

15th May 2006

Mortgage Specialists

Computers Say 'No'!

Last year when we met Terri Dial she said that one of her initial observations, accepting that she had not been in the organisation that long, was that Lloyds TSB was not very good at executing policy. She compared that with her time at Wells Fargo where the execution of policy was seen as a key competitive advantage.

The recent debacle surrounding C&G's launch of the 100% mortgage shows just how far she's got to go before the policy is executed flawlessly. Ms Dial should sit back, kick off her shoes and read the case of the disappearing mortgage product.

At the time of pay and target negotiations this year, Jon Pain, Managing Director of the C&G, made much of the fact that his aim was to capture a slice of the non-standard mortgage market, which accounts for 25% of the total mortgage market, and he explained that new market leading products would be introduced to enable LTSB Mortgage Specialists to compete with the likes of Abbey National in this important space. The C&G said its aim was to say 'No' to fewer customers. Well they've certainly said No!

A few weeks ago C&G launched its 100% mortgage product and sent details to an enthusiastic Mortgage Specialist population, the majority of whom are significantly below target. We are aware that many Mortgage Specialists contacted their customers, both in writing and by phone, to advise them of the new product and to invite them to appointments to discuss their mortgage requirements. Some Mortgage Specialists even held 'Open Days' to launch the new product and got branch staff to participate. Everything was going swimmingly until Mortgage Specialists, with customers sat in front of them, started to process the mortgage applications. Their computers said 'No'.

On contacting the C&G directly to find out what was wrong with the system, Mortgage Specialists were told, and this is an exact quote, "Forget you've seen the product, it's not ready yet and we don't know when it will be ready". The Mortgage Specialists then had to go and explain to customers, many of whom had come in especially to talk about the new product, that technical difficulties meant that their mortgage couldn't be processed that day. Not surprisingly, Mortgage Specialists were livid that they had to find out for themselves the new product didn't exist and that they were given no idea when it would be available to customers. They were left to sort out the C&G's mess for themselves. And, as if to compound the problem, it took the C&G 24 hours, from first being aware of the problem, to make an announcement on the Interchange advising Mortgage Specialists that the product was no longer available. This is a textbook case on how not to bring a product to market. The only thing the C&G have achieved is to de-motivate an already demoralised workforce and turn off hundreds of potential Lloyds TSB mortgage customers.

Make Or Break Time For Mortgage Specialists

In my last Newsletter I said that according to the Bank's latest performance data at the end of February, only 6% of Mortgage Specialists, taking into account the achievement of the referral gateways, were on track to earn a bonus. Well that figure has increased but not by much. Based on Q1 performance only 14% (102) of Mortgage Specialists, out of a total population of 750, received a bonus. 94 of those 102 Mortgage Specialists were previously at Level C or D. What is worrying is that 47% of Mortgage Specialists were less than 70% of target for sales completions. Compare that to Premier Managers and PAMs, 62% and 82% of whom received a bonus in Q1. Those figures are unprecedented when you look at the target increases for 2006. The question that the C&G don't seem to be able to answer is why are things so bad for Mortgage Specialists?

It seems that rather than getting better, performance is getting worse. In a recent communication from Nick Hales, C&G Sales Director, Mortgage Specialists were told that there had been a slowdown in mortgage applications since the beginning of March and early April. In what can only be described as a sign of panic, perhaps worried that he will have to carry the can for the blot on the brightly coloured landscape, he says in his note to Mortgage Specialists:

"Throughout March and the start of April we saw a slowdown in mortgage allocations. This has left us in the position where we need to start exceeding our monthly targets if we are to achieve our £24 billion annual lending target."

If he's right and mortgage allocations don't start to pick up, with only 14% of Mortgage Specialists earning a bonus in Q1, it is likely that even fewer staff will be able to expect a bonus in Q2. And if the Bank launches products that don't exist, bonuses will be even less likely.

Following our discussions with the C&G a number of additional incentive opportunities have been introduced in order to kick start performance and a review of ATV targets is underway. Whilst we wait to see the outcome of the target review we remain to be convinced that additional incentive opportunities, whilst welcome, will make that much difference as to whether Mortgage Specialists hit target or not. Our discussions are continuing and I'll keep members informed of developments. In the meantime,.....

Mark V Brown
Assistant General Secretary