MeFye - Adding some Humanity to your credit score

insights®

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Credit Score is an objective system that periodically lets down both borrowers and lenders. What if there was a way to make judging finances more humane for today's complex world...

THE TASK

For this assignment, several groups were tasked with finding a new industry for the personality profile technology from Insights Inc. Insights currently supplies large scale organisations with their psychometric test, to give to new employees to diagnose their groupwork and communication habits and preferences. It can help an employer know if an individual will be a valuable and cooperative member of the team they are joining and how to improve their group communication.

THE JOURNEY

When beginning this assignment, our group began by researching the psychology behind personality. From our research, we were able to gather what aspects of one's life personality can affect.

We continued our research by looking at discoveries around personality traits and behaviour. We found texts on how different traits are associated with specific behaviours in personal finance and stress coping. We researched and discussed the current businesses that address these topics and realized in terms of an industry that uses a personality test, there is very much an untapped market there.

By comparing the aspects of a product for stress coping and personal finance management, we were able to see how interconnected the two were.

Stress Coping → consequences for: individuals communities greater economy → **Finance Management**
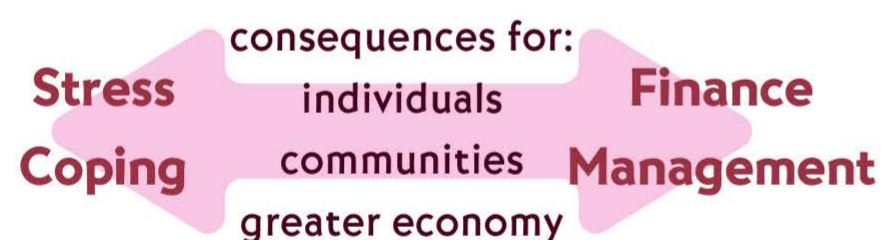
Our desk research was composed of publications from debt relief charity organisations, government censuses, and demographic-based finance research studies. We also used our personal accounts and media postings about the topic.

Our primary research was composed of interviews and sessions with engagement tools with our peers. We asked them several questions about their relationship with their finances to help us get a better picture of how it is constructed throughout one's life. This showed us how complex and situational one's financial values are. We also spoke with a researcher who specialized in the life impacts of cognitive aging. She emphasized that one's financial health is based on their money-managing skills, and not very much their personality. This swayed us to reframe our research as not as a way to improve one's money-management skills, but rather to find a space within the financial industry that can help those with money problems indirectly.

The topic of credit score kept showing up in our research. We saw that a lot of people in debt currently or previously had difficulties borrowing or renting homes, and those just entering financial independence had concerns over how their credit score would make it more difficult to secure renting or buying property. We also knew that the system is exclusionary and only the top tier of credit scores get great interest rates. This issue showed us a great opportunity to add something to the risk assessment for credit, so it's not exclusive or black and white.

New Domain:

the application of
psychology tools
in the financial area

MeFye

an accessory to the current credit score system

insights

**INNOVATION
SCHOOL
THE GLASGOW
SCHOOL OF ART**

What's our New Domain?

We are proposing a
research-backed application
of a psychometric tool in the
domain of **Finance**

Our key stakeholders are
**banking and financial
institutions** that provide a
variety of lending services
including loans, mortgages
and credit cards.

What are we doing?

We are proposing a
new service that would
enable lenders, banks,
and financial
institutions to **act
more humanely**!

How we are going to do this?

The proposed judgement system
scores a borrower on aspects
such as their: **level of financial
literacy decision-making skills**,
and **respect and expectations of
the lending agreement**, and the
Insights psychometric technology.

The importance of Credit Score

A credit score-based system is a
statistical analysis tool to **quantify
and evaluate an individual's
creditworthiness**. This analysis to
decide someone's credit score is
based on their observable past
financial activities like payment
history, amounts owed, and length of
credit history.

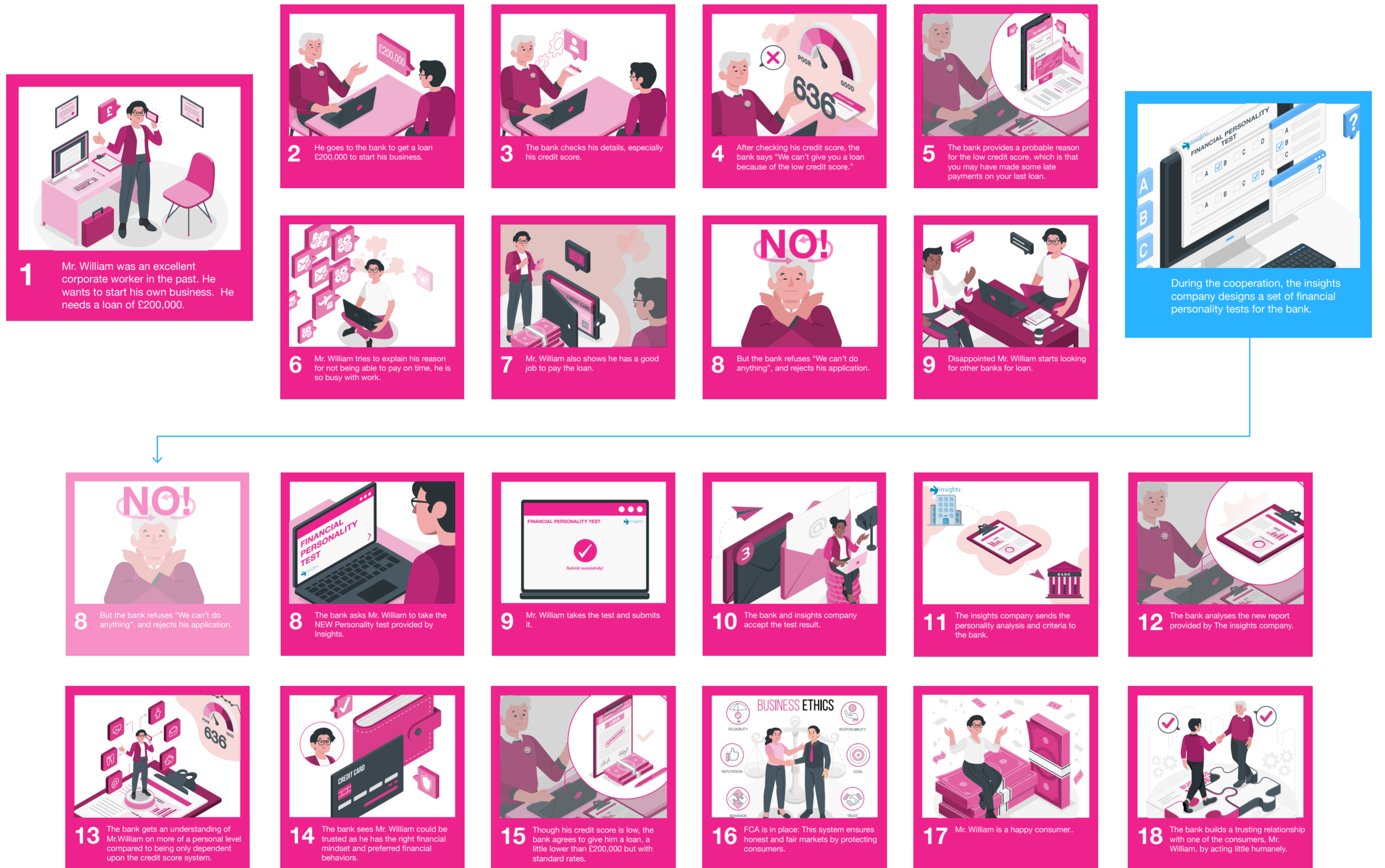### What are some flaws with Credit Score System

"NOT EVERYONE WITH A LOW
CREDIT SCORE IS RISKY"
There are some justifiable reasons,
that lead to a low credit score.
eventually resulting in individuals
being denied these financial services.

· Delays in some of the loan payments
· Switching jobs frequently
· Starting your own business
· Relocating from one place to other

Why we need a psychometric tool in addition to the credit score based system?

Psychometric tools would provide **an
additional decision-making lever** for these
lenders to understand their customers better
rather than relying just on statistical data
backed credit scores. Psychometric tools
would open up the gateway for these
institutions to act in a trusting and humane
way.

We use a story to introduce our service.

1 Mr. William was an excellent
corporate worker in the past. He
wants to start his own business. He
needs a loan of £200,000.

2 He goes to the bank to get a loan
£200,000 to start his business.

3 The bank checks his details, especially
his credit score.

4 After checking his credit score, the
bank says "We can't give you a loan
because of the low credit score."

5 The bank provides a probable reason
for the low credit score, which is that
you may have made some late
payments on your last loan.

6 Mr. William tries to explain his reason
for not being able to pay on time, he is
so busy with work.

7 Mr. William also shows he has a good
job to pay the loan.

8 But the bank refuses "We can't do
anything", and rejects his application.

9 Disappointed Mr. William starts looking
for other banks for loan.

During the cooperation, the insights
company designs a set of financial
personality tests for the bank.

8 But the bank refuses "We can't do
anything", and rejects his application.

8 The bank asks Mr. William to take the
NEW Personality test provided by
Insights.

9 Mr. William takes the test and submits
it.

10 The bank and insights company
accept the test result.

11 The insights company sends the
personality analysis and criteria to
the bank.

12 The bank analyses the new report
provided by The insights company.

13 The bank gets an understanding of
Mr.William on more of a personal level
compared to being only dependent
upon the credit score system.

14 The bank sees Mr. William could be
trusted as he has the right financial
mindset and preferred financial
behaviors.

15 Though his credit score is low, the
bank agrees to give him a loan, a
little lower than £200,000 but with
standard rates.

16 FCA is in place: This system ensures
honest and fair markets by protecting
consumers.

BUSINESS ETHICS

17 Mr. William is a happy consumer..

18 The bank builds a trusting relationship
with one of the consumers, Mr.
William, by acting little humanely.

The types of clientele.

People who were
bankrupt in the past

People relocating a lot/
a few times

People who missed
paying one or more
EMI(Equated Monthly
Instalment) on time

People with identity
theft

People who are new
business owners

People with irregular
use of credit card

People who have low
credit score because of
financial illiteracy

People from job to
freelancer

People with no credit
history/new in system

People with identity
theft

People who are new
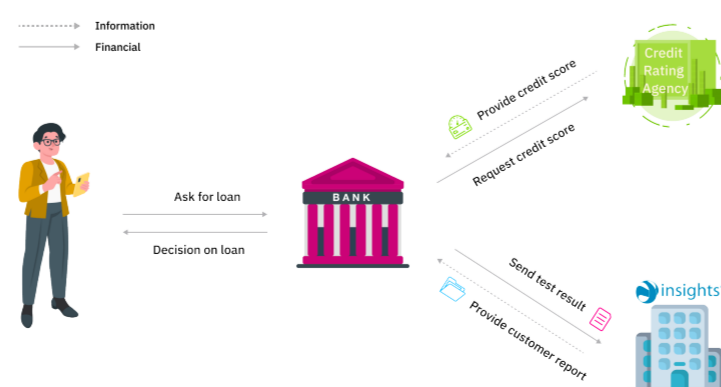business owners

People with irregular
use of credit card

Goals of MeFye.

Help banks judge
customers more
comprehensively
to avoid risk on
their part

Open their
lending
services up to
more types of
people

Aligns with
the UK's new
financial
consumer act

The existing Insights Inc. technology would not be enough to build a
comprehensive financial profile of individuals.

Our research led us to a few of the insights lenders would find useful:

· Thinking abilities - future or present
· Decision-making abilities
· Spending pattern & behaviour
· Personality type

· Investment Understanding
· Money management skills

System map.

- - - → Information
——→ Financial

Ask for loan

Decision on loan

BANK

Provide credit score

Request credit score

Send test result

Provide customer report

Credit
Rating
Agency

insights

Possible impacts.

Bank & financial institution

· Increased accuracy of
lending **risk assessment**
· Improved **lending service
decision making**
· Enhanced **customer
relationships**

Customer

· **Humane experience**
· **Access to better
lending services**

Insights

· **Expansion new markets**
· **Psychometric tool
improvements**
· **Reputation enhancement**

FCA

· Enhanced **review of
lending decisions**
· Improving **consumer
information protection**

Challenges.

Bank & financial institution

· Support in **technology** and
human resources
· **Customer data privacy**
· **Completion rate of testing**
· **Internal resistance**

Customer

· **Unwillingness to
take tests**
· Misunderstanding
and **mistrust of
psychometric tools**

Insights

· **Data reliability**
· Compliance with **industry
standards**
· Customer **expectation
management**

FCA

· Protect consumers from
potential discrimination
· Ensure that psychometric
tools **comply with the
existing regulatory
framework**