heard Ian and others talk about earlier that I want to, as part of my other side of my analytics responsible within the group, is drive this behaviour across the whole organization. Of course, the platform Jem talked about, how the group can leverage, of course we can build great apps.

But finally, my management team and I who set up Snoop, and some others who joined along the way, we have years and years of FS experience and digital product development experience. I think that's been one of the reasons why we've integrated so well and actually are very complementary to supporting, or one of the things that will support the future vision of the business.

Ian McLaughlin: And linking back to what Jill said earlier, if the cost of acquisition through an affiliate or a price comparison website is, I don't know, an average £70, what's it through Snoop?

John Natalizia: Sub seven pounds.

Ian McLaughlin: Okay. Important. Right. Thank you. No. You touched on open banking. Jem, you mentioned open banking as well. Gareth, let's come to you with your risk and regulatory hat on. What are we doing in terms of helping customers with credit through that use of open banking, either Snoop or broader?

Gareth Cronin: Sure. No problem, Ian. Well, Snoop and open banking can enable us to have a tailored and bespoke credit scoring capability, including true financial performance, including spend and save analysis. It is important to note that the customer with a disposable income of £2,000 per month who saves regularly and lives within their means is a very different risk profile to a customer who doesn't save regularly and spends recklessly.

We will design credit worthiness outcomes that generate a not yet answer, and then Snoop can work with the customer to turn that not yet into a yes. Let me give you a little bit more detail on that. If a customer is unsuccessful within our affordability process, joins Snoop, enhances their credit profile, and ultimately demonstrates an ability to manage their finances, then the not yet will turn into a yes.

This will lead to lower declines, higher customer satisfaction, and ultimately higher sustainable growth. We will also provide customer-focused solutions to ensure that the customer is aware of all of their options. Let me give you an example of this.

On this slide here, we're comparing our legacy approach to our revised approach. In both cases, the customer has a £2,000 limit, has a £1,900 utilized balance, which is increasing, and in both cases, the customer is potentially in financial difficulty.

Under our legacy approach, we would probably provide forbearance. We would have to provide it on our balance sheet. And the customer's credit rating would be negatively impacted. In short, nobody wins.

Under our revised approach, the customer could join Snoop. We are aware that the average Snoop customer can save around £120 per month. We can then offer the customer an instalment plan to pay down the credit card limit, and the customer can use the £120 per month to do that.

Under this approach, we do not need to provide forbearance. We do not need to provide on our balance sheet. And the customer is financially better off. In short, everybody wins. This is a much more customer-centric outcome.

Ian McLaughlin: Great example. Very good. Thank you, Gareth. John, you mentioned your broader responsibilities as you were passionately talking about Snoop, quite rightly. Tell us a little bit about the overall customer experience that you're trying to create.

John Natalizia: Yeah. The vision, really, here is to create an integrated digital proposition for everyone. The way we're thinking about it is take all the things that Vanquis has, all the structural advantages that Ian outlined at the beginning, licensed, balance sheet, capital, et cetera. Add Snoop's money management platform. Integration those together to satisfy all the three needs, I think, will create one of the most unique propositions in the market for this target audience.

Customers will be able to manage all their Vanquis products in one place, and we will understand what they are doing just with those products. But additionally, they will be able to connect all their other bank accounts and relationships and use the Vanquis app as a general banking app. That brings a huge amount of information for us to understand our customers.

We will, of course, integrate all the Snoop value-added services into this experience, and the customer can use us for our products and other products without the need to worry about having to change a current account. And for Vanquis, we get all the rich data from them connecting their bank accounts without us needing to build and run a highly expensive regulated current account proposition.

That's where I think there is an opportunity for us, data-driven, satisfying the key needs for this segment, and I genuinely personally believe that there's nothing out in the market for this segment.

Ian McLaughlin: Super. One last question on Snoop. Since you joined Vanquis family, and particularly this year, I guess, the audience are probably quite interested in how's the volume going. What are you seeing overall? And what are you seeing in terms of Vanquis customer growth?

John Natalizia: Sure. As Ian mentioned earlier, we have just under a quarter of a million active customers within Snoop. Since joining Vanquis, we have grown very significantly. On average, in the last quarter, we've been booking 30,000 new connected accounts every single, customers every single month in this last quarter.

The number of people that are Vanquis customers that are now using Snoop has trebled since we started actively discussing Snoop with them only a few months ago, and it's growing, keeps on growing. But interestingly, customers say great things about us that I think are important, as you've heard some of the customer videos, and a few more to come. Eight out of 10 of our users now feel more confident about their money that they're using Snoop, and nine out of 10 trust Snoop's recommendations and prompts and nudges.

Ian McLaughlin: Super, thank you. Ian, let's come to you. You've been sitting very quietly at the end there, looking younger by the second. You run the service teams, right, the operations teams, the people that have the real conversations with our customers. When we're talking about care and heart, it's your teams that have often really lovely conversations and sometimes very challenging conversations.

I want to give you a bit of airtime on that, but we got a lot of questions this morning and even a few at the coffee break around the complaints issue that we're dealing with at the minute. Your teams are also the ones that deal with that. Do you want to just give us your perspective as chief operating officer on complaints first, and then we'll come to service?

Ian Fielder: I absolutely will. And as you say, there's been a lot of talk about complaints over the last couple of weeks, and some great questions this morning. Let me start by just talking about the nature of the complaints we get, where they come from, and importantly, the merits of those complaints. I'm going to use just a few slides to help illustrate this.

The first slide, we get two types of complaints, broadly. We get general servicing complaints. Every financial institution gets general servicing complaints, and I'd like to cure that as a conversation here. They're fairly simple to administer. They're relatively cheap to administer. And actually, it's not the issue that we're really dealing with. I'm going to put that one to bed for a minute.

But we are going to focus on our lending process complaints. They make up 61% of all the complaints we get. Now, where do they come from? Next slide. Of all of those lending process complaints, 91% are coming from claims management companies. We get 9% direct from customers, and they tend to be from templated forms from consumer websites. But the vast majority, 91% are coming from claims management companies.

And of those, 65% are coming from one particular claims management company, and you referenced them this morning, Ian. This is the company that we have commenced legal proceedings against, and we'll talk about that a little bit more in a moment.

Now, this is really important. You heard Dave earlier talk about uphold rates, uphold being the number of those complaints that we actually agree with and put the customer right. And I would like to stress, before we go any further, this isn't about those genuine complaints. If a customer's got a problem and we've made a mistake in the past, of course we put it right.

But this problem isn't about genuine complaints. It's about the huge volume of non-meritorious complaints. This graph shows you between 2018 and 2023 the number of complaints we've had as a percentage of total credit cards written in one year, and importantly, it shows you the number of those complaints we've upheld as a percentage against the number of credit cards written in any one year.

And you'll see, going back to 2018, we've upheld less than 0.2% of any of those cards written in that year. And actually, that get less and less as the business gets newer and newer. I think that's really, really important.

We've spoken a little bit about the merits of these complaints. The fundamental fact is, we're getting lots of volume. They're very costly to administer. And as Ian's mentioned, the results announcement this morning, despite our outcome, these companies are passing those complaints over to the financial ombudsman, and regardless of the merits of that complaint, we're getting the fee from the financial ombudsman. This has become a costly administrative problem.

Let me just move on to how claims management companies are recruiting these customers. Now, I've been in financial services for 35 years. I'll say that quietly. But I have to say, this one's testing my sense of reasonableness beyond all belief. You'll excuse me if I get a little bit frustrated and a little bit angry over the next couple of minutes.

But let's talk about how they're recruiting customers. We have successfully won an Advertising Standards Agency complaint against said CMC that Ian has referenced this morning. And actually, they're using paid actors with high value fictitious checks claiming that in a few clicks, you can get thousands of pounds back from Vanquis.

As I say, we've appealed against that advert. We won, and we've got numerous other complaints back with the Advertising Standards Agency. Largely, and this is common across a number of claims management companies, it's social media adverts inducing customers for quick bucks for a couple of clicks.

Now, as you would expect, we've researched the companies, particularly the said company who we are not naming, and we've looked at their process. And this does blow your mind, frankly. If you click on the link on these social media adverts, you literally get taken to a very basic questionnaire. They ask you a number of questions. Those questions don't actually talk about your financial situation at the point the loan was made, and that's actually the crucial piece of information to be able to understand whether it is a valid claim.

You go through. You're congratulated on having a successful claim. And lo and behold, despite not replying to any of their requests to identify yourself to validate the claim, and they tell you they can't progress it without that, but they do, despite not replying to any further information, a few days later, those claims are arriving into our office.

And believe it or not, on some of the claims that we've researched, the customer didn't even have the product in the first place, and yet that claim arrives. We have to process it. We have to investigate it.

That just gives you a sense of how ridiculous this has become, and it's not just a Vanquis issue. This is becoming an industry issue. Okay. I'll calm down a little bit, but it's not just me. This is actually upsetting our customers, and at this stage, I'd like to show you a real quote from a real customer, Pamela. She actually wrote in to me. Pamela just shares her frustration about an alleged complaint that was progressed on her behalf. Let's just hear from Pamela.

Customer Example: Hi. I've not authorized anyone to act on my behalf. I'm a Vanquis customer, always pay on time, and have no issue with you. I'm satisfied with the service you provide. I've contacted these solicitors, who I did not instruct, to stop this and remove my details.

Ian Fielder: Now, that's Pamela. That's typical of a number of customers that we've heard from that either had no knowledge of the complaint or certainly didn't ask for that complaint to be progressed. Again, calming down a little bit. Importantly, and it was a great question this morning, what can we do to address this?

We're doing a number of things at the moment. The first is we are actively talking to all of the regulators. We're talking to HMT. We're talking to the Financial Conduct Authority. We're talking to the SRA, and we're talking to the Financial Ombudsman Service. They are actively listening, and they are showing a real interest in this growing problem. We're doing that. As you've referenced, Ian, we have commenced legal action, and we wait to see how that progresses.

But there is a third and very important thing that's happening across the industry, and you mentioned it earlier. The financial ombudsmen at the moment are in the process of consulting about how we allocate the false fee. If that consultation goes through and it's looking very promising, they will have the ability to allocate the false fee to the third party that is advancing the claim. And if you continue to submit un-meritorious claims, then that fundamentally, as they've said, will change their business model and start to hopefully regulate a bit more the types of complaints we're getting.

Ian McLaughlin: There is some light at the end of the tunnel-

Ian Fielder: Absolutely.

Ian McLaughlin: ... on multiple fronts.

Ian Fielder: Absolutely.

Ian McLaughlin: Maybe just take you to the customer bit again for a second, because I'm not sure everybody, I certainly didn't really understand this. What happens if I'm in a shop buying my groceries, and a complaint that I didn't know anything about lands on your desk or your team's desk, what happens to my credit?

Ian Fielder: Yeah. There's some horrible customer journeys. As a responsible lender, if we get a complaint from a customer purporting to have financial difficulty, we need to act responsibly. We will limit their credit. If they've got a vehicle with us, we'll end up having a conversation with them that says, "Can you keep your vehicle?" And clearly, customers are using these vehicles to run kids to school, to get to work.

There is consequences to making these complaints. And in your example, we'll write to the customer and advise them. But ultimately, it will stop their credit. Complaints we're getting that aren't genuine can cause real harm to our customers.

Ian McLaughlin: Pretty serious stuff from a customer perspective.

Ian Fielder: Yeah. Absolutely.

Ian McLaughlin: Thank you for that. I'll move off that just because I'm worried about your blood pressure, and you-

Ian Fielder: I feel myself getting a bit heated. Yeah.

Ian McLaughlin: Yeah. Doesn't show at all. Don't worry. Look, let's go back to what we said at the start. Purpose, caring banking. Your teams are the ones that deliver that in the main. Let's go back to, how does it feel in terms of delivering service? What's working? What are you pleased about? And where are you in the transformation journey?

Ian Fielder: Yeah. Great. Look, you showed a great quote from a customer earlier, and we talk about banking with heart. We want to fill the screens with these amazing quotes from customers that says, "You really, really help me when I need you."

There's two things our customers say to us about great service. The first is, "Make it really quick, simple, and efficient to let me go about my everyday banking in a frictionless and easy way." And the second thing they say is, "Be there when I really need you. For those really important life moments, we want that personal touch."

Now, we know today that our technology doesn't support as much automation, self-service as we'd like. That drives volumes into our operations which is not very efficient, but equally, it creates friction for customers. But we've equally heard from Jem. We are going to, through Gateway, create those new self-service opportunities. We're going to develop the app. And therefore, customers will be able to do that frictionless bit in the future very, very well.

Now, that will leave us to deploy our brilliant colleagues to help customers when they really need us the most. That may be they've missed a payment one month, and they just need a bit of help and attention to correct their payments. Or it might be, for customers who've got really deep-rooted problems, and as you said earlier, our colleagues have to deal with some really, really difficult situations, and they are brilliant at doing it. And that's where we get that type of great feedback.

Ian McLaughlin: Couple of things maybe to take away, if I just pull a few things out of what we've said. The demand for us is increasing in our customer base, and the supply from our competitors is decreasing. That's a real opportunity.

We will grow prudently, though, and Snoop is a real differentiator, because for people like Carrie or people that are struggling, saving £120 a month may make them eligible for credit in the first place and able to support that credit way better than they would have been able to do without that saving.

We are tailoring our credit processes to be better and looking for that, "Not yet, but we can help you maybe with H&T pawnbrokers and there's other plans," and that sort of space that we'll talk about over time.

We are taking action on complaints. I don't need to reinforce what Ian said. I think you got that. But it is really about the care in our customer service. That's what you get when you deal with Vanquis.

Okay. Let's change gear a little bit. Let's move to sustainable growth, then, because it can't be just about care. We're not a charity. We are a bank. Jill, let's start with you. I know we're moving to not talk about product lines, but Dave rightly said earlier that we sort of have to at this stage, and we'll build over time to not. But how are you thinking about growth in the key product lines that we've got at the minute?

Jill Armstrong: Thanks, Ian. And look, Dave has taken us through, what do the receivables growth trajectories look like on each of our product lines? What we're putting up on the screen around bringing some of the key enablers to life that are going to support that growth. Some of the key themes that you'll see there is our capability to offer better journeys to customers, faster to market on new products and pricing, and improving our efficiency across the board.

Other key enablers are on our data and analytics to make sure that we're continually engaging customers and optimizing our pricing and growth. And then in the vehicle finance space, it's around expanding our product set beyond just higher purchase that we have today and moving into further asset classes such as leisure that will allow us both to lend more but also to expand our distribution beyond where it is today.

Ian McLaughlin: Good. John, Snoop, its role in this.

John Natalizia: The two things I want to cover here, one is on a growth and revenue side, and one's on the efficiency and cost side. On the growth side, as I said earlier, we generate revenue now. Snoop makes money in three different ways, firstly, through switching commission when a customer decides to switch a bill across the 17 different categories that we have.

Number two, through our subscription product, which offers you advanced money management features. And between 10% and 12% of our front book take on that subscription and pay either yearly or monthly with us in the first month of joining Snoop.

And thirdly, Dave alluded to this a little bit, and I have as well, we've amassed a huge amount of data, £100 billion worth of transaction values, two billion transactions. We have packaged, anonymized all that data and built a number of data products that we now offer to other businesses who want to understand spending trends and a whole range of other things in real time, because of course, we have all the data. It's only two or three hours old on our platform because of the way open banking works.

That's really on the revenue side. In terms of the contribution, as Dave mention earlier, to non-interest income, that's really what we can do for a group perspective. We currently, on an annualized basis, drive between £12 and £14 of revenue per monthly active user. I think that's part of the contribution that will grow with time. As Snoop always needed, we needed a scale, and here we are now. We can drive some more of that scale.

From an efficiency side, Jem talked a lot about the savings that we can drive in developing this new integrated customer proposition and the app, and we can do it in a more cost-effective way. Jem quoted 50% less than we'd originally budgeted for. I think the most important thing is the way we're going to do it and how we do it, and everything that I have done and my team have done, we execute at speed, and that's what we will do with Jem and my colleagues going forward.

The most important thing, I think, in the efficiency side of things is our customer acquisition cost. It's sub seven pounds for a fully connected customer, bottom of the funnel. That is highly efficient, and I would say strong for some of the others in the market playing in the space, direct to us.

Ian mentioned briefly benchmark data for a credit card CAC is around £60 to £70. For a loan, it's £100, £120. There's clearly an opportunity to take the learnings and help support the rest of the business acquiring customers more direct to us.

And secondly, acting as a vehicle as customers onboard at a low cost in Snoop and referring them into Vanquis products in time. Those are the two things, Ian.

Ian McLaughlin: Super. Thank you, John. Got to get you some punctuation one of these days, but that's very good, very good. Look, this is about sustainable growth, not just growth at any cost.

Gareth, maybe I can come to you. How do we know that we're growing in the right way? Because there's a long history of banks growing quickly and then regretting some of it. Do you want to talk to us a little bit about that?

Gareth Cronin: Yeah. Sure. Happy to do so. I'm sure many of you are probably wondering why the transformation lead is speaking about risk management. Well, as I said in my introduction, I have been the group's chief risk officer for three years now. We are well advanced in terms of finding a new CRO. But for now, I still hold the SMF4 accountabilities, so therefore I'm best placed to speak to you at this point on risk management.

Firstly, I should mention we're not starting from scratch. In 2021, the group initiated the risk harmonization program that brought together the business unit risk teams into one groupwide risk function. This has significantly strengthened risk capability and risk culture.

And in 2023, the group's board risk committee commissioned an independent external review by PwC into the strength of the risk function. You can see a summary extract from the report on the slide here behind me. The function has been independently verified and is well-equipped for further enhancement. A strong risk function will enable the business to deliver sustainable growth and lower impairment.

I think it's also very important to recognize our successes, and one of our key successes has been the implementation of phase one of the Consumer Duty Regulation. This will lead to better and fairer outcomes for our customer base.

But enough about the past. I'll now talk about risk improvement going forward. From the very start of our strategic review, we recognized that risk was a key enabler for Vanquis, and we will invest in three keys areas, risk skills and capabilities, risk culture, and risk operating model and processes.

If I start with skills and capabilities, we aim to become a state-of-the-art credit risk function. As Jill mentioned earlier, currently we decline over 20,000 direct credit card applications per month. That's more than 90% of the total applications. If we can amend our process safely and appropriately, we can deliver higher acquisition, higher income, ultimately higher sustainable growth.

And building on Jem's Gateway presentation, Gateway will enable us to have enhanced machine learning, data decisioning, scorecard building, and risk based pricing. And also, you heard Jill speak of the H&T and Ian speak of the H&T partnership. It's a really good example of how we're finding different solutions for our customers.

If I move on now to risk culture, we will embed an enterprise-wide risk culture. We want the business to be agile and to move at speed. Ultimately, this will lead to lower volume of risk events, lower operational overhead, a more efficient way to risk manage, and ultimately a more profitable business. Currently we hold £35 million in operational risk capital. If we could reduce that by 20%, we could use that additional capital to generate a higher commercial return or enhance our customer journeys better. And then lastly, with respect to operating model and processes, we will embed risk management in the first line of defence and ensure there's adequate delineation between the first and second line. This will align commerciality with risk management, and ultimately will lead to lower bureaucracy and lower cost. Thank you.

Ian McLaughlin: Super. Thank you, Gareth. And look, there's a theme here. I'm going to move us on to our last topic, which is efficiency of the organisation. And I might come to you, but there's a theme that you're already well-progressed on this risk efficiency we heard from Jem. Gateway is already well-progressed. This isn't stuff we're starting from scratch. We're actually in a really good place, and that's why we can get to the sort of numbers that Dave was talking about this morning. So there's a general theme about the key things that are going to make us successful are already in train. Ian, as I said, I'll come to you. Same theme. Operations, you've been doing a huge amount. Do you want to tell us what you've done so far and what you're planning to do next?

Dave Watts: Yeah, as you say, a lot's going on. We've delivered a number of things, but there's still more to come, so let me just talk through a few of those things. The first thing we've done is we've looked at our structures across all of the organization. You heard Ian talk this morning. We've taken a number of roles out. We've been looking at consolidating functions, as Gareth's explained, we've looked at our spans, our structures, and we've taken out inefficiency. In operations alone, by just by amalgamating the teams and taking out efficiency and administration costs, we've saved over £4 million per annum on an annualized basis. We've also shared that we're in the middle, or coming to the final stages, actually, of a major outsourcing program. By the time that completes, we'll have offshored to South Africa in Cape Town. And this is me meeting one of our latest intakes in Cape Town in South Africa.

But we're going to offshore approximately 80% of all of our high volume, low complexity operational tasks. That's going very, very well. As I say, we're in the final stages. It will complete in Q3 this year, and that's going to take £8.5 million out of our cost base on an annualized basis. We've been working very, very hard on our credit card collections processes. We've been going on this for over two years now. And the numbers Dave shared with you earlier will already factor in a lot of that risk adjusted margin benefit from those collections processes. But we have a big opportunity to deploy those trusted proven processes in our vehicle finance book, and that's in flight as we speak. And then we've been working very hard on our recoveries approach as well. And again, I think we mentioned earlier, we've put forward debt sale contracts in place on our credit card book, and again, we've got that opportunity for our vehicle finance book.

In our credit card book alone, we've increased our recovery rates by 60%, the yields on those recoveries. So again, that's gone very well, we've got the experience and we're now looking at that vehicle finance book. And then of course, last book, by no means less. We keep coming back to Gateway, Gateway will transform our operations, and it will drive huge efficiency. So if we get this self-service in, when we get this self-service in, that will take demand out of our operations because customers will be able to self-serve and deal with those basic everyday needs. When we get automation in, that will take demand out of our operations, and we'll have the ability to service a customer across all of their product holdings in one single interaction, and that's going to take cost out of our operations as well. We estimate the annual cost save of that, which we will deliver in 2026 to be between eight and £11 million. So as I say, we've done lots, but there's still lots of opportunity to come.

Ian McLaughlin: Very good. Thank you. Well done. That brings us to the end of the panel session, but don't relax because instead of me asking you questions, you now get the joy of our guests asking you questions. So maybe I could ask Jem and Dave just to come and join us, if that's okay. And Miriam will move straight to questions in the room or online, or... Super. Let's do that.

Q&A Session

So because I know you lot, and I know you ask multiple questions, I'm going to have to get a pen out to make sure I don't miss them, but we've covered a huge amount today, and thank you for listening so patiently and attentively, but this is your chance to ask questions of me and/or the team. We've got the rest of exco here at the front as well, so brace yourselves. There may be some coming your way too, but what would you like to ask? Could I just ask... We've got mics. So there's two questions over here Bex. If you could just say your name and the firm you're from, just so that we can catch that as well, that would be great.

Justin Bates: Afternoon, thank you. It's Justin Bates from Canaccord. Thanks for the presentation. Very useful. Can I just take us back to Snoop, because it seems to be really quite key to the medium term plans here? So I'd find it really helpful just to understand the revenue model in a bit more detail. Again, you highlighted the three areas, but if we were to break those down in terms of percentage contribution to total revenue for Snoop, that would be helpful today versus 2026 as well, if there's any major change Secondly, how you're planning to grow the user base of Snoop over the next three years. And then finally just a rough assumption for the penetration stroke referral rate from to Vanquish for new business, please.

Ian McLaughlin: Okay. John, I guess you're up on this.

John Natalizia: Fine. So the first question in terms of the split of the revenue, it's about 50% for switching commissions and affiliate relationships that we have 25% on our subscription product and 25% in our data sales business, all proportionally growing together in time. The penetration of the... So your second question.

Justin Bates: Yeah, the second question was, how you intend to grow the user base.

John Natalizia: Yes. Okay. Yeah, so we'll do in two ways. So first of all is to continue our direct marketing initiatives as we do right now with a CAC of about sub-seven pounds. It continues to get more and more efficient. And then secondly, also through referring the VBG base as it's growing into that. And roughly in 2026, if you think about Snoop, there's roughly a 50%, 50-50 new and whatever. But we can manage that. We have the flexibility to manage that and how much we grow Snoop versus grow the core business. In terms of the future assumptions around penetrations, I think I defer answering that, if that's okay

Ian McLaughlin: Justin, thank you. And the only thing I'd add to what John said, the way to think about Snoop, and we can follow this up offline if you'd like more detail, it both generates revenue, but it also saves us cost, be it cost of acquisition, or as Jem described earlier, the app development team are about 50% of what we pay in the marketplace because we've got them embedded in the business. So there's two layers to it. Okay. Behind you.

Ed Firth: Hi, thanks so much. It's Ed Firth here from KBW. Yeah, I had two areas of questions, really. The first one is around margins, because I guess the old Provident Financial used to talk a lot about unserved customers and embracing and loving the customers, but it is coming with a 17% margin, so they are paying up for that love, I guess. And I guess my question from that is what sort of impairments are you expecting to go with that? Because it certainly seems to me that the regulator at the moment is very interested on high margin products when there's not an associated cost with that. And that seems to be an area of his focus at a number of times. So I wonder, have you had discussions about that? Why 17%? Why not 15? Why not 20? And how should we expect that sort of balance to come through? So I guess that's my first? Do you want me to come onto the next one as well now or-

Ian McLaughlin: Sure, let's capture them.

Ed Firth: The other thing is embracing customers and having relationships, I think that's sort of something in financial services which everybody's looking for, but you've got quite a narrow product set relative to say some of the big banks. And I'm just trying to think how do you see that being addressed going forward? Is that like a Snoop thing where you'll be taking products from other people and perhaps taking a commission, or do you see potential over time. And I'm obviously not talking in the next year or two, but adding product sets to your existing data set. And would that be more towards the prime end or more towards the subprime end? How would you see that evolving as you go forward? Thanks so much.

Ian McLaughlin: Thank you, Ed. Look, two really good questions. Dave, we'll maybe come to you on margins, but back to what we described earlier, I think, Jill, it was in your section, consumer duty is actually hugely helpful for us here and we have really strong interactions with the FCA and the PRA, but this is mainly FCA space about, is this high cost of credit or how are you thinking about this? Our answer is really anchored in the principles of consumer duty, which is you have to demonstrate your central cost, your cost of funds, your cost of risk, your cost of administration, and your cost of distribution. And from that, you can evidence why you're charging what you're charging. And that is enormously helpful to us because I think before, there was a, why is it a 49% credit card, or a 35% credit card?

And it was a bit of a black box or a dark art. And so the conversations we're having, certainly with the FCA, are very positive around clarity of, I think one of the team mentioned earlier, risk-based pricing. Some of our customers do have a higher propensity to default, and we have to charge for that. Otherwise, we can't serve them at all. But we don't want to overcharge for it, and consumer duty really helps. So that would be the first thing I'd say. Jill, I don't know if you want to add anything on that.

Jill Armstrong: No. Look, I think that's a great answer, Ian. And I think as we embrace more customers, it's understanding that target market, who you're going after and how you're appropriately pricing for that, and then having the mechanism to monitor customers as they go through their life cycle. With us, I think what we've done historically is we've taken people who are in a challenging situation, and then they've cured and gone on somewhere else. Ideally, we want to be building lifelong relationships, serving customers incredibly well and when they progress and are more financially healthy than before, we want to retain them and reward them by having other products for them to go to. So I think there'd be an expansion in set in that way so that we can have longer and deeper relationships with customers.

Ed Firth: Coming back on that, can I invite you just to give us some idea of what is your expected through the cycle provision rate that would be commensurate with that 17%?

Ian McLaughlin: Dave, that one, we can come to you on.

Dave Watts: Just a few, if you don't mind, Ian. The 17% was net interest margin. That was the target excluding with mortgages, second-charge mortgages included in there. This small now gave a quick guide about what a risk-adjusting margin would be, which I guess I think the question is. What we're looking at is being around about 12 to 13%, which is just in margin in place. I do think there's work where our numbers this year was £161 million, well, so 2023 number was, it's going to go up from there. I do think there's things in place that will help our management of the impairment. I think from Jill's world, a better understanding of the customs we're actually banking, I think that would be a good thing from there. I think there's things coming through from the technology that Jem will deliver. And in propositions about how we better manage our collections processes in place there, they will help us out and as John said about Snoop, financial management from the, have an app to help you there, that should help our customers not get into that position where they become impaired.

Ian McLaughlin: And Ed, maybe if I can just bridge to your second question then, because let me give you an example of... This is about helping our customers have better credit and better experiences. So that's good for them and it's good for us because it's less impairments and less cost to manage. But one of the things in a forbearance cycle that we're looking at at the minute is if a customer rings us up and says, "Look, I'm in difficulty." So they call Ian's lovely teams and they get a really empathetic conversation, and let's say they say, "My motor finance cost is £120 a month and I can't afford that for a period of time. Can I pay 50?" One of the things that we're looking at doing is how do we introduce Snoop at that stage? So rather than saying, "Yes, we'll take a hit and write you down to 50 and help you through that and get you back to being able to afford it," actually, we're now able to give them the tools to help them afford the higher premium.

So we might say things to them like, "Well let's not move you yet. Take Snoop and use that for a couple of months, and then we'll see whether you can continue to pay your 120, or maybe it's 100." Or maybe if they're slightly more challenged than that, we could be in a situation of saying, "Okay, let's agree to 50, give you breathing space of a couple of months. But if you use Snoop, then we'll review it at the end of the couple of months." So it's very similar to the example Gareth gave earlier about just trying to think more creatively about how do you genuinely help rather than just take an action out of a challenge that they've got.

That's what we're trying to shift to, and that is why Snoop is so important. And if I then bridge that to the second question about, are we going to build other products, I would love a situation where we are helping customers that we've got in the book at the minute whose credit is getting better and better, because they will come to us at some stage and say, "I'm not sure I need to pay that premium for a credit card anymore or whatever. I can go and get one from a prime lender now because you've done really good work helping me improve my finances. We'd love to have that as a problem, or we could go, well I'll tell you what, we'll build you a prime or lower cost solution so you don't have to move. That would be a really good win-win, and Jem talked about win-wins before for us as an organization. But in the meantime, we might gap fill some things. There are some things we will never do. We are never going to be a pawnbroker, to use the H&T example.

But if our customers need help, and that can be a help that we can connect them to in a fair and regulated way where we know they'll be looked after really well by Chris and his team in there, we know well and they're excellent, and then they can come back to us having paid off what they borrowed, and that actually could be viewed as positive credit payment experience, it's those sort of cycles where we don't need to build everything, but we do want to create a marketplace that can help anyone. And I think that links to your second question.

Ed Firth: Thanks so much.

Ian McLaughlin: Okay, thank you. Other hands? Gary. Jill is sprinting down the stairs gently.

Gary Greenwood: Thank you. It's Gary Greenwood at Shore Capital. I was just looking at slide 38 where you show the ROTE bridge, and one of the things on there you show is a 2 to 3% uplift from greater non-interest income. And I was just wondering if you could talk a little bit more about that. How much of that is coming directly from Snoop? How much is coming from other things? And then maybe also on Snoop specifically, I know you've segmented that out within the account as a separate line item now, a separate division. Are you expecting Snoop to become profitable in its own right, or is it really the benefits that it provides to the rest of the group that you've talked about today which is where the value's added?

Ian McLaughlin: You might create a fight between my exco and that second one, Gary, so I'm quite looking forward to this now. Let's start with the NII. Dave, can I come to you first on non-interest income and Snoop?

Dave Watts: Yeah. Currently, we make about, I think it's about 40 million a year on non-interest income coming through from there. That was the Delta growth up year on year from there. We still make money from fees and clearing charges, things like that. That will be the primary source about that type of income. But John's talked about here, and what we can think gets to Snoop, I'd probably say about three per cent of our overall revenues will probably come from Snoop. John, do you think so?

John Natalizia: Yeah.

Ian McLaughlin: Very civilized.

Dave Watts: That's the sort of challenge I laid down to John anyway.

Ian McLaughlin: Very good.

Dave Watts: So that's what we're baking from the actual Snoop component part of that, so it's not... You think about currently and non-interest income is about 10 per cent of income now, so Snoop brings that additional amount. At the moment, I'd say it's quite small Snoop's only since August time, so plenty to build on from there.

Ian McLaughlin: John, anything you want to add to that?

John Natalizia: No, there was a second question as well. So I think don't think about the revenue just coming from the Snoop people that only use Snoop. Think about those services integrated into the broader Vanquish proposition. In terms of the break-even, of course, our plan on a stand-alone basis is to do that within the timeframes of this investment case. We continually review what the priorities of Snoop. There's clearly quite a lot to focus on, and we'll just continue to review that and work out the right economic model for that. Ultimately, Snoop has to focus on delivering the most value to the whole business, not just Snoop alone. So it is just a balancing out really. Does that answer your question?

Gary Greenwood: Yeah, thank you.

Ian McLaughlin: I think it's a great question, Gary. I would say... I mentioned earlier, I think this has been one of the most interesting and well-executed integrations. Banks and fintech don't always go together brilliantly. They can be a bit oil and water. We've actually ended up integrating probably faster and more deeply than we thought we would. So we started with a Snoop needs to be profitable. Actually, what we're doing at the minute, and this will probably move over time, is deploying the Snoop capability to create the biggest value for Vanquish overall, as well as a value for Snoop as a standalone revenue line.

Gary Greenwood: Good, thank you.

Ian McLaughlin: Miriam, have you got some outside the room questions?

Miriam McKay: Yes, I've got questions from the webcast, if I may.

Ian McLaughlin: Please.

Miriam McKay: So there are two questions here from Robert Sage at Peel Hunt. The first of them is, "The direction of travel towards customers and away from product is clear. What is happening to the divisional heads? To what extent do they make inputs to strategy? And are they more responsible for execution? Do they have P&L responsibility for cards, motor finance, et cetera? And will you keep showing us product-based performance in the future?"

Ian McLaughlin: Very good. Let me start with the last one. I think as long as people need to, for their modelling, to see product-based information, we'll make it available. We'd rather not think like that though because we want to think more holistically about the customer. And whatever their need is, we want to find a way to fulfill. On the divisional heads one, Nicola is here, our HR director, so you might want to comment on this. And Jill, maybe I'll start with you though, just to give Nicola some thinking time, not that she needs it. We have changed our structure pretty substantially over the last six months. So it's Robert's question, do you want to just comment on that?

Jill Armstrong: So there are no longer divisional heads. I'm looking after each of the product areas. They have departed in November. And yes, I absolutely have P&L accountability for all of the products. So look, all of that is in one place and as we think about bringing this together, you will always have product disciplines. They come with different regulatory requirements, et cetera. There's different ways to price and of specialisms in there, so those will always exist within the teams. What we want to supplement that with is thinking through the lens of a customer in terms of how we meet those needs, and also how we think about customer lifetime value across the board. So look, that will be in addition to what we do today rather than stopping what we do today.

Ian McLaughlin: Yeah, so Jill is all our product heads, basically. Nicola, anything you want to comment on just about the transition? I mentioned siloed before, how do you think this is looking?

Nicola Lipson: Yes. Jill has beautifully answered the question. So the divisional heads have left, and were very... I suppose we were very direct around what we wanted. So Ian came in, and we were saying, "Right, we're going to move from product to customer." So Jill was the start of that. Jill was looking at her top line as well. And then really, it's going to be a case of how we create that one Vanquish, and we have everybody in the organisation behind the customer looking at customer needs as we've heard today. So yeah, we're at the very start, but Jill's done a lot in seven weeks already. So yeah, welcome.

Ian McLaughlin: Nearly eight weeks, apparently.

Nicola Lipson: Sorry. Yeah, eight weeks.

Ian McLaughlin: I know I got into trouble for that earlier. Super. Miriam, what else?

Miriam McKay: So this is Robert's second question. Can you talk about why you appear to be de-emphasizing personal loans? Is the provisioning burden too great, on new business origination? Are returns suboptimal? Why are second charge mortgages going to tick the box when personal loans did not?

Ian McLaughlin: Really good question from Robert. And I'll maybe... Shall I come to you first, Dave, just in terms of the product stack and profitability? Why don't we go there?

Dave Watts: I think the first one on personal loans first.

Ian McLaughlin: Yeah.

Dave Watts: Give Jill a bit of time to think about it. Then I'll cover the second charge mortgages as well. So on the first one we paused the active marketing of both the open market and existing market loans back in September of last year from there. What we are about to do is we kick off the moderated scale on the personal loans for existing customers. These are customers who we know them, we know their credit history, we know how they act from there, and start off on a moderated basis, see, look at our customer journey associated with that, see how possibility that comes from there. And if it works out okay, well, Jill will assess that from there. We'll look to bring that back up to higher speed in the second half of the year.

On the second charge mortgage, I think we covered quite a bit before that. We see it in terms of balance sheet diversification, its low RWA density, around about 35%,, and it gives us a product which a number of our customers actually currently have, which we don't provide to. So it's an avenue of further revenue to our customer base in place there. But Jill, do you want to come back to personal loans?

Jill Armstrong: Yeah. Look, to be successful in personal loans, you need a really good end-to-end customer journey integrated all the way through from the front end, how those have been offered to customers, how you are really dynamically pricing for risk and really understanding your customers to get that right. And it has been a notoriously competitively priced product and hard to make money from because you've got the IFRS9 drag where you're putting that upfront. So breakeven points are quite far down the line. So scaling that can be quite expensive. Would we like to be doing more of it than we are currently? Absolutely, yes. I think with the gateway transformation we will get to a really good end-to-end solution. And at that point, we will re-evaluate doing that at more scale than we're doing today.

Ian McLaughlin: And maybe if I can just link back to Ed's question earlier about, do you want to build more products? If I take the second-charge mortgages, the question I get quite a lot in one-to-ones is, why go there first? Surely, first-charge mortgages, if you're going to do anything, that's the place to go. But linking it to Jill's point about personal loans, highly competitive markets where the big banks are efficient and have that cookie cutter, I think is your phrase, straight through process, it's just not our space, right? We're not going to compete within NatWest and Lloyds and Barclays and so on, that kind of thing. Where we can find markets, where there's better margin, less competition... And second-charge mortgages is what, 1.5 billion of organizations a year with one player who's got 40% market share, and probably 300 bips better margin than first-charge mortgages? That's a good place for us to go and look. But it does then bring to Ed's question, if you're offering second-charge mortgages, would you bridge that to first-charge mortgages?

If we can find the right way to do it with the pricing discipline that this team are bringing in, we'll certainly be looking at it because it is an area that... We know 340,000 of our customers have a mortgage. So that's a pretty big proportion, actually. And could we offer it to them over time? I'd love to think that we could, but not for this planning cycle. Look, I'm just conscious of time, and I want to bring this in on time, Miriam, so I think we'll pause there on the Q&A. I know we've got one-to-one set up with many of you over the next couple of days. Easter's slightly inconvenient, but we'll get to that. So anything else, really happy to respond either in writing, if you want to drop us an email in, or save it for that. But for now, I think I'll maybe make just a couple of closing remarks and let the panel sit there looking like a coconut shy for a couple of moments, if that's all right.

So look, firstly, thank you, not just for joining us today, but for the questions and the interest. I think Vanquish is quite an intriguing proposition at the minute. It has had a very challenging history, but we think there's a real way forward for this business. I'd also like to say thank you to all of our colleagues. A day like today doesn't just happen. There's all huge amount of work that goes on behind the scenes, and it's always dangerous to do lists of names, but I'll do a few and beg forgiveness for anyone that I don't mention, but to Miriam in particular, our head of IR, to Richard and comms, to Abby, Joe, the EA team who are helping us today, our support advisors, the tech team here. I mean you've been absolutely brilliant. We literally couldn't have done it without you. So a huge thank you.

A couple of remarks as a takeaway, what have we told you today? We've got a huge amount of change already underway to make this a better business, a better business for our customers, first and foremost, but safer, more predictable, easier to model and value for our analysts and our investors ,as well. And as I mentioned earlier in the panel session, we're probably further progressed in some of the key things that you'd expect us to be doing, and perhaps we told you as a business before. So tech transformation, risk transformation, ops transformation, lots of great work there, lots of real improvements, but a lot more still to do, which I think all of our presenters have said. So I'd like you to maybe think about taking away whatever you've written down. But also from our side, our 2023 results and where we are at the start of '24 is the reset of this business under this team.

We have established firm foundations. And I, again, want to say particularly huge thank to Dave and the finance team who, over the last few number of months, have shone a light in this business and allowed us to really understand what's going on and what we can do about it in a way that I think was difficult to see before. So Dave, huge thank you to you and the team for that. We've also shared a lot of customer view and testimonial today, and we really matter to our customers in the space that we occupy in the UK banking system. We make a difference to real customers' lives. You've heard it from Agatha. You've heard it from Kerry. This is really important, and all of our teams come to work because they want to help real working Britain do better with their personal finances. And that's where Snoop is so key.

We do understand our target customers, I think better. We have more to do, but there's a real opportunity. And as I said right at the start, market conditions are favourable. We're in a space where demand is increasing, and supply is decreasing. So we should be able to do very well in this space, but we will do it prudently because you've all told us that there has been a history of false starts here. And I guess the big question that we're, as I said earlier, asking ourselves is, how do we ensure that for everybody, this is not a false start, this is a reset and a solid base to move forward from? We've talked a bit about diversification in terms of product and proposition. We've talked about combining resources with other firms. We mentioned H&T. We mentioned the National Pharmacy Association.

There's other conversations in that space already underway, but I think to land two within a pretty short period of time is encouraging. And we will look at how we acquire customers in more cost-effective ways. The Snoop example is a great one. Snoop generally, I said, it's a real underpinning in lots of ways to Gary's question. It just helps across the board. But most importantly, nevermind what it does for Vanquish, what it does for our customers is helps make them better off. And that's good news for them, and that's good news for us. Tech transformation, I'll not recap what Jem very eloquently described earlier, but well-defined, going to deliver faster, and going to deliver under budget than what was previously planned. I like all of those things as a message. I think Jill said, "No pressure, Jem," so I'll echo that again. But look, it's that data modeling, it's the understanding impairment levels, it's ways to say not yet if customers are struggling. That's what we'll be talking to you about going forward.

And of course, the operational efficiencies that come with Gateway, they underpin our performance. As you've seen, it's a huge step forward in 2026 when that kicks in. So look, we've laid out the challenges that we face. We've explained 2024 and '25 are not easy. They are periods of transition. But because of the actions that we're taking, we do expect to deliver much more compelling returns in 2026 and beyond. And we hope that you can stick with us as we get there. There'll undoubtedly be bumps in the road and variations of the plan, as I said, but we'll adapt to that. And hopefully what you've seen today is this team take something that maybe wasn't as well thought through as a plan as it could be and turned it into a plan that I hope you can believe in.

Personally, I'm more committed and excited about this opportunity for us and for Vanquish and for our customers than I was even when I took this job on back in August. And a lot of that is to do with the exco that are here and here. This team is a delight to work with, they're passionate about customers, and they're prepared to be bold in terms of making change. We're well supported by our board who are equally challenging and passionate about us delivering well. And we talked about regulators earlier who obviously are very keen to see what we can do in this space. So we are up for the challenge. We know we have the right team. We believe we have the right plan. It will take us a little time to get to our potential, but we're already in implementation, and that's very exciting.

So look, this is the way forward for Vanquish. We hope you find that helpful today. We'll follow up with you, as we said, in one-to-ones. Thank you so much for your attention. Thank you for joining us. And if you're in the room, there will be some refreshments next door, and I really hope you'll stay and have a chat with us there as well. Thank you all very much.

END.