



Higher National Unit specification: general information

Unit title: Personal and Business Lending

Unit code: H0C0 35

Superclass: AL

Publication date: May 2012

Source: Scottish Qualifications Authority

Version: 01

Unit purpose

This Unit is designed to enable candidates to understand the principles and products that apply when lending to personal and business customers. It prepares the candidate for practical lending situations that would arise in the banking and related financial services industries and is relevant to candidates with no experience or to those who have a limited experience in lending.

On completion of the Unit the candidate should be able to:

- 1 Assess personal lending propositions
- 2 Assess business lending propositions
- 3 Explain securities for personal and business advances
- 4 Explain the methods used to monitor lending and collect and recover overdue repayments

Recommended prior knowledge and skills

Access to this Unit is at the discretion of the Centre. However, it is recommended that candidates have good written communication and numerical skills. These may be demonstrated by the achievement of the Core Skill of *Communication* at SCQF level 5 or by possession of Standard Grade English or a suitable NC Unit, and Core Skill component of Using Number at SCQF level 5 or by possession of a relevant NC Unit.

Credit points and level

2 Higher National Unit credits at SCQF level 8: (16 SCQF credit points at SCQF level 8*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

General information (cont)

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes of this Unit specification.

There is no automatic certification of Core Skills or Core Skill components in this Unit.

Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes. The delivery and assessment of this Unit should be updated annually to reflect current lending products and interest rates.

Assessment

It is recommended that this Unit be assessed by an instrument of assessment that would require candidates to answer questions based on an in-tray exercise relating to both personal and business lending scenarios. The assessment should not normally take the average candidate more than two hours to complete.

The assessment exemplar for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement at SCQF Level 8. It is a valid, reliable and practicable instrument of assessment. Centres wishing to develop their own assessments should refer to the assessment exemplar to ensure a comparable standard. Assessment exemplars are available on SQA's secure website.

Higher National Unit specification: statement of standards

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The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Where evidence for Outcomes is assessed on a sample basis, the whole of the content listed in the Knowledge and/or Skills section must be taught and available for assessment. Candidates should not know in advance the items on which they will be assessed and different items should be sampled on each assessment occasion.

Outcome 1

Assess personal lending propositions.

Knowledge and/or Skills

- ◆ Personal lending assessment techniques and criteria
- ◆ The affordability and viability of personal lending propositions
- ◆ Personal lending and lending protection products
- ◆ The security requirements for personal lending

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on an in-tray exercise relating to a personal lending scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the four Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Assess personal lending applications applying the principles of lending assessment using a structured approach
- ◆ Assess the affordability of a personal lending application and the viability of the proposition presented
- ◆ Assess the suitability of personal lending and lending protection products identifying the most suitable products in a given situation
- ◆ Assess the security requirements for a personal lending application, demonstrating an understanding of the types of security that might be considered and the suitability of security in a given situation

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under supervised conditions.

Higher National Unit specification: statement of standards (cont)

Unit title: Personal and Business Lending

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 2, 3 and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a previously unseen in-tray exercise involving Personal Lending and Business Lending activities.

Outcome 2

Assess business lending propositions.

Knowledge and/or Skills

- ◆ Business lending assessment techniques and criteria
- ◆ The affordability and viability of business lending propositions
- ◆ Business lending and lending protection products
- ◆ The security requirements for business lending

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on an in-tray exercise relating to a business lending scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **two** of the four Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Assess business lending applications applying the principles of lending assessment using a structured approach
- ◆ Interpret financial data and information contained in an organisation's financial statements to evaluate the affordability and viability of a business lending proposition
- ◆ Assess the suitability of business lending and lending protection products identifying the most suitable products in a given situation
- ◆ Assess the security requirements for a business lending application, demonstrating an understanding of the types of security that might be considered and the suitability of security in a given situation

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under supervised conditions.

Higher National Unit specification: statement of standards (cont)

Unit title: Personal and Business Lending

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 3 and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a previously unseen in-tray exercise involving personal lending and business lending activities.

Outcome 3

Explain securities for personal and business advances.

Knowledge and/or Skills

- ◆ Attributes of good security
- ◆ Taking security
- ◆ Realisation of security
- ◆ Discharge of security

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on an in-tray exercise relating to a personal and business lending scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **one** of the four Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the attributes of good security
- ◆ Explain the methods for taking security and the documentation used
- ◆ Explain the reasons for and methods used to realise security held in support of a borrowing commitment
- ◆ Explain the methods used to discharge securities

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under supervised conditions.

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 2 and 4 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a previously unseen in-tray exercise involving personal lending and business lending activities.

Higher National Unit specification: statement of standards (cont)

Unit title: Personal and Business Lending

Outcome 4

Explain the methods used to monitor lending and collect and recover overdue repayments.

Knowledge and/or Skills

- ◆ Warning signs when monitoring personal and business lending
- ◆ Collecting payments when borrowing is in arrears
- ◆ Use of legal processes to recover unpaid debt
- ◆ Consequences of legal processes for borrowers

Evidence Requirements

Evidence for the Knowledge and/or Skills in the Outcome will be generated through sampling. This evidence can be presented as responses to questions based on an in-tray exercise relating to a personal and business lending scenario.

To ensure candidates will not be able to foresee which items they will be questioned about, a different sample of **one** of the four Knowledge and/or Skills items is required each time the Outcome is assessed.

Where an item is sampled, a candidate's response can be judged satisfactory where the evidence shows that the candidate can:

- ◆ Explain the main warning signs that indicate potential problems with personal and business lending
- ◆ Explain the methods used by lenders to collect payments when accounts are in arrears
- ◆ Explain the legal processes available to a lender to recover unpaid personal and business lending debts
- ◆ Explain the consequences of the legal processes for borrowers

Candidates must provide a satisfactory response to all parts of the sample to be successful in this Outcome.

Evidence should be generated through assessment under supervised conditions.

Assessment Guidelines

It is recommended that the assessment of this Outcome be combined with Outcomes 1, 2 and 3 as part of a single assessment event for this Unit lasting two hours. The assessment could be based around a previously unseen in-tray exercise involving personal lending and business lending activities.

Higher National Unit specification: support notes

Unit title: Personal and Business Lending

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 80 hours.

Guidance on the content and context for this Unit

This Unit is primarily intended to prepare candidates for employment or further study in financial services.

The following guidance was prepared in November 2011 based on current personal and business lending products and practices and the regulations relating to the taking, release and discharge of securities and the recovering of unpaid debts. Centres should ensure that candidates have used current information in their learning and that assessment content and assessment checklists reflect the current situation, which may, as a result, differ from the guidance below in terms of the products, practices and/or regulations listed.

Outcome 1 looks at the lending principles as they are applied to various personal lending propositions. In order to apply these principles it will be necessary for the candidate to understand the types of lending needs of personal borrowers, the products that are available to meet these needs and the methods applied by institutions to ensure they lend responsibly.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Structured approach to lending assessment
- ◆ Canons of lending
 - personal aspects – character, capability, capital
 - amount and purpose
 - repayment source and timing
 - need for security
- ◆ Risks and rewards of the proposition to the lender
- ◆ Impact of credit policy on lending decisions
- ◆ Credit scoring systems
- ◆ Additional requirements when lending to:
 - joint applicants
 - young persons
- ◆ Calculating lending rates and repayments
- ◆ APR and flat rate
- ◆ Loan purposes: short, medium and long term lending
- ◆ Loan types
 - overdraft
 - personal loans
 - revolving loans
 - student loans
 - credit cards

Higher National Unit specification: support notes (cont)

Unit title: Personal and Business Lending

- house purchase
- house equity release
- bridging loans
- ◆ Securities for personal lending
 - circumstances when security will be required for personal lending
 - application of margins when assessing the suitability of security
 - limitations of taking security to support a personal lending proposition
 - suitable security for personal lending in given situations
 - life policies
 - shares
 - cash and bank deposits
 - guarantee
 - standard security
 - irrevocable mandate

Note: Reference to security should not include mention of the features of the security nor the taking and discharge of the security. This is covered in Outcome 3.

Outcome 2 looks at the lending principles as they are applied to various business lending propositions. In order to apply these principles it will be necessary for the candidate to understand the types of lending needs of business borrowers, the products that are available to meet these needs and the methods applied by institutions to ensure they lend responsibly.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Types of business customer
 - sole traders
 - partnerships
 - limited company
- ◆ Source of company information
 - balance sheets
 - profit and loss account
 - cash flow statement and forecast
 - management accounts
 - bank statements
- ◆ Lending products
 - overdraft
 - fixed rate loans
 - term loans
 - commercial mortgages
 - asset finance – hire purchase, leasing and contract hire
 - invoice finance
- ◆ Ratio analysis
 - financial ratios
 - operating/activity ratios
 - debtor/creditor ratios

Higher National Unit specification: support notes (cont)

Unit title: Personal and Business Lending

- profitability ratios
- cash flow analysis
- ◆ Risks and rewards of the proposition to the lender
- ◆ Impact of credit policy on lending decisions
- ◆ Protection products
 - business insurance – building and contents, business interruption, employers liability, public and products liability
 - income protection insurance – key person, illness, accidental injury
 - life assurance
- ◆ Securities for business lending
 - commercial mortgage
 - fixed and floating charge
 - guarantees
 - security over monies due

Outcome 3 looks at the principles of good security. Candidates will have covered the requirement for security when reviewing propositions in Outcomes 1 and 2. In this Outcome they will be concentrating on how the security is taken to ensure that the lender has good title to the security and can realise the security if required. The candidate will also be expected to explain the processes for realising the security and for discharging the securities when the borrowing is repaid and/or there is no further reliance on the asset as security.

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Attributes of good security
 - realisable if required
 - ease of ascertaining title and value
 - stability of value
 - transferability of good title
- ◆ Types of security
 - security over land and buildings
 - Stock Exchange securities
 - life assurance policies
 - guarantees
 - floating charges granted by companies over all assets
- ◆ Procedures for taking security
 - documentation
 - establishing validity of title
 - transferring/registering title to the lender
- ◆ Procedures for realisation of security
- ◆ Procedures for releasing security back to borrower

Outcome 4 looks at the methods available to the lender to monitor and control lending and the actions available to them to enforce repayment of borrowing in the event of borrower default.

Higher National Unit specification: support notes (cont)

Unit title: Personal and Business Lending

Candidates should become familiar with relevant terminology and should make use of this.

It is expected that centres will cover the following topics:

- ◆ Warning signs
 - decline in turnover/income linked to static or increased expenditure
 - increased salary/credit funds transfer anticipation
 - increasing frequency and level of exceeding of overdraft limits
 - emergence of hardcore borrowing
 - increase in number of direct debits/standing orders
 - increase in number of status enquiries/credit searches
 - unexplained delays in the preparation of financial data
 - failure to make contact with the borrower
- ◆ Use of business financial data to support the monitoring and control of lending
 - deterioration of accounting ratios
 - management accounts
 - greater adverse discrepancy between projected and actual cashflow
- ◆ Collection procedures
 - telephone contact
 - letters
 - use of tracing agencies
 - calling up the debt
 - application of the Consumer Credit Act and Lending Standards Code
- ◆ Recoveries processes
 - debt arrangement schemes for personal borrowers
 - arrestments
 - attachments
 - sequestration
 - company administration
 - company liquidation

Guidance on the delivery of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with technical or professional knowledge and skills for the financial sector.

The Unit provides the required knowledge and skills required by candidates to ensure they are aware of the range of lending products available to personal and business customers, the lending principles that apply when assessing borrowing requests from personal and business customers, the role played by security in the lending process and the methods of recourse available to lenders in the event of default by borrowers.

During the delivery of this Unit, it is recommended that candidates are made aware of the latest lending products and services offered to personal and business customers by UK retail Financial Services providers and the current appetite for risk of providers.

Higher National Unit specification: support notes (cont)

Unit title: Personal and Business Lending

Guidance on the assessment of this Unit

The assessment could be designed around one case study, with each Outcome being assessed within that case study. It is suggested the case study should be based around an in-tray exercise with the candidate assuming the role of the lender as they deal with both personal and business lending applications, security and the subsequent monitoring, control and recovery of the lending.

Online and Distance Learning

This Unit could be delivered by open/distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that evidence is generated under the assessment conditions specified for each Outcome.

Opportunities for developing Core Skills

In this Unit candidates will have opportunities in all Outcomes to develop skills in the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 5. Candidates will be presented with information about a lending scenario(s) where they will have to apply critical thinking skills to review the situation, identify the key factors that have to be taken into consideration and then decide on the relative importance of each of these as they prepare their lending recommendations. In addition, the manipulation of financial data and the financial ratio analysis calculations will present opportunities in all Outcomes for candidates to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5.

Disabled candidates and/or those with additional support needs

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements

History of changes to Unit

Version	Description of change	Date

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General information for candidates

Unit title: Personal and Business Lending

This Unit is designed to introduce you to the knowledge and skills required when working within a lending role within the Financial Services Industry. You will be given the opportunity to learn how to take lending decisions for both personal and business customers. You will also discover when security is required from customers and how the bank takes that security against their lending. Bankers sometimes have to take action to collect and recover outstanding debt from customers and you will learn the main methods they use to achieve this.

On completion of the Unit the candidate should be able to:

- 1 Assess personal lending propositions
- 2 Assess business lending propositions
- 3 Explain securities for personal and business advances
- 4 Explain the methods used to monitor lending and collect and recover overdue repayments

In Outcome 1 you will learn about lending principles as they are applied to various personal lending propositions. In order to apply these principles you have to learn about the different types of lending needs of personal borrowers and the products that are available to meet these needs.

In Outcome 2 you will learn about lending principles as they are applied to various business lending propositions. In order to apply these principles you have to learn about the different types of lending needs of business borrowers and the products that are available to meet these needs.

In Outcome 3 you will learn about the principles of good security in support of lending and how the lender ensures they can realise the security if required. You will also learn the processes for realising the security and for discharging the securities when the borrowing is repaid and/or there is no further reliance on the asset as security.

In Outcome 4 you will learn about the methods available to the lender to monitor and control lending and the actions available to them to enforce repayment of borrowing in the event of borrower default.

This Unit may be assessed by one assessment covering all four Outcomes. This assessment could consist on an in-tray exercise involving personal and business lending scenarios that covers all of the four Outcomes of the Unit. It is recommended that the assessment be completed within a two hours working period.

You will need to successfully complete questions from all four Outcomes in order to pass the Unit.

There are opportunities to develop components within the Core Skills of *Problem Solving* and *Numeracy* at SCQF level 5 in this Unit.