



# From Delinquency to Resolution: The Power of Promise to Pay in the U.S. BFSI

White Paper

*"Making Lives Better, One Connection at a Time"*



## 1. Introduction

In an industry that often feels more numbers than nuance, where every dollar and decision counts, the "Promise to Pay" (PTP) concept has quietly revolutionized how U.S. financial institutions manage debt, engage customers, and even improve their bottom line. Often overlooked in favor of more aggressive debt collection tactics, PTP has emerged as a subtle yet powerful tool for financial institutions to enhance recovery rates, build trust, and maintain customer relationships—all while navigating the intricate regulatory landscape of the BFSI sector.

*The U.S. financial system is extensive and complex, designed to serve the needs of individuals, companies, and governments of all proportions. The **U.S. financial services market size** reached a value of **60.65 billion in 2023** and is expected to grow at a CAGR of 7.47% between 2024 and 2032, reaching almost **115.99 billion by 2032**. The total revenue of the financial system in the **4Q23** was **\$191.7. billion**<sup>2</sup>.*

*In 2024, Americans are carrying almost **\$17.3 trillion** in household debt, whereas commercial debts with defaults are soaring to **13.7 trillion** debt load, rising from 85 to 153 companies in a year.*

## 2. Understanding Promise to Pay: A Key Concept in U.S. Financial Services

*In the U.S. Banking, Financial Services, and Insurance (BFSI) sector, a "Promise to Pay" (PTP) is an agreement between a borrower and a lender in which the borrower commits to making a payment on a specific date in the future. This is typically used when a borrower has fallen behind on their payments, and the lender is seeking a way to recover the overdue amount without resorting to more aggressive collection actions.*

**Across-the-board household debt increased by 1.1% during the first quarter of 2024 to \$17.69 trillion.**

### 2.1 Critical Aspects of Promise to Pay (PTP):

**Commitment to Pay:** The borrower formally commits to pay a certain amount by a specific date. This is often done in response to overdue payments on loans, credit cards, or other financial obligations.

**Flexibility:** PTP agreements can be customized to the borrower's financial situation. Lenders may agree to new payment terms, reduced payments, or a temporary payment pause as part of the PTP.

**With 3.2% of outstanding debt in a few stages of delinquency, the aggregate delinquency rates were unruffled from the previous quarter.**

**Customer Relationship:** By offering a more cooperative approach through PTP, lenders can avoid the negative impact of more aggressive collection tactics on the customer relationship.

**Alternative to Collection Actions:** PTP is an alternative to harsher collection it's often seen as a way to avoid escalation while working towards debt recovery.

**Legal and Regulatory Compliance:** In the U.S., PTP agreements must comply with state and federal regulations, including the Fair Debt Collection Practices Act (FDCPA). Lenders must ensure that PTP arrangements are clear, documented, and communicated in a way that complies with these laws.

### 3. Why PTP Matters in the U.S. BFSI Sector

*In the first quarter of 2024, approximately 2.68% of all consumer loans at commercial banks in the United States were delinquent.*

**Reduction in Delinquency:** PTP agreements can help reduce delinquency rates by allowing borrowers to catch up on overdue payments.

*The most significant growth in delinquencies has been for credit cards, up from 4.1% during Q4 2021 to 8.9% by Q1 2024.*

**Improved Customer Experience:** Using PTP, financial institutions can demonstrate empathy and flexibility, improving customer satisfaction and loyalty.

**Financial Stability:** For lenders, PTP agreements can improve cash flow and reduce the need for costly recovery processes, contributing to overall financial stability.

### 4. The Tech behind the Talk: PTP in the Digital Age

*How AI and Data Analytics Are Turning PTP into a Predictive Powerhouse*

*About 82% of BFSI leaders increased investments in AI and/or ML in the last few years.*

Artificial Intelligence (AI) and data analytics have revolutionized how financial institutions approach Promise to Pay (PTP) agreements. By leveraging vast amounts of customer data, AI can predict which customers will most benefit from a PTP arrangement, allowing lenders to proactively offer tailored solutions.

### ***Chat bots, Apps, and Automation: Seamlessly Integrating PTP into the Customer Journey***

***According to research, \$7.3 billion in operational costs could be saved through banking chat bots.***

Using natural language processing, Chat-bots guide customers through the PTP process, offering real-time support and personalized payment plans. Mobile apps let customers efficiently manage their PTP agreements with just a few taps, providing convenience and flexibility. Automation streamlines the entire process, from communication to payment tracking, ensuring consistent follow-up and updates.

This seamless integration enhances the user experience and boosts the success rate of PTP agreements.

## **5. From Overdue to Overjoyed: PTP as a Tool for Transforming Customer Relationships**

***According to a survey, 68% of BFSI executives acknowledge that CX is a brand differentiator.***

In the often impersonal world of finance, "Promise to Pay" (PTP) agreements offer a breath of fresh air. These agreements transform the standard narrative of debt collection from a combative, stress-inducing process into a cooperative, customer-focused interaction. By allowing customers to commit to their terms, PTP turns a negative situation—such as overdue payments—into an opportunity for positive engagement.

***According to McKinsey's research, banks prioritizing customer experience notice a 10-15% growth in revenue and a 20% increase in customer satisfaction rates.***

Imagine a borrower struggling to keep up with loan payments. Traditional collection methods involve persistent calls and a demand for immediate payment, which can strain the relationship. In contrast, a PTP agreement opens up a dialogue, offering the borrower a chance to regain control. Customers feel respected and understood by agreeing to a manageable payment plan, transforming their anxiety into relief and appreciation.

## Final words

Promise to Pay (PTP) has emerged as a pivotal strategy in the U.S. BFSI sector, transforming how financial institutions manage delinquency and customer relationships. By shifting the focus from aggressive debt collection to a more collaborative and customer-centric approach, PTP helps recover overdue payments and strengthens customers' trust and loyalty. The integration of advanced technologies like AI, chat bots, and automation further enhances the effectiveness of PTP, making it a seamless part of the customer journey.

In conclusion, Promise to Pay is more than just a commitment to resolve debt—it is a powerful tool that bridges the gap between delinquency and resolution, ensuring that customers and financial institutions emerge stronger. As the BFSI sector evolves, those who embrace and refine PTP strategies will be well-positioned to lead the way in customer service and economic performance.

# Curious to learn more? We're at your service!

BGO is dedicated to collaborating with brands spanning various industries, aiding them in assessing their customer experience, and continuously enhancing it to surpass anticipations. Get in touch with one of our team members now to start a conversation!

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