CredoLab helped a leading consumer finance organization in Indonesia reduce the fraud rate by 37% without compromising the approval rate

Buying trends in Southeast Asia have been undergoing a major shift with the customers trying to find ways to get their hands on the brands they aspire, and financial institutions coming up with ways to support these dreams.

One such major player in Indonesia that is committed to providing in-store financing, today serves over 3 million customers across ~17,000 retail outlets. With so many customers raising credit requests at different touch points, the client wanted to ensure they were doing everything possible to reduce the number of fraudulent customers by detecting them much in advance.

-37%
Default Rate

93%
User Adoption
(% of customers who grant permissions)

<5s
Time to Yes
(time from scoring request to response)

Challenge

With the size of the market and the scores of applicants coming in on a daily basis, the client sought a solution that could help with the fraud detection without affecting the existing customer journey. Specifically, they wanted to decrease the percentage of borrowers who missed their first payment by 30+ days, and as a result eliminate their Loss Given Default or LGD, completely.

Solution

CredoLab stepped in as their consultants with a fraud scoring concept that detected these applicants much earlier in the application process with nothing more than just the smartphone data. CredoLab's credit analysis SDK was integrated with the client's existing Android app used by the customers to apply for the loan. CredoLab used only the loan application number as reference to tag the meta data it captured from the smartphone and assess the customer's fraud score.

Without accessing or transferring any sensitive data, CredoLab enabled the lender to successfully analyse over 93% of the applicants who gave privacy consent and app permission to read his device's meta data. With the data flowing in, fraud scores were generated that could immediately flag the applicants who were most likely fraudulent.

Results

By rejecting the worst 20% of applicants, the fraud scorecard enabled the client to reduce their fraud rate by 37% (from 4.97% to 3.11%) with only a -5% (relative) approval rate decrease. Their Gini Coefficient hit an all-time high of 0.49 within just a month of kicking off the new scoring mechanism.