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AI in Credit Risk

Maximise the Potential

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An ever-increasing number of lenders in the UK are deploying AI across their businesses. Lenders need to embrace the significant benefits that AI offers. However, many face challenges that are difficult to overcome.

Broadstone can help you overcome these challenges and maximise the AI potential.
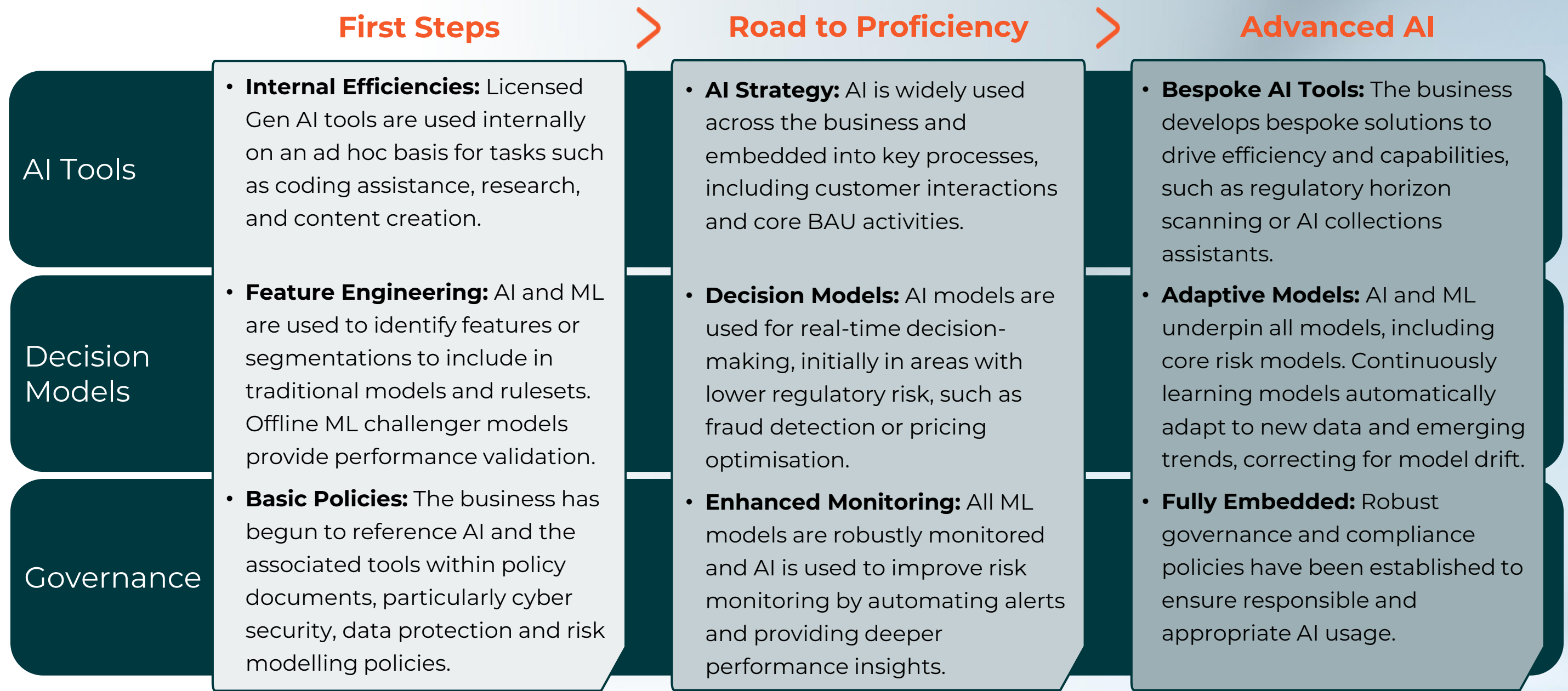
Benefits

- **Operational Efficiency** - Generative AI tools boost productivity and cut operational costs – a win-win for lenders aiming to enhance performance in a competitive market.

- **Better Decisions** - AI and ML algorithms regularly outperform traditional decision modelling approaches such as logistic regression credit scores.

- **Scalability** - AI solutions can easily scale to handle increasing data volumes and complexity.

- **Personalisation** - AI enables highly personalised customer experiences, improving customer satisfaction.

Challenges

- **Knowledge** - Many lenders still lack AI expertise and experienced AI professionals are in high demand and therefore expensive.

- **Regulation and Compliance** - AI tools can be complex, raising concerns around explainability, potential biases, and the difficulties of robust governance and monitoring.

- **Data** - The effectiveness of AI models depends heavily on data quality and structure. Poor or limited data can lead to underperformance and model overfitting.

- **Implementation** – Complex AI tools or non-linear decisioning models can be difficult to deploy, especially on legacy systems.
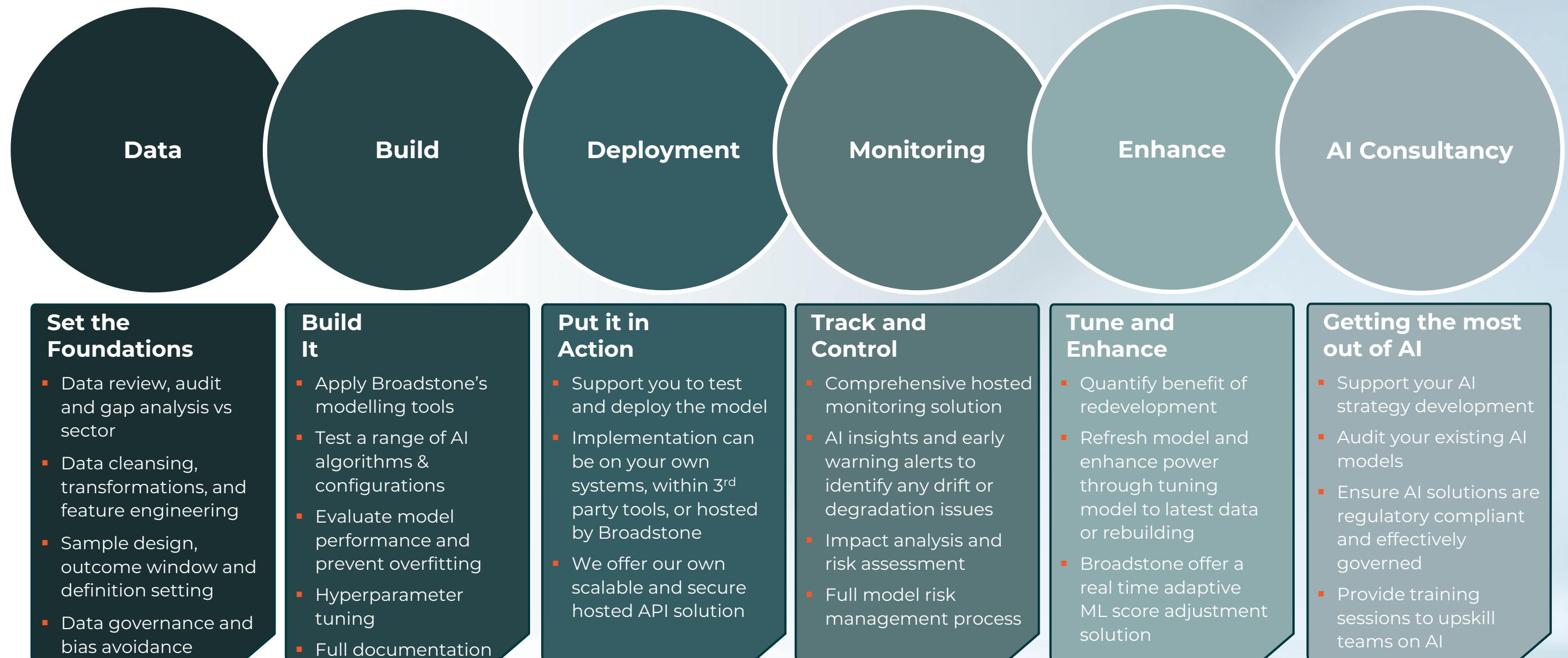
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AI Use Case Journey

First Steps > Road to Proficiency > Advanced AI

AI Tools

- **Internal Efficiencies:** Licensed Gen AI tools are used internally on an ad hoc basis for tasks such as coding assistance, research, and content creation.

- **AI Strategy:** AI is widely used across the business and embedded into key processes, including customer interactions and core BAU activities.

- **Bespoke AI Tools:** The business develops bespoke solutions to drive efficiency and capabilities, such as regulatory horizon scanning or AI collections assistants.

Decision Models

- **Feature Engineering:** AI and ML are used to identify features or segmentations to include in traditional models and rulesets. Offline ML challenger models provide performance validation.

- **Decision Models:** AI models are used for real-time decision-making, initially in areas with lower regulatory risk, such as fraud detection or pricing optimisation.

- **Adaptive Models:** AI and ML underpin all models, including core risk models. Continuously learning models automatically adapt to new data and emerging trends, correcting for model drift.

Governance

- **Basic Policies:** The business has begun to reference AI and the associated tools within policy documents, particularly cyber security, data protection and risk modelling policies.

- **Enhanced Monitoring:** All ML models are robustly monitored and AI is used to improve risk monitoring by automating alerts and providing deeper performance insights.

- **Fully Embedded:** Robust governance and compliance policies have been established to ensure responsible and appropriate AI usage.

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The Broadstone AI Offering

The Broadstone team are experts in AI and ML modelling for lenders, with our solution providing a complete end to end service.

We can also work in a bespoke way and provide tailored support in specific areas.

Data	Build	Deployment	Monitoring	Enhance	AI Consultancy

Set the Foundations
- Data review, audit and gap analysis vs sector
- Data cleansing, transformations, and feature engineering
- Sample design, outcome window and definition setting
- Data governance and bias avoidance

Build It
- Apply Broadstone's modelling tools
- Test a range of AI algorithms & configurations
- Evaluate model performance and prevent overfitting
- Hyperparameter tuning
- Full documentation

Put it in Action
- Support you to test and deploy the model
- Implementation can be on your own systems, within 3rd party tools, or hosted by Broadstone
- We offer our own scalable and secure hosted API solution

Track and Control
- Comprehensive hosted monitoring solution
- AI insights and early warning alerts to identify any drift or degradation issues
- Impact analysis and risk assessment
- Full model risk management process

Tune and Enhance
- Quantify benefit of redevelopment
- Refresh model and enhance power through tuning model to latest data or rebuilding
- Broadstone offer a real time adaptive ML score adjustment solution

Getting the most out of AI
- Support your AI strategy development
- Audit your existing AI models
- Ensure AI solutions are regulatory compliant and effectively governed
- Provide training sessions to upskill teams on AI

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Why Broadstone?

> **Analytical excellence**
Broadstone have built countless models across the lending lifecycle using a range of different techniques and data sources. Our team of analytics experts can deploy the very latest analytical tools and deliver innovative modelling solutions.

> **Real world lending expertise**
However, we are not a team of 'white coat' data scientists; we combine advanced analytics with hands-on lending experience. This allows us to deliver pragmatic real-world solutions that can be deployed and governed in a live lending business.

> **Commitment to quality**
Broadstone invests heavily in comprehensive validation processes and quality control on all engagements. We are committed to supporting our clients and ensuring they get genuine business benefit from working with us.

Practical Lending Experience

Quality and Support

Cutting Edge Analytics

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Key Takeaways

An ever-increasing number of lenders in the UK are deploying AI in their decision-making processes and wider operations

AI tools can deliver process efficiencies and new capabilities, and AI models can significantly outperform traditional approaches

Lenders face challenges in adopting AI due to its inherent complexity, a shortage of expertise, and the need to navigate regulatory obstacles

Broadstone offers a comprehensive AI modelling solution to help you maximise the value of AI

Our team delivers practical solutions that can generate real value, and we will support you through the entire journey

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Find out more

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