

PROVIDERS & ISOS

Underwriting backlogs: what unqualified applications cost a payment provider

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Most of an underwriting queue is applications that were never going to be accepted. Where that time goes, what it costs beyond salaries and how providers cut it without lowering their standards.

Ask an underwriting team what slows it down and the answer is rarely the difficult cases. It is the volume of applications that should not have reached the desk: a business in an industry the provider does not serve, a country it cannot board, a file with half its documents missing. Each one still has to be opened, read and answered.

Where the time goes

A decline is not free because it is quick. An application that fails on the first check has still been logged, assigned, opened and replied to, and many fail later than the first check. The common patterns are these.

- **Out-of-appetite applications.** The industry, country or volume was never acceptable. Nothing in the file could have changed that.
- **Incomplete files.** The business might be acceptable, but the documents are missing, and the underwriter becomes a document chaser.
- **Website faults.** No refund policy, no company details, products that do not match the form. Each one is a round of correspondence.
- **Duplicates.** The same merchant arriving through two partners, or again after a decline.
- **Speculative referrals.** Partners sending every lead they have, on the chance that some stick.

What it costs beyond salaries

1. **Good merchants wait.** Every hour spent on a file that will be declined is an hour a boardable merchant spends in the queue. Some of them sign elsewhere in the meantime.

2. **Judgement suffers.** A team clearing a backlog decides faster and looks less closely. That is how a bad file gets through as well as how a good one gets declined.
3. **Partners lose patience.** ISOs and referrers send their best merchants where the answer comes quickly.
4. **The data is polluted.** Approval rates, turnaround times and partner scorecards all look worse than the provider's real performance on the applications that mattered.
5. **Declines have consequences.** A merchant declined for a reason it could have known in advance has been given a mark on its history and a poor opinion of the provider.

Why it persists

The provider's criteria live in a policy document that applicants never see. A merchant cannot tell whether it fits, so it applies and finds out. A partner cannot tell either, so it sends everything. The provider guards the detail of its rules for good reasons, since publishing them would teach bad actors what to say, and the price is a queue full of applications its own policy would have turned away.

What reduces it

- **Publish the hard limits.** Supported countries, prohibited industries and minimum volumes can be stated without revealing how risk is scored. These account for most of the out-of-appetite volume.
- **Screen before the queue.** A structured pre-check that tests an application against the provider's criteria, and stops the ones that cannot pass, costs far less than an underwriter's time.
- **Refuse incomplete files at the door.** A submission that cannot be made without the required documents does not become a chasing job.
- **Check the website automatically.** The presence of policies, company details and a working checkout can be verified before a person looks.
- **Give partners feedback they can use.** A partner told which of its referrals were out of appetite, and why, sends fewer of them.
- **Return instead of declining.** A file that is fixable should go back with a list, so that it comes in again complete and not as a new application.

What not to do

Lowering the bar clears a queue and fills the portfolio with the accounts the bar was there to stop. So does pushing a team for speed. The aim is not to decide faster on every file. It is to stop spending underwriting time on files that needed no underwriting.

The measure that matters

Count how many applications reach an underwriter, and how many of those are accepted. If the second number is a small share of the first, the team is being used as a filter, and a filter is the most expensive thing an underwriter can be.

A provider whose queue contains mostly applications that fit its criteria can afford to look hard at each one. That is a better use of the people, and it is safer.

Read online: <https://payments-marketplace.com/insights/underwriting-backlogs/>

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