

HYPER-AUTOMATING NON-PERFORMING LOAN RECOVERY

LAWSUIT POPULATION FOR
RECOVERY AGENCIES

DOCUMENT CLASSIFICATION AND
EXTRACTION

ACUERDO BY EJASO
OMNITIVE MIDP CASE STUDY

In partnership with:



Executive Summary

CHALLENGE

Automation of lawsuit population to support the recovery of Non-Performing Loans (NPL) loans in Spain involves manually classifying and extracting data from dossiers, containing various types of complex legal and financial documents. Annually, 80 million documents are examined and some 56 million datapoints extracted to file 8 Mill lawsuits. This requires 4,569 FTES providing specialized technical legal knowledge, which costs the industry an estimated €251 Mill. The status quo is a massive bottleneck, limiting recovery speed, the ability to expand revenue and grow profit margins.

SOLUTION

We deployed Omnitive MIDP to classify documents, read and extract datapoints from purchased debt dossiers – including debt certificates, contracts, account details and movements, tax fillings, etc. – and automatically populate lawsuits. IBM RPA was instrumental in downloading files from the SFTP server and inserting the extracted data into lawsuits templates.

RESULTS

Our solution reduced the time required to process debt dossiers and populate lawsuits by 92.7%, effectively from days to a few minutes. It features 100% classification and data extraction accuracy, as per the agreed SLA. Lawsuit elaboration cost was reduced by 96.2% equivalent to 25 times. Customers saw a boost in their lawsuit processing speed, enabling them to achieve faster recoveries, leading to significant growth in revenue and profitability.

The Client

COMMITTED
TO
RECOVERING
DEBTS AND
ASSETS IN THE
SHORTEST
TIME



Acuerdo by Ejaso¹ is a boutique legal firm specialized in the provision of credit recovery services for individuals as well as legal entities in all sectors of activity. It works across the various phases of recovery, from pre-maturity all the way through defaults, prejudicial, judicial and bankruptcy management, with the singular goal of recovering debts in the shortest possible time.

Currently, Acuerdo manages 100,000 dossiers totaling €850 Mill in debt. Out of those, 55,000 dossiers could not be resolved amicably and resulted in lawsuits totaling €600 Mill in claims. The firm has also acquired debt portfolios amounting to €8 Mill in delinquent mortgages and €90 Mill corresponding to non-performing consumer loans.

Acuerdo has always been at the forefront of the industry, investing in digital technologies. It features a modern platform enabling process optimization, file digitization and reporting.

THE NEXT STEP WAS TO EMBRACE HYPER-AUTOMATION TO GROW FASTER

Acuerdo had a clear goal to augment itself into a modern digital legal practice offering first-class debt recovery service. They conceptualized this goal as the provision of excellent customer service. To do so, they were eager to adopt not just advanced technologies, but best in class hyper-automation solutions.



Transforming
the front



Transforming
the back



Evolving IT
architecture and
systems



Onboarding new
technologies



Becoming an agile
AI-driven
organization

¹Member of Angeco: Asociación Nacional de Empresas de Gestión de Crédito

The Challenge

AUTOMATION BECOMING INDISPENSABLE FOR INDUSTRY GROWTH

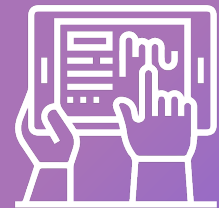
Since the start of Acuerdo's digital transformation, automation was top of the agenda. With significant increase in the value of managed debt portfolios, not only growth, but profitability heavily relied on successfully adopting and deploying superior technology.

Competition was not standing still either. The competition for debt portfolios has intensified, with players able to push up bids, while recovering more, faster. Acuerdo intended to manage increasingly larger debt portfolios, topping €600 Mill. Some of those corresponded to Non-Performing Loans, which required filing some 55,000 lawsuits. A hyper-automation solution able to mechanise the production of lawsuits was non-negotiable to remain competitive.

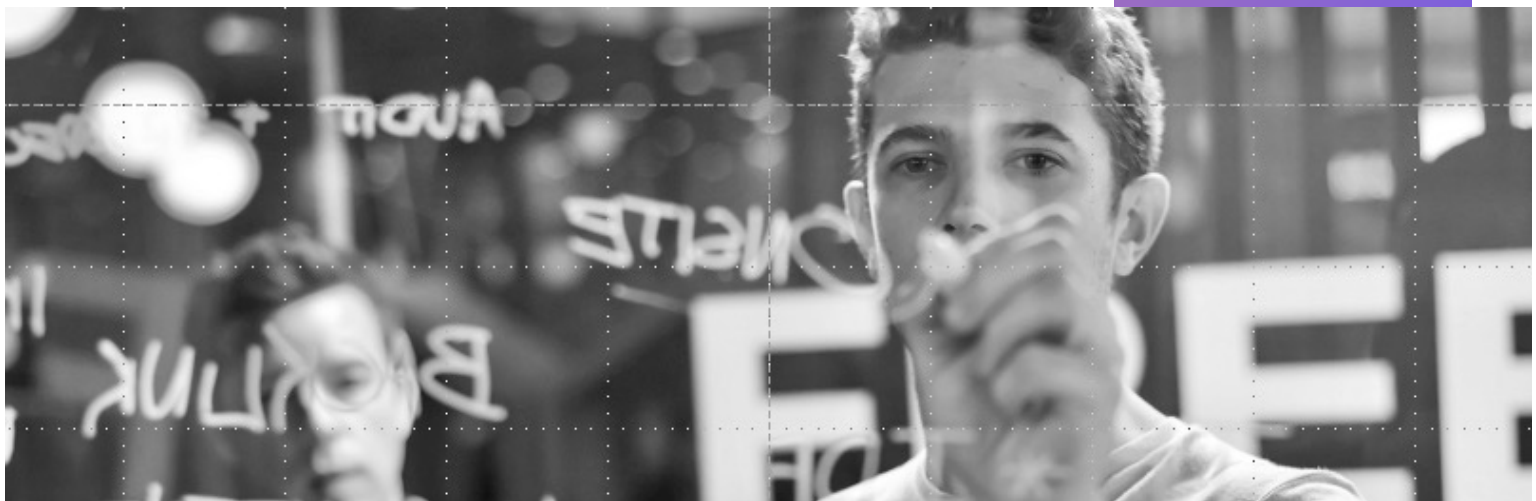
Depending on the nature of the claim, lawsuits require processing different types of documents, such as debt certificates, tax filings, contracts, bank account details and movements, etc. These would normally be reviewed by a team of legal professionals to properly classify them, extract, and contrast key data points to populate lawsuits. A single lawsuit would therefore normally take several hours to elaborate.



€600 Mill
loans value



€1.7 Mill
&
61,000 hours



HYPER-AUTOMATION CREATES KEY TO COMPETE OPERATIONAL EFFICIENCIES

As a result, the legal firm was looking for an innovative digital solution that would help realize improved performance and efficiencies while minimizing costs and errors. Specifically, that meant classifying 550,000 documents, extracting 385,000 datapoints and copying them into the appropriate lawsuit templates. Highly specialized and costly human talent, commanding deep legal and financial knowledge, handled the process end to end ensuring accuracy and compliance.

On aggregate, Acuerdo looked at 61,000 hours of labor, equivalent to almost €1.7 Mill in cost.

There was no choice, Acuerdo had to exponentially increase its digital capacity and fully embrace hyper-automation.



55,000 lawsuits
550,000 documents
385,000 datapoints

The Market Opportunity

HYPER AUTOMATION DRIVING GROWTH



NPL revenue:
€408 Mill



Associated staff
head count:
4,569



FTE cost:
€251 Mill

In 2022 Acuerdo and affiliates handled the recovery of NPLs totaling €426,407 Mill. They successfully recovered, €10,116 Mill, a small fraction. Almost half of the total economic value of outstanding delinquent loans – €203,657 Mill – could not be managed amicably and required taking legal action. This represented 35% of the outstanding NPLs, or 8 million debt dossiers. Each dossier comprises 10 documents on average.

At first documents need to be manually sorted, and, depending on claim type some 7 datapoints, on average, manually extracted. The later are used to manually populate lawsuit templates launching the legal portion of the recovery process.

To manually populate 8 million lawsuits annually, 80 million documents need to be classified and some 56 million datapoints extracted. These are not small numbers, and substantial manpower is employed to complete these tasks.

“HYPER-AUTOMATION TRANSFORMS HOW WE USE TECHNOLOGY MAKING ORGANIZATIONS MORE AGILE”

Currently, the debt recovery industry in Spain employs 20,005 staff, 65% of which are specifically working on recovery, amounting to 13,054 FTEs. Of those, 35% or 4,569 staff are involved in the non-cooperative settlement of delinquent loans.

Considering that a lawyer, on average, can process 145 dossiers monthly to file the corresponding number of lawsuits, and assuming a fully loaded FTE cost of €55k, the industry is spending around €251 Mill yearly on staff costs alone.

To lend perspective, in 2022 the industry generated €1,167 Mill in revenue, €408 Mill of which originated from the NPL recovery business line. As such, more than half of the generated revenue, – 61.52% –, is being spent on completing the legal recovery process.

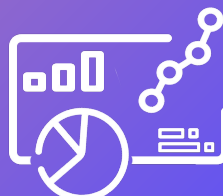
Acuerdo and affiliates were ready to fully embrace hyper-automation with very clear goals: improving efficiency, recovering more delinquent loans faster, boosting top lines, and increasing profitability. In a nutshell, achieving exponential growth.



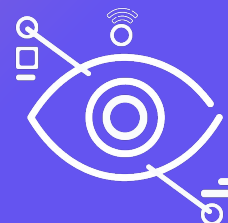
NPL value:
EUR 203,657 Mill



Debt dossiers:
8 Mill / year



Documents:
80 Mill / year



Datapoints:
56 Mill / year

The Process

A COLLABORATIVE PROCESS FROM START TO FINISH

The project begins with a collaboration to discover a detailed problem statement and opportunities for AI-driven hype-automation. The scope of the deployment is then carefully planned with contractually guaranteed outcomes. Various iterations of training using customers’ data corpus and algorithmic AI constructions are built into Omnitive MIDP. Once ready, the system is deployed to extract real and usable data, which is continually evaluated together with qualitative feedback to develop the best possible system.



Discovery



Scoping



Training



Development



Output



Evaluation



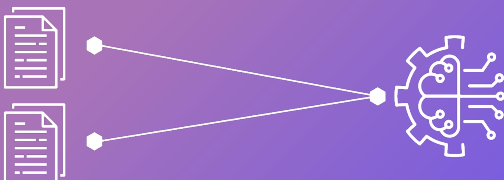
The Solution

100% AUTOMATION OF LAWSUIT GENERATION

Acuerdo had planned a sound workflow to automate 100% of the lawsuit generation. Omnitive MIDP was the cornerstone of this project. Firstly, IBM’s RPA solution collects available files from the SFTP server and delivers them to the designated folder. Following, Omnitive MIDP takes over cleansing, de-skewing and automating the classification of all supplied documents. Next, MIDP would complete the extraction of key datapoints ensuring correctness. Once validated, the extracted data is fed back to IBM’s RPA to populate the appropriate lawsuit template. At any time, areas of potential risk were to be highlighted and flagged to Acuerdo’s legal team to perform compliance checks. Once all these checks are in order, the lawsuit is ready to be filed with the courts.

DOCUMENT TYPES

- Debt certificates
- Contracts
- Bank account movements and details
- Tax fillings
- Mail notices
- Etc.



KEY FEATURES



DOMAIN-SPECIALISED KNOWLEDGE

ORKID worked with the customer’s subject matter experts to nail domain-specific knowledge (i.e., legal, financial, and regulatory concepts) so that the system could interpret and comprehend complex linguistic structures in various formats consistently.



FLEXIBILITY IN LANGUAGES

ORKID was able to ensure that the system would handle complex cognitive tasks in a foreign language, Spanish, with unparalleled accuracy.

THE INTELLIGENT BUILDING BLOCKS OF OMNITIVE MIDP

ORKID’s approach to document classification and data extraction brings in multiple intelligent tools for maximum accuracy and reliability, yet with a user-friendly focus. For Acuerdo, deployment was further conducted in stages. This gave the company greater control over the development process and allowed ORKID to perfectly tailor the solution to their requirements, down to the smallest detail.



RPA

Document files are collated from multiple sources, including the SFTP server, and automatically copied to the designated ingestion folder.



CONVERSION AND CLEANING

De-skewers and noise removers improve image quality. Optical Character Recognition (OCR) then converts free-form text characters into machine-encoded text.



DOCUMENT CLASSIFICATION

Documents are sorted into pre-defined categories.



INTELLIGENT EXTRACTION

MIDP understand and interprets text contextualizing like a human, only faster, extracting the required key pieces of information.



POPULATION

IBM’s RPA receives the extracted information to seamlessly populate lawsuits templates in seconds.



The Results

UNLOCKED SHORTCUTS IN PRODUCTIVITY AND INCREASED REVENUE

Omnitive MIDP in partnership with IBM RPA transformed the previously expensive manual workflow into a leading-edge automated solution. Total processing time for the population of lawsuits was cut by 92.7%, to just 5 minutes.

Total operating costs were effectively reduced by 96.2%, or 25 times. These metrics were delivered alongside a 100% accuracy rate in classification and extraction. Consequently, the firm’s ability to recover loans, push top lines, and increase profitability was boosted.



Overall classification and extraction accuracies of debt portfolio documents were at an outstanding 100%.

92.7%
reduction in
processing
time

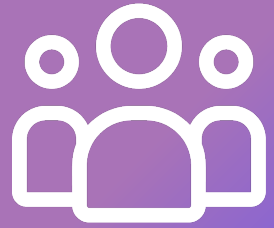
100%
classification
& extraction
accuracy

25X
total cost
reduction

HARNESSED THE INTELLIGENCE OF A HUMAN EXPERT IN LOAN DOCUMENT HANDLING

The automation of loan-related documents posed a highly complex and stake bearing cognitive task. Omnitive MIDP was able to understand these highly complex legal, financial, and regulatory concepts, automating the classification and extraction of these documents, as well as the population of lawsuits.

The solution's accuracy marked a significant improvement from the prior highly inconsistent and error-prone manual process. Lawsuits often had to be reviewed multiple times imposing delays on the recovery timeline. Omnitive MIDP created a much more compliance friendly workflow, including an alert system to immediately identify errors.



€252 million spent annually on lawyers and paralegals to manually read and extract information and populate lawsuits.



End-to-end automation of delinquent loan lawsuit population.

MARKET PIONEERING: 1st AUTOMATED DEBT RECOVERY SOLUTION

Working with ORKID, Acuerdo implemented a 100% digital debt recovery solution end to end. Omnitive MIDP cloud deployment, inclusive of IBM RPA, seamlessly integrated with Acuerdo's back-end workflow and core business model. Processing at lightning speed and accuracy, Acuerdo's customers could receive confirmation and feedback within seconds, thereby elevating the customer experience. Drawing in more and larger NPL portfolios, Acuerdo was able to reach perfect alignment with their long-term growth objectives and improve competitiveness.



VALUE PROPOSITION: PUSHING THE LIMITS OF SCALABILITY

ORKID's Generative AI-powered hyper-automation solution pushed the boundaries of traditional automation in complex tasks requiring experience, skill, and training. It effectively integrated the necessary legal and financial domain knowledge. The combination with IBM's RPA solution helped ensure that high-level sequential tasks were orchestrated and executed to perfection.



More importantly, the extreme accuracy generated stability and predictability in an otherwise fallible manual process. This intelligent solution helped advance innovation, delivering substantial savings in specialized staff work hours and overhead costs, while also enhancing productivity. It impressively reduced the time require to file lawsuits to just 5 minutes and the associated costs by 25 times, which helped increasing annual revenue and profitability alike.

What's Next

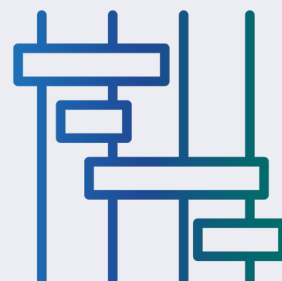
CONTINUOUS ENHANCEMENT COMMITMENT

ORKID and Acuerdo continue to collaborate closely in a long-term partnership. The collaboration entails close analyses of performance metrics and continuous algorithmic refinements to achieve ever-improving results.

NEW DIGITAL MILESTONES

ORKID and Acuerdo are planning to subsequently deploy projects in other parts of the business and geographic locations to leverage the full potential of hyper-automation.

Acuerdo also has strong visions to digitally expedite its services further in new divisions and applications. Finally, both firms are committed to transforming the industry and are cooperatively selling the solution built to other Angeco members.





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unlock infinite

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