Fintech Credit Clear taps AI, social media to cut cost of debt collection

EXCLUSIVE
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Credit Clear chairman Gerd Schenkel. Picture: Hollie Adams

He's worked as a senior executive for some of the biggest companies in the land.

Think National Australia Bank, where he was the founder of the bank's online home lending business UBank, and then Citigroup and Telstra, where he led the telco's digital agenda.

Most recently he was the chief executive of the eftpos services group Tyro Payments before resigning suddenly in June 2017 after reportedly failing to gel with the company's board.

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Now it is a debt payment fintech start-up known as Credit Clear which is engaging the passions of Gerd Schenkel.

Schenkel's version of his departure from Tyro is that he had completed the first stage of the company's change program and that he wanted to pursue other opportunities that allowed him to spend more time with his family.

He became chairman of Credit Clear late last year and will guide its path to a sharemarket listing during 2019 with the support of its high-powered backers, including Regal Funds Management, Alex Waislitz's Thorney Investment Group and a bunch of rich-listers.

Credit Clear automates the debt collection process and uses artificial intelligence to determine what time of the day and through which method of communication — most notably via Facebook Messenger, SMS or email — a debtor prefers to be reached on paying their overdue fees.

It claims the process on average improves the collection performance of its clients by 120 per cent and reduces their costs in the debt collection process by over 60 per cent. Amid increased regulatory scrutiny of the consumer lending sector, especially payday lending, Schenkel says he agreed to join Credit Clear because of its usefulness to both billers and consumers. Most importantly, he says it does not treat late payers like "criminals".

"A consumer using the Credit Clear platform is always going to be better off than if they didn't use our platform," he says.

"We can say to the country and the regulator: we don't charge the consumer fees; we charge the biller. In the payday lending space, they charge like they do because they need to make money.

In some cases that might be suitable, but if a consumer is facing a short-term personal loan at a high interest rate versus using us, they are much better off with us."

He claims Credit Clear is "part of the solution for the country and the economy, (and) is all about matching the cash flow of consumers with the cash flow needs of providers."

Schenkel told Credit Clear's investors in December that his focus, along with CEO and co-founder Lewis Romano, since he joined the board has been to pull together an aggressive 2018-20 strategy founded on short and long-term sales targets, product validation, client retention, governance, culture, and innovation.

He says the company is on track to deliver year on year revenue growth of 250 per cent in 2019 as it now deals with over 600,000 individual Australian consumers, sending them around 3 million messages per year.

Credit Clear is already working with 10 of the top 100 Australian companies and has clients in the healthcare, telecommunications, professional services and non-bank lending sectors.

"We are exploring other sectors where our product can be useful. It doesn't have to be overdue payments. We can deploy our technology for any payment. Now we are in scale-up mode," Schenkel says. "The question for us is how quickly can we deploy pilots, proof of concepts to demonstrate working with clients on how it can work for them."

In the coming weeks Credit Clear is expected to announce it has entered into a licensing deal to generate revenue in the US and Americas without diverting resources from Australia.

Mr Romano has said the US represents a huge opportunity for the company to make a significant impact, where outstanding consumer credit has tripled over the last 20 years.

Credit Clear does not require its own loan book and in June raised $8.5 million in an oversubscribed funding round through Bell Potter principal Hugh Robertson with the support of Thorney, Regal and some wealthy individuals.

The company has taken steps towards an IPO by completing an audit of its financial 2016 and financial 2017 accounts and shortlisting legal advisers for the float.

Schenkel stresses the board is under no pressure to go public.

"The goal of the company is not to IPO, it is to make it as successful as possible. The beauty of the investor group is we have committed investors with deep pockets. As long as we are performing, access to capital is not a problem," he says. "We don't need to launch new products by the IPO. Our top line growth is already very, very good. Which is why I consider the company to be on the cusp of this hyper-growth period."

He says Australia has moved forward substantially in the last few years in the evolution of its technology ecosystem, including the fact that more young people are considering entrepreneurship as a real career.

"A few years ago I don't think that was acceptable. So we now have lots of talented people working in start-ups," he says.

But he still worries Australia doesn't have a vibrant, professional early stage venture capital sector, which leads to young entrepreneurs giving away too much of the equity in their companies to high net worth backers at an early

desperation … A lot of entrepreneurs then end up working twice as hard getting paid half the money. This is a crying shame because it will deter other talented people from following them," he says.

"The other issue is lack of scale-ups in Australia. That is no-ones particular fault. Value creation and employment largely comes off scale ups, not start ups. We need a lot more of them.

"If there was more early stage capital here, there would be more scale-ups in Australia and more employment in tech in Australia."

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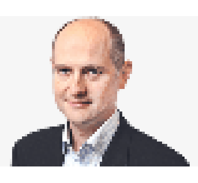
Damon Kitney has spent two decades in financial journalism, including 16 years at The Australian Financial Review in a variety of writing and editing roles in Sydney, Melbourne, Canberra and Perth, including 5 ... Read more



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