

Registers of Scotland

RoS Board

9 November 2020

Arrear Clearing Plan

Purpose

1. To update the RoS Board on how we will tackle the arrear, the Key Performance Indicators to measure success and the communications and engagement activity, which will underpin our approach.

Recommendation

2. The Board is invited to:
- Note and agree the forward profile for the new applications KPI in Annex A and the aged casework in Annex B
 - Note the lender engagement activities and communications plans at Annex C and D

Background

3. As the Board will be aware, we have been working for 18 months on a strategy of building a sustainable registration function. This has focussed on dealing with new applications more quickly, improving the rate at which we were dealing with our oldest cases (clearing the arrear) and ensuring that the balance struck between those two approaches was correct, so that we were not storing up a new arrear for the future. Prior to the UK wide lockdown at the end of March 2020, progress had been good and we expected our challenging public facing KPIs either to be met, or very narrowly missed. However, the position has been impacted significantly by lockdown. The key impacts have been;

- A period where despatches (outwith some fully digital products) were not possible at all
- A longer period where despatches were below optimal levels for a variety of reasons
- A delay to colleagues who were recruited and trained through Q4 last year being able to consolidate that training (which would otherwise have coincided with the lockdown period)
- A delay in delivery of some technical work to underpin policy and practice changes which were designed to increase operational efficiency (due to necessary focus on front end digital submission services and emergency legislation)

Operational Strategy

4. At this stage in the original strategy we expected to have brought all products, with the exception of Cat B TPs, back within service standard. The consolidation of training of new recruits added to the technology improvements and new policy and practice would have allowed us to set a target date for clearing Cat B TPs as well as

driving the age of the FR stock down further. Although we were not certain to meet this target prior to lockdown, we have landed significantly short of it for the reasons noted above.

5. Our new approach is broadly in line with our approach prior to lockdown, though the emphasis will shift slightly. In essence it continues to involve, as it must, despatching more cases than we receive over a given period and balancing the effort across new cases and older cases. However, we do not consider that we will be in a position to make significant inroads into our oldest cases until we have completed three important pieces of work

- consolidation of new recruits training on live casework
- deployment of new technology – principally plan creator¹ – and associated policy and practice changes
- reorganisation of some operation teams into ‘squads’ that will be capable of pivoting between old case work and new applications as demand requires

6. Accordingly, we propose adjusting the strategy in the near term to tackle new casework more aggressively. This is the most effective way to deploy the people we currently have available and will ensure that the overall stock position does not dramatically increase (and will ultimately begin to trend down). As well as that, it will begin to build the right skills and experience in the staff involved to allow an increased focus on older cases in the following financial year (FY21/22). In respect of older cases we propose, of necessity, bringing in the age of those cases more slowly to begin with, but doing so agnostic of product type, giving customers more certainty as to when cases will be returned and also moving us more quickly to a position where all cases are within the typical two year re-mortgage period.

Expedite and Rejections

7. Whilst we clear the arrear we have had two policies in place to deal with the risk/concern posed to customers by the arrear. The first is that we will expedite cases on request where they meet certain criteria. The second is where we discover a problem with an application that we have had for longer than three months. In such cases we will work with the applicant to avoid rejection of the application.

8. Both of these have worked very well and we propose to retain them with one small amendment. Expediting of cases works very well where expedite is requested by a solicitor or lender. However, we do have a number of cases where the status of a pending application is queried by the individual citizen. In such cases they can be reluctant to use the expedite process, possibly because it is framed in legal and technical language. Accordingly, where citizens query a case for a second time we will ensure it is completed within one month of that query, negating the need to request expedite, but achieving the same outcome.

Operational Strategy - Key Performance Indicators

New applications

¹ Also, streamlined DWs, FR OCR work and, potentially, TP embedded title sheet

9. Our proposed KPI for all new applications recognises that we have an opportunity to move away from SLAs that are based around RoS internal processing time towards a timeframe that is based on the period of risk during which RoS and customers are exposed to risk. This opportunity is further enhanced by the role advance notices have successfully played during the lockdown period, meaning practitioners and lenders are now much more aware of how advance notices mitigate risk in the protected period of 35 days². Accordingly, we propose that we should aim to process a minimum of 60% of all applications within 35 days. This recognises that for the most time-consuming of cases processing within 35 days may not be possible and so in those 10% or so of cases we would envisage agreeing a suitable time scale with the submitting applicant.

10. We consider that we should publicly aim to achieve the 60% target, if agreed, by 1st April 2020, but that we should begin monitoring and reporting progress towards it now³. We also propose to monitor it on a product level (across the three main product types) to ensure that strong performance in the DWs area does not mask poorer performance in the FR or TP areas. For the avoidance of doubt two-day settle (2DS) will remain the norm for standard dealings cases and we will retain 2DS percentage as a health measure. The forward projection for achieving the FR and TP position is shown in Annex A. Dealings are not shown because they are already within that period. Also shown for information is the rate at which the new teams or squads will be established and how each will contribute to an uptick in the percentage of cases moving towards the target.

Aged applications

11. The proposed KPI for aged applications is, by the end of this financial year, to clear as many 2017 cases as possible. At present we consider that will allow us to clear all 2017 FRs and VRs and have no more than 2500 TP cases remaining. If possible, we would like to make greater progress on TPs and will strive to do so, but from the modelling we have now we don't think it is possible to commit to a better outcome.

12. The progress planned is shown in Annex B.

13. We have also provided some modelling that goes beyond the end of the financial year to indicate progress that may be possible into year 2 and beyond. This is not intended to form a KPI at this stage and does not take account of the retraining and technology/policy changes that we will implement between now and the end of this financial year.

Stakeholder views

General

14. Generally, the Law Society of Scotland and individual solicitors remain supportive of the action we are taking. We expect that they will be accepting of the new proposed KPIs and the transparency these will provide to the progress being

² At this stage we are using 35 days as a proxy for the actual advance notice period. In the future, if this approach is successful, we would look to process cases within the actual advance notice period of the individual application.

³ 90% will be the internal stretch target

made. These assumptions are borne out by recent conversations with both the Law Society and individual solicitors. We do still expect to see some level of enquiries from citizens and MSP/MPs, but as progress is made and through use of the enhanced expedite service, we think that this will decrease.

Lenders

15. One stakeholder area where we have encountered specific pressure on the size and age of the arrear is from mortgage lenders. One of the reasons some lenders are uncomfortable with the age of our arrear is due to the risk that they perceive they carry during the period in which their application (a standard security) remains pending while the lead application remains incomplete. Lender concerns are particularly acute where the application is pending for a period of time longer than the fixed-term deal under which the loan is granted (most typically 2 years), and when the proprietor may be looking to re-mortgage.

16. This risk is in large part mitigated by our general approach of intake application checks, expedite and non-rejection policy. To embed the reality of the very low to no risk of lending against such properties, we set up a Lender Engagement Working Group. As part of their activities the Keeper wrote to the CEOs of the top 10 UK lenders in July 2019, encouraging them to engage with us. Whilst there was a good level of success from this campaign, there are still some lenders who we are keen to have better engagement with.

17. On Friday 23 October 2020, a meeting that was instigated by UK Finance on behalf of their members, was held to capture the concerns of the lenders as we move into this next phase of tackling the arrear and the supporting Lender Engagement Campaign. In addition to UK Finance, seven different lenders were in attendance and with one exception, they are content with the focus that RoS is giving to the arrear. A key additional benefit to hearing lender views first-hand, was the opportunity to expand this network and raise awareness of our offers of enhanced support. These are outlined in the lender engagement priorities at Annex C.

External communications

18. A communications plan relating specifically to our messaging around the current arrear has been produced and is available if further detail is required. It outlines the background, approach, audience groups and key messages we will use. The lender engagement and related communications messaging is intended to reassure a limited number of professional stakeholders i.e. we are not seeking to initiate a public debate. To achieve this, we will use targeted comms channels to influence key audiences. A list of recommended activities and timings are included as Annex D.

Alternative Approaches for lender arrears stock

19. In addition to the work of the lender engagement and the communications plans, we are also scoping alternative approaches to reducing the arrears associated with standard securities. These currently sit at 24% of the total. The first is to put additional focus on FRs, to try and bring the age of those applications in more quickly. For technical reasons there is more risk to a subsequent security when the pending application is an FR. This was one of the reasons why we prioritised FRs last year ahead of TP cases. However, we have found this distinction difficult to explain to

lenders and we also do not want the age of TP casework to become completely detached from the FR position. Accordingly, we do not think this is a particularly attractive alternative option.

20. The second potential approach is to focus on cases (regardless of product) that have standard securities attached. There are circa 6k cases where a security is attached to a lead case over two years old. We are modelling at the moment how we could prioritise this work and how long it would take to drive that number to zero.

21. If we were to take such an approach we would, in tandem, use a new security attaching to a group of pending applications as a trigger to register the whole group. This would have the effect of ensuring that the problem could not reoccur.

22. We think this approach, if pressed to it, will deal with lenders concerns very effectively. We also think there will be no difficulty in explaining to lenders how it works. The downside is that it will potentially make it more difficult to achieve the other KPIs on aged cases. We are continuing to analyse this approach, in particular the effect it would have on the other KPIs and the financial profile.

Quality KPI

23. The quality KPI will remain as last year, and as set out in the BIA paper on KPIs.

Conclusion

24. The Board are requested to agree the recommendations set out at paragraph 2.

Head of Registration
Head of Service Delivery
Registration and Policy
26 October 2020

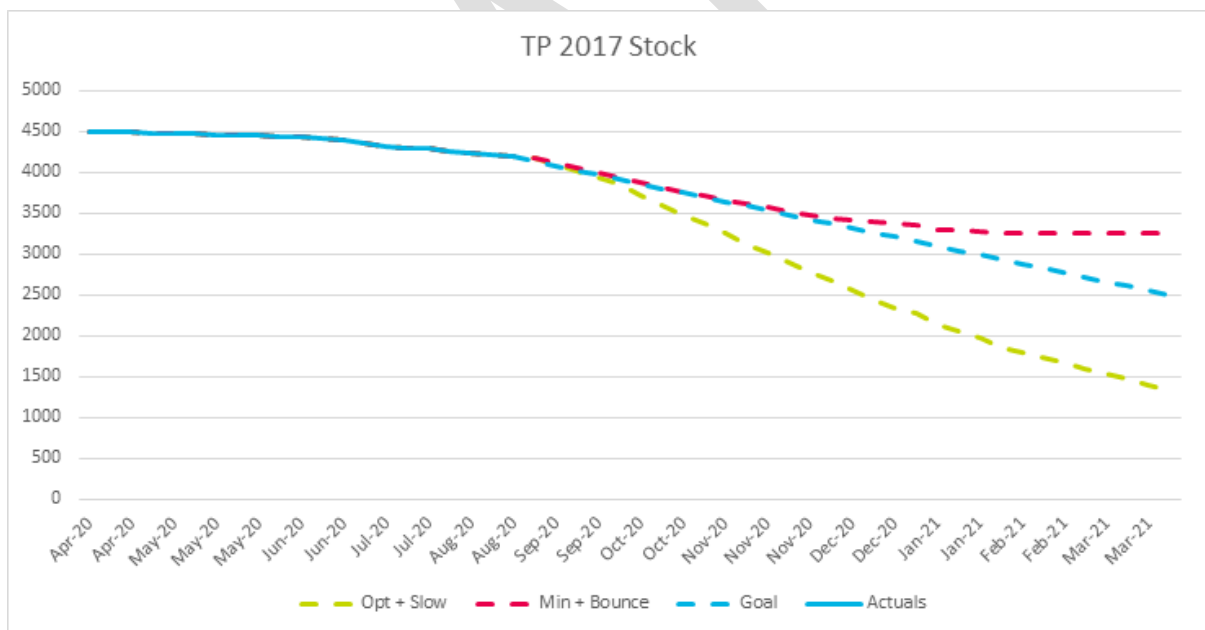
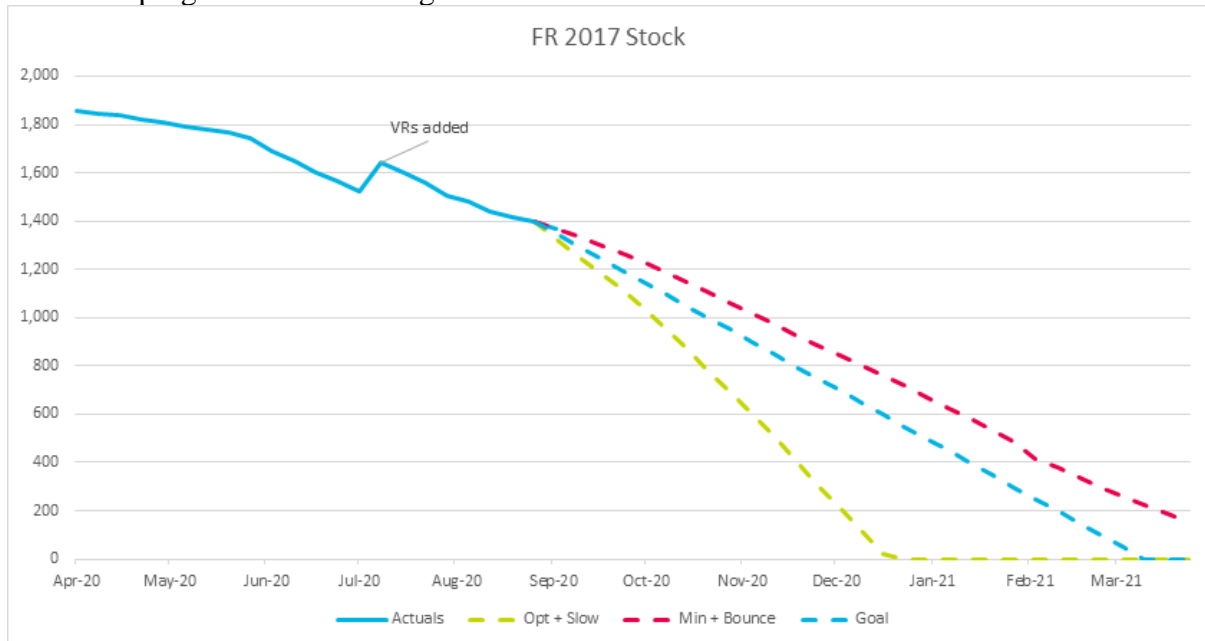
Annex A: Progression towards the 90% target

Projections:

This table shows the percentages of upfront work anticipated to be completed within 35 days

			2020				2021			
		current %	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
FR/VR	Standard	<i>squads</i>		3	5	6	7	9	9	9
		31%	30%	30%	50%	60%	70%	90%	90%	90%
	Complex	14%	14%	14%	20%	30%	50%	70%	80%	90%
TP	B/T	<i>squads</i>			1	2	3	5	6	
		2%	2%	2%	15%	30%	45%	70%	85%	90%
	Development	<i>squads</i>		6	6	6	6	6	6	
		41%	40%	45%	50%	55%	60%	70%	80%	90%
Total		27%	26%	27%	40%	49%	60%	78%	85%	90%

Annex B: progression towards aged case KPI



Annex C

Lender Engagement Campaign

The Lender Engagement Campaign working group has the following members:

Head of Customer Experience – lead; Head of Stakeholder Engagement; Head of Compensation and Litigation; Expedite Manager; Senior Communications Manager; Research and Data Analyst; Business Development Manager.

Summary of current priorities

Engagement activity	Goal	Timescale
Lender network build	Expand network beyond Top 10 lenders and remove barriers to those lenders not engaging currently. Utilise offers of support from UK Finance	Significant progress made. Further push through November and December 2020
Data reports	Contact all live lender contacts not currently receiving data reports. Advise on data uses – <ul style="list-style-type: none"> • cross reference stock • cleanse and update stock records • identify expedite cases • to remove the need for the chase cycle 	3 lenders currently using. Push to others through October and November 2020.
Expedite support	Ensure all lender contacts have access to the expedite process and contact details for support if required.	Completed early November 2020
Support Comms activities	Work with Comms across their suite of activities but in particular on contents for Keeper's letter, newsletters, updates and webinar. Provide immediate feedback on meeting outcomes and business intelligence gained	Ongoing

	through support activities with Lenders	
RoS/Lender Group	Establish a regular meeting pattern – particularly over the next few weeks and months to ensure good face to face opportunities are in place to provide requested transparency and contact whilst the arrear is cleared.	Established during November and December 2020
Customer insight capture	Ensure comprehensive use of Salesforce to capture customer interactions with lenders and their agents. Pass these to relevant parts of the business to support decision making and process improvements.	Building

Annex D

Communications Activity Plan and Tracker

DATE	AUDIENCE	MESSAGE	CHANNEL	MEASURE
Recorded 23/10 Broadcast 2/11	External: UKF members and associate members	Keeper speaking at UK Finance's Digital Innovation Summit 2020, Mortgage Technology stream on digital solutions, arrear and other related RoS	Pre-recorded talk	Engagement levels / SE to gauge response from sector
26/10	Minister	Keeper briefing that we've met with UKF, concerns from one lender about perceived risk are being addressed, more detailed brief will be sent after next Board	Letter	Response acknowledged
11/11	Lender CEOs & others*	Letter from the Keeper about plans to tackle arrear	Email via Secretariat	Volume of responses & sentiment expressed from top 10
After 11/11 Ongoing quarterly	Minister	Keeper quarterly Ministerial briefing on the arrear	Email via Secretariat	Response acknowledged
Follow up after Minister responds	EEFW Convenor	Keeper quarterly EEFW briefing on the arrear	Email via Secretariat / website	Awareness raised in advance of committee appearance
End November	External	Infographic / update on where we had got to with arrear pre-March 19 and new plans to eradicate / dates etc	Social channels / blog / newsletters	Traffic to blog / comments / open rates
End November	Internal	Infographic / update on where we had got to with arrear pre-March 19 and new plans to eradicate / dates etc	RoSNet	Traffic to story / comments
End November	External / Internal to relevant depts	Update arrears strategy LTT	Upon request	AR to monitor press interest / check with CS on enquiry levels

Before end 2020	RoS to host webinar for lender audience	Keeper, Head of Product and others to reassure lenders that arrear poses no real risk to their activities & outline RoS strategy to tackle backlog	Webinar	Size of audience/ feedback
Quarterly mid Nov / Feb / May / Aug	Key lenders	Quarterly update on arrear progress	Mailchimp list via email	Open rates / feedback
End of each month	MSPs	Include a monthly arrear update in MSP newsletter	Monthly MSP newsletter	Open rates
Monthly	External	Arrear figures updated	Website	Traffic monitored
Quarterly ongoing	External	Arrear update as part of quarterly KPIs	Website	Traffic monitored
Jan 2021	External	Write detailed arrear lines for EEFW Committee appearance	Committee appearance in March	Action AR/HL/JK
Ongoing	External	Comms / Lender engagement dovetail on all arrears messaging	TBD	Track volumes of arrear enquiries into RoS customer services Monitor ongoing feedback from UK Finance, lenders and policymakers