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Oakam Accelerates Financial Inclusion in the UK with Alternative Data

- Alternative data has enabled Oakam to lend over £320 million to financially-excluded consumers, using network associations, gamification and natural language processing
- Oakam has partnered with City, University of London to further build psychometric data and behavioural science into underwriting

LONDON – 9 October 2017 – Digital micro-lender, [Oakam](#) has provided over 420,000 loans totalling over £320 million to consumers overlooked by mainstream financial institutions since 2006. Alternative data is enabling Oakam to employ new methods in underwriting and risk management to expand credit access for financially excluded consumers in the U.K., while maintaining robust lending standards.

“The democratization of smartphone technology and internet access is unlocking innovation that will bring the world’s 2.5 billion financially-excluded adults into the financial system,” said Frederic Nze, founder and CEO of Oakam. “Our digital customer journey gives us access to new insights and data sources that are accelerating inclusion and challenging traditional definitions of creditworthiness.”

Data from FICO shows that 60-75% of traditionally un-scorable consumers could be assigned a more meaningful credit score using alternative data. For Oakam, supplementing traditional methods of underwriting, such as the analysis of credit bureau data with alternative approaches has enabled Oakam to evaluate a high volume of applications since inception.

Oakam’s use of alternative data has also yielded positive repayment behaviour among customers. 70% of new customers made on-time repayments, despite previous challenges accessing credit due to their income levels; court judgements on prior loan defaults; status as a new resident of the UK; the absence of credit history or low credit scores; or some combination thereof. This is according to a study of 15,000 first-time Oakam customers between January 2015 and July 2016.

In its constant drive for innovation in alternative underwriting, Oakam is partnering with City, University of London for a joint R&D project to further the usage of psychometric data and behavioural science in its risk decisioning. This partnership will allow Oakam to bring new scale to its business and lower the cost of borrowing by applying human expertise to a digital context.

“City University is constantly looking for ways to innovate and partner with market leading companies making the partnership with Oakam a great fit,” said Dr. Lara Zibarras, senior lecturer in organisational psychology at City University and head of the initiative with Oakam. “Pushing the boundaries of alternative underwriting will begin to open doors for greater financial inclusion and help those who need it most.”

Today, Oakam uses the following alternative sources for its underwriting:

- **Network associations:** Similar to the use of relationship mapping on LinkedIn, Oakam assesses the connections between borrowers and applicants, based on social network data, geographic proximity, and referrals to study patterns that detect fraud or surface certain risk attributes. Data from Oakam showed that customers who were referred by other customers were 20% less likely to default than customers outside of any network.
- **Reaction data from nudges:** In addition to predicting risk, Oakam uses gamification to influence it. Through its gamified mobile app, customers are financially incentivised to repay their loans. Oakam has seen a 25% improvement in on-time repayment since April 2017 as a result. Gamification also provides access to behavioural data to strengthen Oakam’s future underwriting decisions.
- **Unstructured data from online conversations:** Oakam uses natural language processing and machine learning to analyse the conversations between potential customers and Oakam Digital Agents via its website, and to detect default risk or fraudulent intent.

“The full potential of alternative data in cracking the challenge of global financial inclusion is far from being reached,” added Nze. “The benefits of digital approaches to micro-lending are just beginning to show. As more financial services providers embrace innovation, financial access and equality will accelerate across the developing and developed worlds.”

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ABOUT OAKAM

Everyone needs a hand. Whether to jump start a new business idea or cover an unexpected expense, Oakam is making a new future possible for every hard-working individual. Providing access to straightforward credit and digital budgeting tools, Oakam empowers those overlooked by traditional lenders to build their financial futures. We make accessing and managing credit more convenient and rewarding than ever through our mobile app. All the while, we keep finances personal through our UK retail network where you’ll have someone to talk to in your native language. Since inception, Oakam has helped disbursed over 420,000 loans to customers, providing over £320 million. For more information, visit www.oakam.com, download our app from the App Store or Google Play, or read our customer reviews on [Trustpilot](#).