

## **SQA Advanced Unit specification**

### **General information**

**Unit title:** Personal and Business Lending (SCQF level 8)

**Unit code:** HP1G 48

**Superclass:** AL

**Publication date:** August 2017

**Source:** Scottish Qualifications Authority

**Version:** 01

### **Unit purpose**

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

### **Outcomes**

On successful completion of the Unit the learner will be able to:

- 1 Explain the key components in the lending process.
- 2 Assess lending propositions.
- 3 Apply securities for lending principles and procedures.
- 4 Explain the methods used to monitor lending and address any problems identified.

### **Credit points and level**

2 SQA Credits at SCQF level 8: (16 SCQF credit points at SCQF level 8).

### **Recommended entry to the Unit**

Access to the Unit is at the discretion of the centre, however it is preferred that learners have good written communication and numerical skills. These may be demonstrated by the achievement of Core Skill *Communication* at SCQF level 5, or by possession of National 5

## **SQA Advanced Unit Specification**

English, or a suitable NC (National Certificate) Unit, and Core Skill component Using Number at SCQF level 5 or by possession of a relevant Unit.

### **Core Skills**

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes for 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 Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

### **Equality and inclusion**

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website [www.sqa.org.uk/assessmentarrangements](http://www.sqa.org.uk/assessmentarrangements).

## SQA Advanced Unit specification: Statement of standards

### Unit title: Personal and Business Lending (SCQF level 8)

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

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. Learners 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

Explain the key components in the lending process.

#### Knowledge and/or Skills

- ◆ Lending products
- ◆ Information used during the lending assessment process
- ◆ The principles of lending
- ◆ The regulation of lending

### Outcome 2

Assess lending propositions.

#### Knowledge and/or Skills

- ◆ Personal lending assessment techniques and criteria
- ◆ Business lending assessment techniques and criteria

### Outcome 3

Apply securities for lending principles and procedures.

#### Knowledge and/or Skills

- ◆ The principles of good security for lending
- ◆ Security for lending procedures

### Outcome 4

Explain the methods used to monitor lending and address any problems identified.

#### Knowledge and/or Skills

- ◆ Identification of potential problems with existing lending
- ◆ Managing irregular accounts
- ◆ Collection of outstanding unsecured debt
- ◆ Recovery of secured debt

## **Evidence Requirements for this Unit**

In sampling evidence for this Unit, the assessment instrument must include coverage of both Personal and Business Lending.

### **Outcome 1**

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement. To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **two** of the Knowledge and/or Skills items with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed. Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain the suitability of lending products in a given situation.
- ◆ explain the sources of information used by a lender to assess lending applications.
- ◆ explain the principles that are applied during lending assessment activities.
- ◆ explain the impact of the legal/regulatory frameworks that apply to lending transactions in a given situation.

### **Outcome 2**

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement. To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **one** of the Knowledge and/or Skills items with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed. Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ assess personal lending applications.
- ◆ assess business lending applications.

### **Outcome 3**

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement. To ensure that a learner has successfully achieved the standard required of each of the

## SQA Advanced Unit Specification

Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **one** of the Knowledge and/or Skills items with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed. Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ assess the security requirements for a lending proposition, demonstrating an understanding of the types of security that might be considered and the suitability of security in a given situation.
- ◆ outline the procedures for taking and releasing security in a given situation.

### Outcome 4

Each Knowledge and/or Skills item is matched by a corresponding Evidence Requirement. To ensure that a learner has successfully achieved the standard required of each of the Knowledge and/or Skills listed above the corresponding Evidence Requirement from the list below should be met.

Evidence for the Knowledge and/or Skills in the Outcome will be provided on a sample basis. This evidence may be presented as part of a written report or in response to a specific question or questions. Each learner will need evidence to show that they can provide an accurate and clear explanation of the theoretical aspects of the Outcome.

The sample must comprise of **one** of the Knowledge and/or Skills items with a different sample of Knowledge and/or Skills being used each time the Outcome is assessed. Where an item is sampled, a learner's response can be judged to be satisfactory where the evidence provided is sufficient to meet the requirements for each sampled item by showing that the learner is able to:

- ◆ explain the warning signs that a debt might not be repaid in a given situation.
- ◆ explain the techniques used to manage irregular accounts.
- ◆ explain the techniques used to collect outstanding unsecured debts.
- ◆ explain the techniques used to recover secured debts.

As the Knowledge and/or Skills for each Outcome are sampled, assessment must be carried out under closed-book controlled conditions.

## SQA Advanced Unit Support Notes

**Unit title:** Personal and Business Lending (SCQF level 8)

Unit Support Notes are offered as guidance and 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 learners for employment or further study in financial services.

**The following guidance was prepared in May 2016 based on current lending products and practices and the regulations relating to Consumer Credit and lending to customers. Centres should ensure that learners 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 key factors that underpin the lending decision making processes – the products that can be offered and the sources of information that contribute to lending decision making. Lenders use a structured approach when making lending decisions and learners are required to understand the components of that structure. Lending is a regulated activity in the UK and learners need to understand the impact of the legal and regulatory frameworks on any lending transaction they are reviewing.

Learners should become familiar with relevant terminology and should make use of this. Their knowledge has to be applied in the context of a given scenario and recommendations and decisions made have to be relevant to that scenario.

It is expected that centres will cover the following topics:

- ◆ Lending Products:
  - overdraft
  - personal/term loans
  - credit cards
  - house purchase
  - house equity release
  - bridging loans
  - business term loans
  - personal contract hire
  - leasing
  
- ◆ Sources of information:
  - Credit Reference Agencies
  - Information provided by the customer
  - Information in existing bank records
  - Company financial statements
  - Other company documents for example business plans or internal strategy documents

## SQA Advanced Unit Specification

- ◆ Structured approach to Lending assessment:
  - Canons of lending
    - personal aspects — character, capability, capital
    - amount and purpose of potential borrowing
    - repayment source, timing and dependability
    - need for security
  - Risks and rewards of lending propositions to the lender
  - Impact of credit policy on lending decisions
  - Types of Credit scoring systems
  
- ◆ Legal and Regulatory Frameworks:
  - The Consumer Credit Act 1974
  - The Consumer Protection from Unfair Trading Regulations 2008
  - The Financial Conduct Authority (FCA) regulations
  - The Lending Code/Lending Standards Board

**Outcome 2** looks at how lenders use all the components from Outcome 1 to make lending decisions.

Learners should be able to review all the information and determine whether the borrowing is a viable proposition — would the lender be prepared to lend given all the information that is available? They should also be able to identify what additional information would need to be gathered to enable decisions to be made.

It is expected that centres will cover the following topics:

- ◆ Techniques for evaluating viability of Personal Lending:
  - Sensitivity/viability analysis, identifying the relevant ‘what if’ scenarios the lender would have to consider
  
- ◆ Techniques for evaluating viability of Business Lending:
  - Interpretation of financial performance measures and ratios:
    - Profitability Ratios (Gross Profit Ratio; Operating Profit Ratio; Operating Expenses to Revenue; Mark up)
    - Liquidity ratios (Current Ratio and Acid Test)
    - Efficiency measures (Trade Receivables Turnover; Trade Payables Turnover; Inventory Turnover)
    - Capital Structure measures (Interest Cover; Gearing)
  - Simple cash flow analysis

For this Unit, there is no need for learners to cover any other performance measures or ratios. The focus is not on the underpinning calculation of measures and ratios — the focus should be about the interpretation of outputs of the calculation of the measures and ratios.

**Outcome 3** looks at the role that security plays in the lending process.

Learners should be able to identify whether the lender would request security or not in a given situation and to be able to explain why they reach that decision. Where they decide that security is required, they should be able to identify which assets should be used and what the procedures are for completing the security. Learners also have to know how security will be released once the borrowing is repaid.

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

## SQA Advanced Unit Specification

It is expected that centres will cover the following topics:

- ◆ The circumstances when a lender will take security
- ◆ The attributes of good security
- ◆ The valuation of securities and security discount factors
- ◆ Types of security:
  - Land and property
  - Life Insurance Policies
  - Stocks and shares
  - Guarantees
- ◆ Securities from Limited Companies
- ◆ The law of property
- ◆ Completion and release of security:
  - Land and property
  - Life Insurance Policies
  - Stocks and shares
  - Guarantees

This Unit does not focus on the detail of completion of security. The learner has to discuss the procedures in outline and should be concentrating on the practical procedures and not the detail of the legal requirements and associated documentation. This Unit is not aiming to develop the learners as legal specialists in lending security.

**Outcome 4** looks at the steps a banker has to take when borrowing is not being repaid as agreed or there is a risk that borrowing commitments will not be met in the future.

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

This Unit does not focus on the detail of the legal processes such as bankruptcy and liquidation. It is sufficient that learners know that these are processes that can result following personal or business financial failure and to know in outline the consequences of these processes.

It is expected that centres will cover the following topics:

- ◆ The identification of potential problems:
  - Sources of information
  - The warning signs that borrowing might not be repaid on time
  - Determining the true position where there is irrelevant or conflicting information
- ◆ Managing irregular accounts:
  - Setting out debt reduction plans
  - The advisability of additional lending
  - Use of Intensive care units
- ◆ Collection of Unsecured Debt:
  - General measures taken to recover money owed by late payers
  - Collection letters
  - Use of tracing agencies
  - Pre-court actions
  - Court actions
  - Application of the Consumer Credit Act and Lending Code
  - Debt Arrangement Schemes/Debt Management Plans



## SQA Advanced Unit Specification

- ◆ Recovery of debt when the lender holds security:
  - Factors that will be considered before action to recover is started
  - Procedures specific to the security:
    - Land and Property
    - Pre-Action Requirements — The Home Owner and Debtor Protection (Scotland) Act 2010
    - Life Insurance Policies
    - Stocks and Shares
    - Guarantees

### Guidance on approaches to delivery of this Unit

**During the delivery of this Unit, it is recommended that learners 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.**

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

The Unit provides the knowledge and skills required by learners to ensure they are aware of the range of lending products available to personal and business customers and the methods used by lenders to determine whether to lend money to the customer or not.

Learners should be taught the Unit in the order of the Outcomes and in the order that the Knowledge and/or Skills are specified.

The focus of delivery should be on the application of the knowledge and skills by reviewing lending and securities scenarios and assessing the options available to the lender.

### Guidance on approaches to assessment of this Unit

Evidence can be generated using different types of assessment. The following are suggestions only. There may be other methods that would be more suitable to learners.

It is recommended that this Unit be assessed by an instrument of assessment that would require learners to answer questions based on a case study. The assessment could be designed around one case study, with each Outcome being assessed within that case study. The case study could be based around a customer seeking to borrow money from the lender. The learner would assume the role of the lender and answer the questions in a manner suitable for a non-expert to understand.

Care should be taken when writing the case study or assessment questions that any information relating to Outcomes 3 and 4 do not give the learners the solutions to the questions asked in relation to Outcomes 1 or 2.

Where a case study is used this could be provided to the learner 7–10 days before the assessment event to enable them to familiarise themselves with the background detail to the customer accounts that will form the basis of the assessment. The assessment will be carried out under **closed-book** controlled conditions. Where an assessment is based on a case study issued in advance, the case study should contain background information only and should not enable learners to prepare answers to questions. No materials may be brought into the assessment. It is recommended that learners complete the assessment in a three hour period.

## SQA Advanced Unit Specification

Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

An exemplar instrument of assessment and marking guidelines have been provided to indicate the national standard of achievement required at SCQF level 8.

### Opportunities for e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at [www.sqa.org.uk/e-assessment](http://www.sqa.org.uk/e-assessment).

### Opportunities for developing Core and other essential skills

#### Core Skills

Learners will have opportunities to develop the Core Skill of *Communication* at SCQF level 5 in this Unit as they will have to read, understand and evaluate complex written communication and may produce written and/or oral communication evidence as part of the assessment.

Learners will also have opportunities in all Outcomes to develop skills in the Critical Thinking component of the Core Skill *Problem Solving* at SCQF level 5. They 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 recommendations.

In addition, the manipulation of financial data will present opportunities in all Outcomes 1 and 2 for learners to develop skills in the Using Number component of the Core Skill *Numeracy* at SCQF level 5.

#### Other Essential Skills

Learners may be given opportunities to develop key employability skills, as well as develop an awareness and understanding of citizenship and sustainability. These include the skills of:

Team work/group work	Positive attitude to work
Using initiative/being proactive	Analysing and evaluating
Problem Solving	Planning and Organising
Paying attention to detail	Time Management
Research and investigation	Adopting professional working standards and practices
Applying numeracy skills	Setting goals and making action plans

## History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

**FURTHER INFORMATION:** Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

## General information for learners

### Unit title: Personal and Business Lending (SCQF level 8)

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 small business customers. You will also discover the circumstances in which the lender will ask for security from customers and what security can be taken and you will be introduced to the outline procedures for making sure the lender has valid security. Sometimes, despite being very careful when they lend, a lender has to take action to manage the borrowing when the customer is unable to keep to the original lending agreements. You will learn about the monitoring techniques that are used to identify when the lender is at risk that the borrowing will not be repaid and also the actions the lender might have to take to collect and recover outstanding debt from customers if this is required.

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

- 1 Explain the key components in the lending process.
- 2 Assess lending propositions.
- 3 Apply securities for lending principles and procedures.
- 4 Explain the methods used to monitor lending and address any problems identified.

In Outcome 1 you will learn about the key components of the lending process — the lending products available to customers, the sources of information available to the lender to assess a lending proposition and the overall principles that are applied when assessing lending. Lending is now a regulated activity and you will learn about the key pieces of legislation that exist to protect the interests of both the borrower and the lender.

In Outcome 2 you will learn how to assess a lending proposition applying the principles you learn about in Outcome 1 to the assessment of a personal or small business lending application. You will learn that the lender has to consider not only can the borrower afford to repay the borrowing today but could they also repay it if interest rates were to increase.

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 the borrower not being able to repay the borrowing.

This Unit may be assessed by one assessment covering all four Outcomes. This assessment could consist of a case study involving a lending scenario that covers all of the four Outcomes of the Unit. It is recommended that the assessment be completed within a three hour working period. To enable you to prepare for the assessment, you will be issued the case study only in advance but you will not be permitted to take any notes into the assessment. 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 *Communication*, *Problem Solving* and *Numeracy* at SCQF level 5 in this Unit.