

Unit: LC5 Appraise business lending applications

Overview

This unit is about appraising applications for borrowing facilities made by business customers. You will need to gather valid information from business customers about both their business and the proposition for which they require lending facilities, and to assess that information prior to making recommendations for a lending decision. This means you will have to evaluate information such as balance sheets or business plans in order to appraise the viability of the proposition and to assess the risk of borrowing. It is vital that you know, and are able to operate within, the lending guidelines employed within your organisation.

Outcomes of effective performance

- LC5/O1 You identify the customer's borrowing requirements and match these to facilities accurately
- LC5/O2 You explain the potential borrowing options and their features and benefits, together with all essential information relating to these options
- LC5/O3 You assess the customer's objectives, business targets, strengths and weaknesses accurately
- LC5/O4 You complete all relevant credit checks
- LC5/O5 You visit sites and premises where appropriate
- LC5/O6 You make judgements on the customer's business viability using both financial and non-financial information
- LC5/O7 You assess the need for and availability of security in accordance with your organisation's guidelines
- LC5/O8 You obtain all necessary valuations and reports about your customer's assets offered as security and compare them to your customer's valuation
- LC5/O9 You evaluate the financial viability of the proposal and test the assumptions made in those evaluations
- LC5/O10 You inform the customer of the terms and conditions for borrowing in accordance with lending guidelines

- LC5/O11 You make clear recommendations to the appropriate authority when the lending decision has to be referred
- LC5/O12 You keep complete and accurate documentation and records
- LC5/O13 You comply with legal requirements, industry regulations, organisational policies and professional codes

Behaviours which underpin effective performance

- LC5/B1 You present information clearly and concisely
- LC5/B2 You show integrity, fairness and consistency in the decisions you make
- LC5/B3 You are vigilant for potential risks
- LC5/B4 You show a clear understanding of different customers and their needs
- LC5/B5 You pay attention to details that are critical to work
- LC5/B6 You carry out tasks with due regard to your organisation's policies and procedures, including those covering health and safety at work

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Knowledge and understanding

1. The interview techniques you are required to use to identify customers' borrowing requirements
2. The types of facility and the conditions that apply to them (fixed rate, fluctuating rate, base rate related, managed rate, fixed term or variable term, secured or unsecured) which you are authorised to promote and sell
3. The benefits and features of each facility that you are authorised to promote and sell
4. Government and local assistance schemes
5. The people from whom you can seek assistance with customers' queries
6. The implications of quality certification and accreditation (for example, ISO 9001, European Quality Award, IIP)
7. Your organisation's guidelines and requirements on the need for, and the types of, security that are required when offering borrowing facilities to customers
8. The assessment factors you need to consider when appraising borrowing applications, including non-financial information such as the customer's business structure and the current and anticipated market trends and developments
9. How to evaluate and interpret financial information, e.g. audited accounts, management information forecasts
10. The relationship between non-financial and financial information
11. Your organisation's internal guidelines on security valuation
12. Your organisation's lending guidelines
13. The implications of lending to different legal entities: limited companies, partnerships, sole traders, clubs and societies
14. The implications of independent legal advice for third parties
15. Risk and profitability factors for your organisation's business
16. Your organisation's procedures relating to the relevant legislation or regulation
17. How to recognise opportunities for negotiation and cross-selling with customers
18. Your organisation's requirements relating to the application of codes, laws and regulatory requirements, including health and safety, as they impact on your activities