CredoLab Helps Payday Lender Scale the Business by Reducing the First Payment Defaulters by more than 63%

The Philippines is one of the fast-growing South East Asian countries where more than one-third of the population do not have bank accounts. Yet, almost 70% of them are in need of credit and often end up going to unsecure, informal lenders.

With the aim to provide responsible, ethical lending solutions, this client of CredoLab's kicked off its services in the Philippines. It offered the Filipinos a ground-breaking, fast and convenient payday loan product through a mobile app. By making the process of application and approval easy, this lender wanted to foster financial inclusion, improve standards of living, and ultimately impact the applicants' lives in a positive manner.

63%
Drop in FPD
(First Payment Defaulters)

100%
User Adoption
(% of customers who grant permissions)

<1Hr
Time to Loan
(time from scoring request to disbursement)

Challenge
Launching a mobile-only payday loan definitely had its own challenges. Keeping the loan amount, term and interest rates in the ranges that customers wanted and found affordable was one part of the problem. The other and the more crucial problem was the lack of credit bureau and historical financial data. This required a solution that could assess the applicants on the basis of alternative data sources – quickly, and efficiently.

Solution
Thus, CredoLab's digital scorecard based on smartphone device data was ideal for them. Our SDK was integrated with their mobile app to score the applicant based on the device metadata, in real time. The AI-powered algorithm converted over tens and thousands of data points into a behavioural score that predicted accurately the customer's willingness to repay.

Within only 7 months of collecting data, the engine was ready to churn out scores able to assess the risk profile peculiar to the lender's customer base behaviour, and market. The solution saw a 100% adoption rate by the customers and time to yes of less than an hour – end to end.

Results
The ease of application and the quick time-to-yes was a huge push to not only the objective with which the lender had entered the market but also to the quality of approved customers. The number of first payment defaulters or FPDs dropped by 63% and with around 40% of them being repeat customers who loved the experience of getting fast, secure credit. With CredoLab's solution, the lender disbursed over USD 200K in loan.