

How can community lenders enhance engagement with their customers?

Insights from behavioural science

March 2024

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Background and how to use this guide

The Behavioural Insights Team (BIT) worked with Fair4All Finance and three community finance providers (two credit unions and one CDFI) to **improve customer engagement using insights from behavioural science**. Community finance providers are a vital sector that is helping a growing number of people in financially vulnerable circumstances to manage unexpected expenses and smooth irregular income.

Building on our work with three lenders, our aim for this guide is to support the wider community finance sector with increasing conversion rates of eligible customers and to strengthen customer communications (supporting customer and organisational outcomes). Here we use the term 'customer' for ease (other than in lender communications), though we note that credit unions use the term 'member'.

Online loan application journeys

Behavioural insights can be used to enhance the user experience and conversion rates for your eligible customers as they navigate online applications.

We have outlined some **top tips, informed by behavioural science, to enhance online journeys**, including examples of where these can be applied.

Strengthening customer communications

We have also outlined **top tips for improving communications** using behavioural science with the aim of increasing customer responsiveness to these communications.

We have included examples of where you may wish to apply these tips, for example both with **loan application communications** (including submission of additional information and declines), and **ongoing communication** with customers.

Testing changes you have made

It's important to evaluate the changes you might have made to your online journeys or customer communications. This way, you can **understand what works for your customers**.

At the end of this guide, we've outlined some **tips to consider for testing**, including signposting to some more detailed guidance.

What are behavioural insights and why do they matter?

Behavioural science studies how people make choices and behave in real world contexts



What are behavioural insights?

Good policies, products and services are only possible if they take into account how their users will respond to them.

We practically and pragmatically apply evidence from academic research in behavioural science and our own primary research to develop interventions and services that can support people to make better choices for themselves.

Why are behavioural insights useful?

Behavioural insights recognise the subtle changes which influence how individuals make decisions, such as minor changes in how choices are presented. For example, reducing the number of clicks needed to access the HMRC tax return form by one click increased completion of the form by 4%. Read more [here](#).

While behavioural insights can improve the effectiveness of communications, lenders will need to ensure that their customer journey and customer communications are compliant with all applicable laws and regulations.

Testimonials from community lenders

How these tools have helped them

'Once again we just wanted to say that the research conducted by your team was insightful'

Loan Officer at a major credit union

'I am about to embark on a redesign of our 'front end' website so I think it could be really timely to consider some of the ideas and recommendations'

Business Development Manager at a major credit union

'There were some really interesting insights and recommendations which I feel could be really beneficial for us'

Business development manager at a major credit union

'We have implemented a new set of communications thanks to your help'

Head of Lending and Collections at a major credit union

Improving online loan journeys

Seven behavioural top tips for improving online loan journeys

1

Identify major drop offs

5

Remove barriers

2

Encourage customers to reflect

6

Make key information salient

3

Simplify

7

Help people plan

4

Forewarn

Behavioural top tips for improving online loan journeys



1. Identify major drop-offs

Identify major drop-offs on your onboarding process

Drop-off rates can identify pages applicants find particularly problematic. If no pages stand out, minor improvements in all pages can bring about a large overall improvement in conversion rates

Examples

Consider whether the reasons for a high drop-off at a particular stage are positive or negative.

-  Customers realising they are ineligible to join the credit union because of the common bond requirements
-  Customers finding the webpage too difficult or time consuming to complete and logging off frustrated

Behavioural top tips for improving online loan journeys

2. Encourage customers to reflect

For example, for ineligible applicants to realise that taking out a loan is not right for them

Or, eligible applicants to continue with their application

Examples

Eligibility questions

Clearly outline loan disqualification criteria early on, directing ineligible individuals to other services

See also [declines letters](#) and Fair4All Finance's report on [deduction lending](#)

Prompt with 'Are you sure?' when eligible applicants try to log out

Behavioural top tips for improving online loan journeys

3. Simplify

People with low financial literacy tend to have low financial wealth. Consumer Duty regulations make clear that information should be presented in a way that people can understand

People have limited time for tasks. They also have limited mental energy, particularly in times of financial stress. Understanding is also important for building trust

Drop-off rates can identify pages applicants find particularly problematic. If no pages stand out, minor improvements in all pages can bring about a large overall improvement in conversion rates

Examples

Loan calculator

Be brief, embolden font, use bullet points and numbered lists

Avoid technical jargon when explaining financial topics

Check that your text is easy to read. (The Flesch-Kincaid Grade Level test shows how many years of schooling someone needs to understand it. A potential target is the average adult reading level of age 14)

Behavioural top tips for improving online loan journeys

4. Forewarn

Give individuals advance notice of what they will be required to do before they begin the loan application

Examples

Applying for a loan

List the documents needed before an applicant begins the journey

Provide a progress bar

5. Remove barriers

Remove barriers (frictions) that add to the effort needed for individuals to accomplish a task. Tasks with more friction are less likely to be carried out

Barriers may be deliberately added eg ID checks to reduce fraud or a tip to encourage reflection

Examples

About you questions

Only ask what is necessary

Auto populate fields where possible

Behavioural top tips for improving online loan journeys

6. Make key information salient

People's attention is drawn to what feels relevant or novel

Examples

Terms and Conditions agreement

Use icons to illustrate key terms.

Give people information when it is most relevant in the customer journey.

7. Help people plan

Support applicants to think ahead by creating a plan and sticking to it

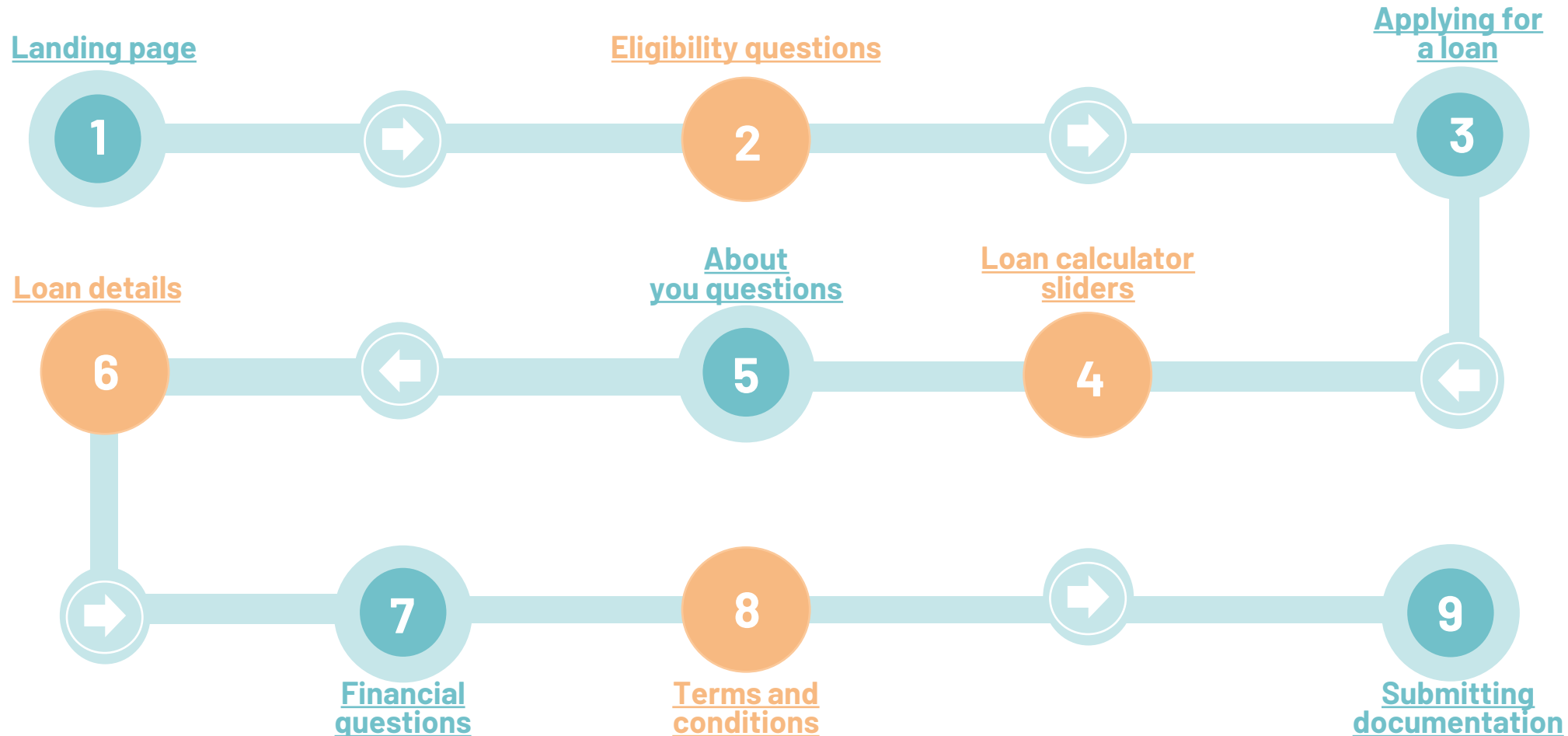
Examples

Submitting documentation

Ask applicants to provide a self-imposed deadline for submitting any necessary documentation.

Send out reminders accordingly.

Typical community finance provider online loan journey stages



How to interpret the next section of the guide

Top tip informed by behavioural science

Anonymised composite examples of best practice that could be strengthened

How to put the recommendations into action

Stage 1 Landing Page

Ideas for the landing page

Strip out all unnecessary text to help customers focus on key information

Identify and make more salient those features of the loan or application process that are particularly important to applicants

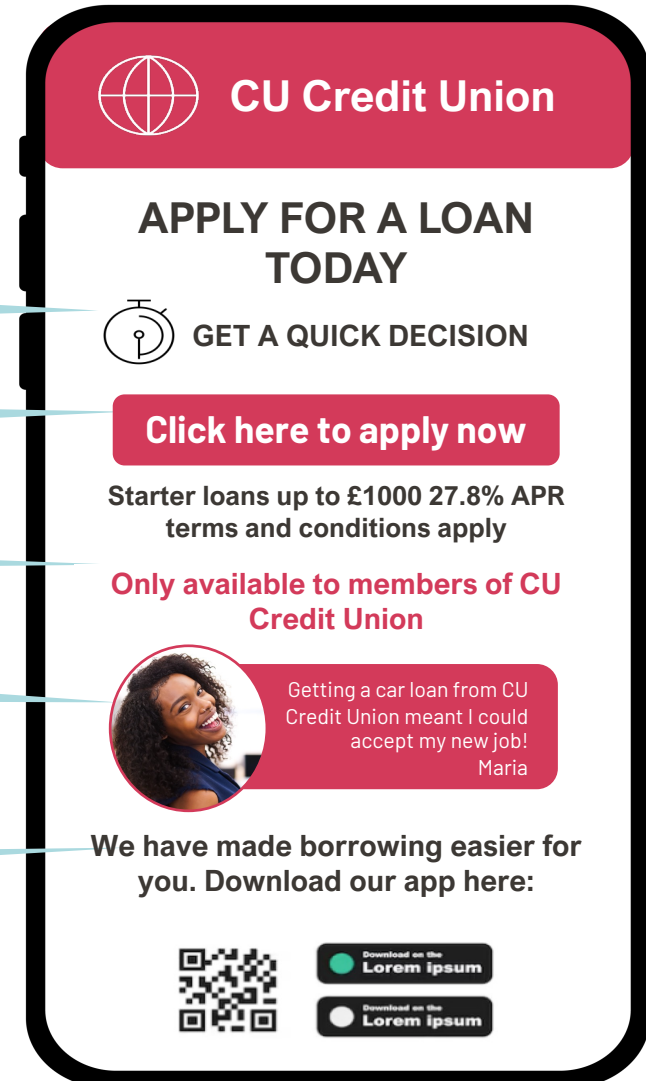
Include clear calls to action. Use the imperative mood. 'Join now', 'Save regularly', 'Apply easily'

Personalise. Stress the exclusivity of membership

Use testimonials and ratings to show how others have benefitted from taking out a loan

Imply you've done the applicants a favour

Use easy to understand language throughout to build trust and to aid understanding



Stage 2 Eligibility questions

CU Credit Union

LOAN APPLICATION FORM

1. I am subject to a Country Court Judgement (CCJ)

True

False
2. I am subject to bankruptcy

True

False
3. I am subject to an Individual Voluntary Arrangement

True

False
4. I do not have a National Insurance number

True

False

Encourage reflection to encourage ineligible applicants to realise that taking out a loan is not right for them - and to direct them to more helpful support.

Example: In Korea, research found that requiring a period of reflection decreased the number of finalised divorces by around 9%

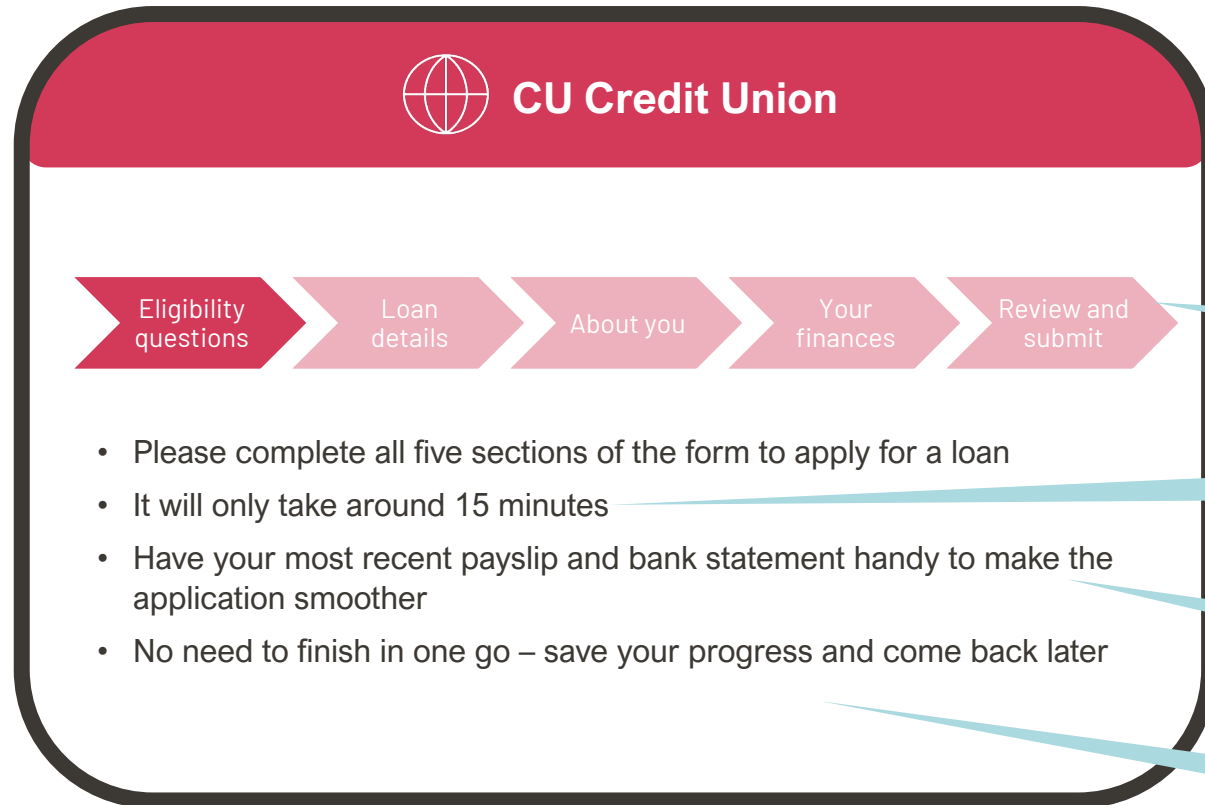
Encourage engagement by requiring applicants to physically tick the boxes, varying the optimal responses (sometimes "Yes", sometimes "No")

Where people definitely cannot be offered loans use pop-ups to explain this to the applicant and ideally provide a link to signpost to other services, such as debt counselling or a benefits calculator

Encourage reflection to encourage eligible applicants to complete the application

Whenever an applicant starts to log off provide an 'Are you sure?' prompt and encouraging messages to either continue or set a reminder for returning to complete the application

Stage 3 Applying for a loan



Forewarn applicants

Example: response rates across a three-part online survey increased from 36% to 51% when people were pre-notified by SMS

Provide a progress bar to demonstrate the different stages of the application

Give an accurate estimate of how long it will take to complete

List the information/documentation needed to complete the application

Indicate whether it's possible to come back to the application

Stage 4 Loan calculator (1)

Lower the anchor

Research by BIT on credit card payments shows the default setting of the slider influences the repayment period for credit cards. Read more [here](#)

The high slider scale values stand out compared to the lower, more affordable values, encouraging applicants to borrow more and for longer

Set low defaults for the slider starting positions to discourage applicants "anchoring" on high amounts and applying to borrow too much or for too long

Highlight low intermediate values on the scales eg £1,000 and 1 year etc

CU Credit Union

LOAN APPLICATION FORM

Please move the sliders to indicate how much you would like to borrow and for how long.

I want to borrow **£20,000**

£100 £5000 £25,000

I want to repay over **5 years**

6 12 60
months months

Monthly
 Weekly

Stage 4 Loan calculator (2)

YOUR LOAN	
Total borrowing	£11,250.00
Repayment period	44 months
Monthly repayment	£301.13
Representative	9.38% APR
Total loan cost	£1,999.92
Total payable	£13,249.92

Simplify

Research by BIT and the Bank of England demonstrates greater understanding builds the public's trust. Read more [here](#)

Lists of numbers may be confusing, so the most important values do not stand out. People tend to find percentages difficult to understand

Technical terms like illustrative, representative and APR may be unfamiliar, leading the applicant to misunderstand the information displayed

Alternative ideas for simplifying

Consider excluding borrowing and period if the webpage shows the sliders

Some applicants may be paid weekly or fortnightly. Consider including these as options (rather than just monthly)

Consider providing pops-up explaining questions or terms people find difficult to answer/understand or a "jargon buster" (dictionary of technical terms, hyperlinked to where the terms are used)

YOUR LOAN	
Monthly repayment	£301.13
Total repayable	£13,249.92
APR	9.38%

Stage 5 About you questions (1)

Remove friction

The current order could suggest that the lender disapproves of those who are divorced or in civil partnerships

Alphabetize items in drop down lists or put in some other intuitive order to improve navigation and inclusivity

Long lists of items in a random order can be challenging for applicants to find the most suitable response

Break down long lists into the responses of two or more questions

CU Credit Union

LOAN APPLICATION FORM

What is your marital status?

select ▼

- Married
- Widowed
- Single
- Separated
- Divorced
- Civil partnership

Stage 5 About you questions (2)

CU Credit Union

ABOUT YOU

What is your current employment status?

select
▼

Which organisation is your employer?

select
▼

What is the name of the organisation you work for?

text

What is your department's name?

text

What is your job title?

text

Remove friction

Where possible, tell people why you're asking specific questions. This can build trust and rapport and can lead to higher completion rates

Will all this information be used? If not don't ask for it


Alternative ideas for removing the number of questions

Audit information requests to ensure applicants are asked only what is absolutely necessary

Tailor questions to individuals – you might not need to ask the same thing of everyone

Auto-populate fields where possible

Stage 6 **Loan details**

 **CU Credit Union**

RECEIVING YOUR LOAN

Where would you like to receive your loan?

In my bank account

In my credit union account

Encourage reflection

The text suggests that the loan will be approved, potentially creating unrealistic expectations and causing applicants to overlook completing all steps accurately

Emphasise that the loan is subject to approval, submission of all necessary documentation etc

Stage 7 Financial details (1)

CU Credit Union

FINANCIAL DETAILS

Household goods
Enter amount

Socialising
Enter amount

Entertainment
Enter amount

Remove friction

Different ideas for helping applicants complete the financial details stage

Consider testing income and expense categories with applicants for their understanding and to ensure groups are intuitive eg terms like “Household goods” may be difficult to interpret

Consider using open banking or the upload of bank statements to auto-populate this section - but ensure the applicant confirms the details

Enable people to provide their income and expenditure for the period (week, fortnight, month) that is meaningful to them

Suggest to applicants that their monthly spending may be available on their banking app (if they have one)

Provide guidance on how to work out a “typical month’s” spend

Stage 7 Financial details (2)

Encourage reflection

Calculate and display the applicant's total disposable income after expenses

Use pop ups to ask the applicant questions and request responses

CU Credit Union

YOUR LOAN

Total monthly disposable income: **£257.00**

Is this how much money you have left at the end of the month?

A new loan will increase your monthly expenses by £150. Would you like to proceed?

Based on the information you have given, 99% of applicants with financial circumstances like yours will not be eligible to receive a loan from us. Do you wish to continue?

Stage 8 Terms and conditions agreement

Make terms and conditions (T&Cs) salient.

Consumers tend not to properly read or understand T&Cs conditions making it difficult for them to make informed decisions. Consequently, the UK Government commissioned BIT to create a best practice guide. Read more [here](#).

Different evidence-based ideas for improving the saliency of terms and conditions

Tell customers how long it will take to read your policy

Tell customers when it is their last chance to read information before they make a decision

Use illustrations and comics

Display key terms as frequently asked questions

You must agree to the terms and conditions to proceed.

I agree to the terms and conditions .

Loan Terms & Conditions
[View](#) | [Download](#)

Submit

Use icons to illustrate key terms

Show customers your terms within a scrollable text box instead of requiring a click to view them

Give people information about T&Cs when it is most relevant in the customer journey

Stage 9 Submitting documentation

CU Credit Union

Thank you for your loan application. You need to provide the last 3 months worth of bank statements – you can download them from your online banking app or get them from a branch and send us a photo using your phone.

CU Credit Union

Please respond:

- 0 - I have done this
- 1 - I will do this in the next 2 days
- 2 - I will do this in a week
- 3 - I am no longer interested in a loan

Help people plan

Example: Research showed that people were more likely to get vaccinated if they wrote down the date and time they would get their shot

Ask applicants at relevant points in the customer journey to provide their own deadline for submitting the necessary documentation. Send out reminders accordingly

Highlight in the SMS reminder what information is needed, and the steps they can follow to obtain it

Ask applicants to reply to the SMS reminder with when they will provide the documentation

Improving customer communications

Seven behavioural top tips for customer communications

1

Be specific

2

Avoid information overload

3

Make key information salient

4

Encourage reciprocity

5

Make potential losses clear but avoidable

6

Leverage social norms

7

Present rejections as a temporary setback

Behavioural top tips for customer communications

1. Be specific

Be specific when setting goals and intentions. This helps eliminate misunderstandings and provides individuals with a clear sense of what to do

Example

You missed a payment - please contact us now on 0123456 7890

Please reply to this email with bank statements from the last three months

2. Avoid information overload

Avoid information overload by using simple language, giving simple instructions, and being brief

Example

We need you to contact us on 0123456 7890 within seven days of the postmark (the date stamped onto the letter when it is received by the postal service)

For your convenience, I have enclosed a new direct debit form. Please complete it and send it to the following address XYZ

Behavioural top tips for customer communications

3. Make key information salient

Make key information salient eg by putting it in bold text and by using bullet points

Example

This is an expensive process and **you will need to pay all legal costs**. These include:

Administrative fees: **£220**

Court fees: up to **£555**

Pay deduction fees: **Variable** (depending on the process)

Before we can consider you for another loan, **you'll need to pay off your existing loan with us first.**

Behavioural top tips for customer communications

4. Encourage reciprocity

Encourage reciprocity by expressing a sincere willingness to help the customer. Escalate the interaction if the customer fails to respond (use a tit-for-tat strategy)

Example

We would like to help, and can often find a solution even if you cannot make the full payment this month. But we can only help if you get in touch.

If you get in touch with us right away, we will do all we can to help you avoid any extra fees.

5. Make potential losses clear but avoidable

Avoid information overload by using simple language, giving simple instructions, and being brief

Example

Contact us now to avoid legal action or pay now to avoid legal action and additional costs.

If you don't call us within [specified timeframe], we'll be forced to refer your loan to a debt collector.

Behavioural top tips for customer communications

6. Leverage social norms

Leverage social norms by referring to the correct practice of other customers

Example

Our members have found that the earlier they contact us the more likely it is we can help them.

Other members in a similar situation to you have found the following resources helpful:

- Resource 1
- Resource 2
- Resource 3

Behavioural top tips for customer communications

7. Present rejections as a temporary setback

Present rejections as a temporary setback and outline steps the customer can take going forward (**temporal framing**)

Example

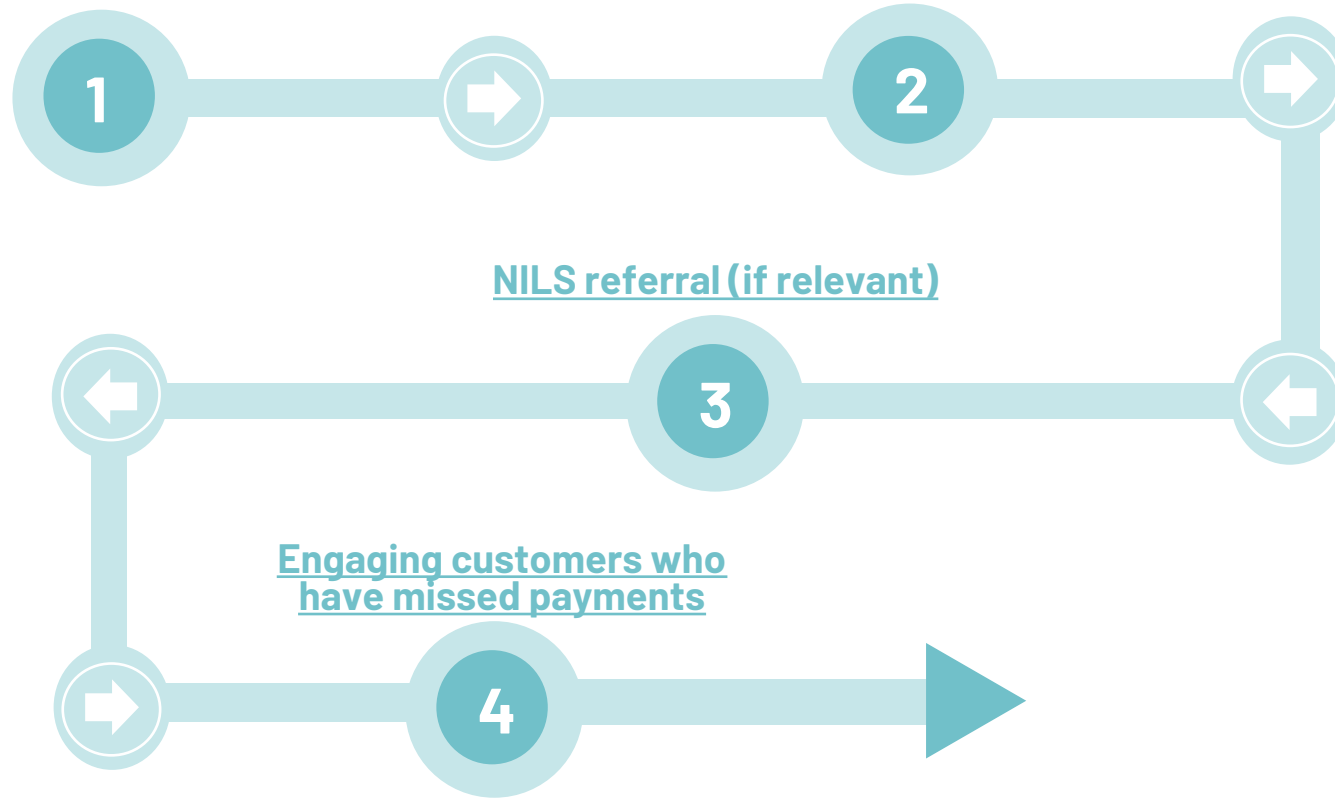
Although we can't accept your application at the moment, if you keep repaying your existing loan on time you will be eligible to apply again on or after [[DDMMYYYY]].

We're sorry we couldn't accept your loan application on this occasion, but would be happy to receive another application from you should your circumstances improve.

Key communication touchpoints for community lenders

Encouraging submission of documents

Loan declines



Example 1 Encouraging applicants to submit relevant documents

Having completed the main part of their loan application, customers may need reminding to submit additional documents, such as bank statements.

Key principles for these reminder communications include:

- Include a call to action in the email subject line
- Make it clear which documents need to be provided [**Be specific**]
- Make it clear how to provide documents [**Avoid information overload**]
- Make it clear what will happen if the customer does not respond [**Make potential losses clear, but avoidable**]
- Provide additional reassuring messaging, particularly surrounding open banking

Template email to encourage document submission

Subject line: Upload documents so that we can progress your loan application

Dear [customer's first name],

Thank you for submitting a loan application to [name of lender].

We just need you to upload the following documents so that we can process your application:

- **Document 1**

You can quickly and easily upload your documents by clicking here [imbed link] OR you can begin open banking by clicking [here]. Open banking is safe and secure and does not affect your bank account in any way.

If you do not do either of these steps, your application will be automatically declined.

We look forward to hearing from you,

[named member of staff]

Call to action in the subject line

Be specific about what the customer needs to do next

Reassure customers that their information is safe

Make potential losses clear but avoidable

Personalise the interaction by sending from a specific member of staff (where appropriate)

Example 2 Loan decline letters are useful touch points

As well as informing customers of the outcome of their application, loan decline communications should also signpost individuals to potential next steps and further support.

- Explain clearly using straightforward language why the loan was declined [**Avoid information overload**]
 - It's efficient to use the same standard template and just insert the applicable reason
- Determine what you want the applicant to do and provide a clear call to action [**Be specific**] eg whether to:
 - Resolve the situation and apply again
 - Seek support
- Present the rejection as a temporary setback with the possibility of future approval [**temporal framing**], particularly if there are concrete steps the customer can take to increase the likelihood of a future approval

Loan decline template

Subject: [first name], update on your loan application

Dear [customer's first name],

After careful consideration, we are unfortunately unable to accept your loan application with XXX at this time.

How We Reached This Decision

- Your income may not allow you to comfortably manage repayments

Has my credit report been affected?

- Your credit report has **not** been negatively affected by our credit check. You have a right to:
 - Request a copy of your credit report by clicking here [provide link]
 - Dispute inaccurate or incomplete information on your credit file [say how they can do this in simple terms]
 - Have errors corrected within 28 days

What can I do now?

Other members in a similar situation to you have found the following resources useful:

- [Support source 1]
- [Support source 2]

I am sorry that we have been unable to assist you on this occasion, but would be happy to consider any further applications you wish to make should your circumstances change.

Yours sincerely,

[Named member of staff].

Be specific when explaining the reason for decline

Use bullet points and bold text to **make key information salient** and **avoid information overload**

Leverage social norms to increase uptake of further support

Present rejections as a temporary setback, if appropriate

Personalise the interaction, where safe and practical

High level template of loan decline

Subject: *[Call to Action]*

[Polite decline message]

Dear [firstname, lastname]

How we reached this decision

How can I check my credit report? *(if applicable)*

Need further information? *(if applicable)*

We're happy to reconsider if circumstances change.

Yours sincerely,

[Named member of staff]

Be specific. Determine the ideal outcome of the letter and what you would like the applicant to do

- **Provide a reason.** Briefly explain the reason for the decline decision using straightforward language
- **Avoid information overload.** Include simple "how-to instructions" to set a goal for the applicant to resolve the situation
- **Make it salient.** Embolden font, use bullet points and numbered lists

Leverage social norms. Use positive social norms to encourage the applicant to seek help

Use temporal framing. Highlight that the applicant may be accepted for a loan in the future

Make it salient. Personalise by using the name of the community lender contact where practical and safe

Example 3 Translating loan declines into NILS applications

For lenders offering no interest loans to their customers, loan decline communications provide the perfect opportunity for a NILS (No Interest Loan Scheme) referral

What is NILS?

NILS is a scheme backed by the Treasury and operated by Fair4All Finance. It enables community lenders to offer interest free loans to select customers who have been declined for an interest-bearing loan. Read more about NILS [here](#)

Key principles for referring customers to NILS loans include:

- Ensuring the reason(s) for not issuing an interest-bearing loan are clear (if these aren't communicated in a separate email)
- Making it clear what the NILS loan is [**be specific**]
- Emphasising that a NILS loan can be trusted, because it is funded by a charity and backed by government
- Pointing out that a NILS loan can help your customers build their credit score, which may lead to further borrowing opportunities in the future
- Making it clear how to go on to apply for a NILS loan [**make key information salient**]

NILS referral example

Use bullet points to **avoid information overload**

Subject: You're eligible to apply for a £500 interest-free loan to spend with top retailers

Dear [first name],

Be specific when explaining the decline

Unfortunately we have not been able to approve your application on this occasion for the following reasons:

- [Reason 1]
- [Reason 2]

However, we think **you may be eligible for our £500 interest free loan.**

Use bold text to **make key information salient**

Key facts about our interest free loan

- It is a **one-off £500 loan**, delivered on a **prepaid card**
- No interest charged: you only pay back £500
- You can spend the loan at numerous retailers, in-store or online (see the full list here [link])
- Flexible repayment over 12 months
- If you pay back the full amount on time, you could improve your credit score
- The interest-free loan is part of a trial **backed by government** to help people access credit, that's why it's interest free

[Link] **Learn more and take advantage of this time-limited offer by clicking here** [imbed link]

We hope to receive your application soon,

[Named contact at lender]

Be specific including a clear call to action

Example 4 Engaging customers who have missed repayments

Communications following missed loan repayments can be intimidating for customers to receive. It is vital that these communications re-engage users, whether they are able to repay right away or not. Read more about BIT's research into behaviourally informed messaging for customers facing arrears [here](#)

- Highlight the gravity of the situation while making it clear that you want to help the customer to encourage them to reach out [**Encourage reciprocity**]
- Clearly state what you want the customer to do and provide an unambiguous call to action [**Be specific**] eg whether to
 - Get in touch
 - Pay using a specific method
- If the customer does not respond, be very clear about the increasingly negative consequences [**tit for tat strategy**]
But explain the negative consequences of not carrying out the action and how they can be avoided [**Make potential losses clear, but avoidable**]
- End with a behaviourally informed message by **encouraging reciprocity** or **leveraging social norms**

Template of an initial collection letter

Subject: [customer first name], your loan payment is now overdue.

Dear [customer first name],

Your [lender name] loan payment of [amount] is overdue. Your total outstanding payments are now [amount].

To avoid further action please either:

- **Click make a payment [imbed link] to bring your account up to date**
- OR
- **Contact us on XXX as soon as possible**

We would really like to help, and can often find a solution even if you cannot make the full payment this month, but we cannot do anything unless you contact us. **Contact us now on XXX to find a repayment plan that works for you.**

Kind regards,

[First name, Collections department].

Make potential losses clear but avoidable

Be specific with next steps and **make these salient**

Encourage reciprocity by showing a sincere willingness to help the customer, while making it clear that the customer must now act

Personalise the interaction, where safe and practical

Template of an escalated collection letter

Subject: You missed loan repayments - please contact us now on [contact number / email].

Dear [customer first name],

We haven't be able to reach you - please contact us now on [contact number / email].

Your [lender name] loan is in arrears by £[X]. Despite numerous attempts, we have been unable to reach you. If we do not hear from you by [date], your account will be referred to a debt collection agency.

However, it is not too late to stop this from happening. Contact us right away at [insert contact number and email] and we will do all we can to find a solution that works for you. If you do not contact us by [insert pay by date], we will be less able to help you.

We're looking forward to hearing from you soon,

[First name of contact at lender]

Call to action in the subject line

Continue to **be specific** with next steps & make these **salient**

Increase the severity of language as part of a **tit-for-tat strategy**

Make losses clear, but still avoidable. Continue to show a willingness to help the customer to **encourage reciprocity**

Personalise the interaction where practical and appropriate

High level template of collections communications

Subject: **[Call to action]**

Dear [customer's name]

Short explanation of issue

What we need you to do to avoid [negative consequences]

- [Step-by-step instructions]

[Negative consequences of not carrying out the call-to-action & benefits to the customer of getting in touch now.]

[Behaviourally informed message]

[Contact details of a named contact]

Yours sincerely,
Named contact

Be specific. Determine the ideal outcome of the letter and what you would like the applicant to do

Make potential losses clear, but avoidable. Explain that although there are negative consequences, they can be avoided

Avoid information overload. Break down the actions into small steps

Examples:
Leverage social norms by describing other customers' positive outcomes after facing financial difficulties
Encourage reciprocity by expressing sincere willingness to help

Make it salient. Personalise by using the name of the community lender contact where practical & safe

Checklist for customer engagement

- ✓ Have you identified major drop-offs during your onboarding process? If so, where?
- ✓ Have you clearly outlined the loan disqualification criteria early on?
- ✓ Have you forewarned applicants of what they will be required to do before they begin the loan application?
- ✓ Have you checked that the text is easy to read (the average reading level of an adult is a 14 year old)?
- ✓ Have you included a progress bar?
- ✓ Are any fields auto-populated to help the applicant?
- ✓ Have you used icons to reduce text?
- ✓ Do you ask give applicants to set a self-imposed deadline for submitting further documents for their application?
- ✓ Do you give out information when it is most relevant in the customer journey?
- ✓ Are loan rejections presented as a temporary setback?
- ✓ Are communications sent out at the most timely moments?
- ✓ Are communications concise and specific about what the customer needs to do?
- ✓ Do missed payment communications escalate in severity (in line with relevant regulations)?

Testing the changes

Consider testing changes to customer journeys and communications



Many past visitors have removed wood from the park changing the state of the petrified forest

Some interventions have unintended consequences. This real-life sign caused an increase in theft. Read more [here](#).

Why is testing important?

Human behaviour is complex and so testing the changes eg to a customer journey or communication before full implementation can help to:

- Improve the design of the change
- Determine whether the change is effective. Different groups of people can behave differently. A series of tests enables changes to be shaped so that they work best for your customers
- Ensure any change does not have unintended consequences – what works in one context may not work in another

Carry out in-person testing for prototyping or product development

Interviewing typical loan applicants (users) about customer journey prototypes or communications updates can provide instructive feedback to make further improvements



- In-person testing is typically carried out as one-on-one interviews between the researcher (member of the lender's team) and a user
- Users are asked a set of open questions decided in advance. (See [User testing - example steps and questions](#))
- Customers (or available colleagues) can act as users
- Ideally a selection of different but typical users are interviewed
- Researchers should aim for around 10 interviews, if possible (or until the researcher is not learning anything new)
- Based on the insights from this phase, the design of the changes can be changed before A/B testing

In person testing **Example steps and questions**

Customer journey

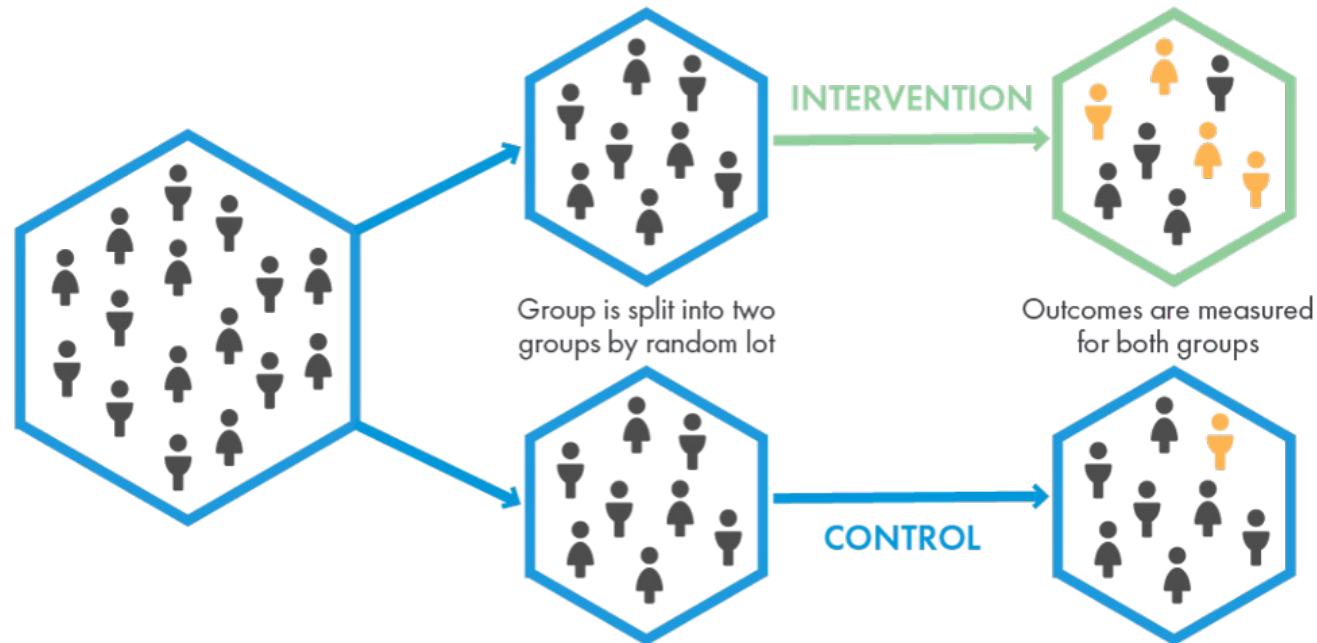
1. The user is given a prototype of the loan app and asked to apply for a dummy loan
2. As they work through the customer journey, the user is asked to speak their thoughts aloud
 - Are the questions clear?
Appropriate? Unambiguous?
 - How was any guidance provided?
 - Does the user know where they would source the information to complete each section?
 - Which questions are easy/ difficult to complete? Why?
 - How can the journey be improved?

Customer communications

The user is shown a communication, such as an email to encourage submission of documentation, and asked:

- Do you understand what the communication is asking you to do?
- Do you understand why you are being asked to do it?
- Do you understand how to carry out the call to action?
- If you received the communication, how would you respond?
- How does the communication make you feel?
- How can the communication be improved?

Carry out A/B testing or Randomised Controlled Trial (RCT) to assess what works



A/B testing

Often used in marketing and web optimisation to compare two different versions of a single variable (eg a webpage or email) to see which one performs better in terms of user engagement, conversion rates etc

Randomised Controlled Trial (RCT)

A similar but more rigorous type of test used in various fields, including marketing and medicine, to evaluate the impact of an intervention

How to carry out an A/B test or RCT

Both methods...

- Can be carried out in the field using **actual customers** or **simulated** on an online platform
- Compare two or more versions of eg a web page or an email to see which performs better
- **Test one change** eg a different behaviourally informed message: one based on reciprocity and one on social norms, to enable comparison

In both methods...

- Users are randomly divided into groups, with each group seeing a different version of the thing being tested (eg webpage or email)
- Data is collected on the behavioural outcome that you are investigating eg whether:
 - A loan applicant is more likely to complete the customer journey (see Proxies for customer journey outcomes)
 - A loan recipient is more likely to make a repayment (see Proxies for communication outcomes)
- Statistical analysis is applied to determine which version outperforms the other(s)

Proxies for customer journey outcomes

Some behavioural outcomes are difficult to measure directly, such as whether applicants who are signposted to debt advice follow the guidance. As a result, proxies are often used as substitutes for the measurement of the behavioural outcome. These are variables that are related to the behavioural outcome, but are easier to measure. The choice of proxy will depend on the research question and the data that is available.

Research question	Proxy examples
Are ineligible loan applicants people more likely to investigate the signposted support?	<ul style="list-style-type: none"> • Web click throughs to the signposted support
Is the online journey easier to complete?	<ul style="list-style-type: none"> • Proportion of eligible applicants who complete a stage/ the whole journey • Average time taken to complete a stage/ the online journey
Are applicants more likely to submit the requested information?	<ul style="list-style-type: none"> • Proportion of eligible applicants who provide all requested information • Average time taken per application for all requested information to be received
Has the efficiency of the underwriting process improved?	<ul style="list-style-type: none"> • Average time per application it takes to make a accept/ decline decision • Average number of decisions made by each loan officer
Are applicants more likely to be accepted for a loan?	<ul style="list-style-type: none"> • Proportion of eligible applicants who are accepted for a loan
Are applicants more likely to accept the loan offer?	<ul style="list-style-type: none"> • Proportion of applicants offered a loan who accept

Proxies for communication outcomes

Research question	Proxy examples
<p>Are customers more likely to provide the necessary documents for their application to be assessed?</p>	<ul style="list-style-type: none"> • Number of customers who provide bank statements or other documents when contacted • Number of customers who sign up for open banking when prompted
<p>Do customers respond positively to a loan decline?</p>	<ul style="list-style-type: none"> • Number of successful loans from customers who had previously been declined • Number of customers getting in contact for further information on their decline (lower = better) • Number of customers clicking on links to further support
<p>Are customers more likely to recover following missed repayments?</p>	<ul style="list-style-type: none"> • Number of customers making a repayment having been contacted • Number of customers getting in contact having missed a repayment • Number of loans referred to a debt collector

Find out more..

BIT has published a number of free resources to help organisations learn about and apply Behavioural Insights.



Target, Explore, Solution, Trial, Scale: An introduction to running simple behavioural insights projects



Barrier Identification Tool: An online tool to help you identify the potential barriers to the desired behaviour



Four Simple Ways to Apply EAST Framework to Behavioural Insights: If you want to encourage a behaviour, make it Easy, Attractive, Social and Timely (EAST)

Get in touch

ellie.lugt@bi.team

ruth.persian@bi.team

david.hume@bi.team

oliver.adcock@bi.team



THE
BEHAVIOURAL
INSIGHTS
TEAM