

## CHARTERED BANKER 2013 MODULE SPECIFICATION

<b>Title:</b>	<b>Credit and Lending</b>
<b>Credit Value:</b>	SCQF Level 10/EQF Level 6 SCQF Credit Points 25
<b>Aim:</b>	To provide an extensive, detailed and critical knowledge and understanding of credit and lending in the banking industry and develop the practitioner's skills and ability to synthesise complex issues, evaluate information, apply principles and techniques, and make professional judgements and informed decisions in relevant work situations.
<b>Access Statement:</b>	It is recommended that students should have previously studied at SCQF Level 8/9/EQF Level 5/6 or above, or have relevant practical experience in banking or financial services.
<b>Programmes of study to which unit contributes:</b>	<ul style="list-style-type: none"><li>• Chartered Banker</li><li>• Associate Chartered Banker Diploma</li></ul>
<b>Learning Outcomes:</b>	<p><b>Knowledge, Understanding and Skills</b></p> <p>On completion of this module, students should be able to:</p> <ol style="list-style-type: none"><li>1. critically analyse the contractual rights and duties of each party in the banker-customer relationship</li><li>2. interpret and apply the principles of lending in order to critically analyse and assess the borrowing requirements of customers and create acceptable lending proposals</li><li>3. distinguish between a range of credit products and services and evaluate their suitability for different types and profiles of customers based on an identified customer need</li><li>4. compare and contrast different types of security for credit and lending and the processes that require to be followed for their legal completion</li><li>5. analyse, interpret and assess financial statements and reports and use them to reach acceptable credit and lending decisions</li><li>6. critically analyse the different aspects of credit risk practices and how credit risk fits within a bank's risk management framework</li><li>7. evaluate potential solutions when financial difficulties arise with a customer's account and decide on an appropriate course of action that best serves the interests of the bank and its customer.</li></ol>
<b>Method of Delivery:</b>	Distance learning with blended learning support.
<b>Assessment:</b>	<i>An online, extended response examination worth 70% of the overall result and one summative assignment worth 30%. Continuous formative assessment will be provided in the form of feedback on a draft assignment.</i>

## Learning Outcomes, Assessment Criteria and Content

Learning Outcomes	Assessment Criteria	Content
<b>The Banker-Customer Relationship</b>		
Critically analyse the contractual rights and duties of each party in the banker-customer relationship.	<p>Consider any special circumstances that may affect the banker-customer relationship and identify what actions the banker should take to deal effectively with these situations.</p> <p>Differentiate between different types of bank customer.</p> <p>Differentiate between different types of business customer.</p> <p>Determine the point at which the banker/customer relationship is established.</p> <p>Analyse the respective rights and duties of the banker and the customer.</p> <p>Examine the implications of 'lien', including banker's lien.</p> <p>Appraise the significance of the ruling in Clayton's case for the operation of accounts.</p> <p>Assess the implications of a customer's death on the operation of accounts.</p> <p>Distinguish between different types of trust and explain the role of a trustee.</p> <p>Differentiate between testate and intestate succession and examine the implications for the operation of accounts.</p> <p>Evaluate the benefits of electronic funds transfer.</p>	<p>Types of customer</p> <p>Types of business</p> <p>Establishment of the relationship</p> <p>Rights and duties of banker and customer</p> <p>Lien/banker's lien</p> <p>Clayton's case</p> <p>Appropriation of payments</p> <p>Death of a customer</p> <p>Trusts</p> <p>Testate and intestate succession</p> <p>Contractual rights and duties</p> <p>Banker's lien</p> <p>Electronic funds transfer</p>

<b>The Principles of Lending</b>		
<p>Interpret and apply the principles of lending in order to critically analyse and assess the borrowing requirements of customers and create acceptable lending proposals.</p>	<p>Critically analyse the factors to be taken into account when assessing customers' borrowing requirements.</p> <p>Provide a critical analysis of how the canons of lending are applied in order to effectively assess a lending proposition.</p> <p>Appraise the trading cycles of businesses.</p> <p>Examine the rationale for setting conditions for a loan.</p> <p>Critically review the acceptability of requests for credit facilities, the adequacy of the repayment proposals offered, the need for security and the remuneration to the bank.</p>	<p>The principles/canons of lending – general then applications in practice.</p> <p>Reasons why customers borrow.</p> <p>Credit policies.</p> <p>Trading cycles.</p> <p>Control of lending.</p> <p>Business Plans</p> <p>Assessment of customers' borrowing needs</p>
<b>Credit Products and Services</b>		
<p>Distinguish between a range of credit products and services and evaluate their suitability for different types and profiles of customers based on an identified customer need.</p>	<p>Explain credit products and services and distinguish between the range of these available.</p> <p>Construct a profile of a (personal/business/corporate) customer and recommend a suitable product that meets their needs.</p> <p>Identify alternative sources of finance and explain the circumstances in which each can be used.</p>	<p>Types of products; features; advantages and disadvantages; secured and unsecured; alternative methods of borrowing/sources for finance; customer profiles/matching products. Includes:</p> <p>Overdrafts; term loans; bridging loans; hire purchase; leasing; factoring/invoice discounting; self-build finance; house purchase loans; equity/capital release; revolving credit; budget accounts; credit cards;</p>

		franchising; alternative sources of finance.
<b>Securities for Lending</b>		
Compare and contrast different types of security for credit and lending and the processes that require to be followed for their legal completion.	<p>Evaluate the advantages and disadvantages of each type of security for advances and explain the circumstances in which each is likely to apply.</p> <p>Interpret the principle attributes of a good security and explain why there must be sufficient margin to cover bank lending and the criteria used to calculate margins.</p> <p>Compare and contrast the processes involved in completion of different types of security.</p> <p>Examine the impact of property law on loans secured on property and the special requirements needed for Guarantees.</p>	<p>Reasons for taking security</p> <p>Attributes of a good security</p> <p>Security discount factors</p> <p>Types of security</p> <p>Securities from limited companies</p> <p>Valuing security</p> <p>How to take security/processes involved</p> <p>The law of property</p> <p>Securities over land and property</p> <p>Mortgage regulation</p> <p>Guarantees</p> <p>Stock Exchange securities</p> <p>Life Policies</p>

		<p>Miscellaneous Securities</p> <p>Contingent Liabilities</p> <p>Lending Covenants</p>
<b>Financial Statements and How to Use Them</b>		
<p>Analyse, interpret and assess financial statements and reports and use them to reach acceptable credit and lending decisions.</p>	<p>Assess how financial statements and measurements can be used as effective lending tools and calculate ratios used for analysis purposes.</p> <p>Examine how to use the results of financial analysis to make sound decisions about the structure of the borrowing facility and terms and conditions.</p> <p>Explain the purposes and contents of accrual accounting and cash flow reports and apply the calculations to balance and reconcile the report.</p> <p>Explain how to calculate and interpret: cash from operations; the amount of corporation tax/tax paid in cash; total cash finance costs; and capital expenditures; and analyse these figures to arrive at cash after finance costs, tax, and capital expenditure.</p> <p>Critically analyse how the actual and budgeted figures in a cash flow statement are used to interpret changes in income and expenditure and use cash flow to support the decision to lend.</p> <p>Explain what is meant by overtrading and analyse the indicative evidence of a possible overtrading situation.</p>	<p>Financial statements/information – what they are, what their purpose is, what they tell us, how they can help the lending banker.</p> <p>Examples: balance sheets, profit and loss accounts, cash flow reports.</p> <p>Directors'/auditors' reports</p> <p>Accounting standards</p> <p>Analysing financial statements – what to look for and tools, e.g., ratios/measures.</p> <p>Financial performance measures/ratios – what they are, what they tell us and how to use them to make credit and lending decisions.</p> <p>Examples of measures/ratios and how to interpret/use them.</p>

		Cash flow reporting and monitoring  Overtrading
<b>Credit Risk Practices for Retail</b>		
Critically analyse the different aspects of credit risk practices and how credit risk fits within a bank's risk management framework.	<p>Critically evaluate what is meant by credit risk practices and the methods used by banks to manage risks related to credit and lending.</p> <p>Justify the use of credit risk practices, explain how losses can be prevented or reduced and analyse the part risk and reward plays in the full credit risk process.</p> <p>Critically analyse the differences between the main types of credit scoring.</p> <p>Explain the regulatory requirements of a credit scoring system and the concepts of compiling a scorecard.</p> <p>Critically analyse the functions of a credit reference agency and the data sources used.</p> <p>Critically evaluate the impact of money laundering and regulation on retail credit.</p> <p>Explain how to apply credit scoring to mortgage lending and the implications of the Financial Conduct Authority's regulatory principles of "Treating Customers Fairly".</p> <p>Analyse the credit risks of high net worth customers using a structure to arrive at credit decisions.</p>	<p>General outline of credit risk in banking.</p> <p>Credit risk policies</p> <p>Retail:</p> <ul style="list-style-type: none"> <li>• risk management framework</li> <li>• credit risk</li> <li>• credit scoring</li> <li>• benefits of credit scoring</li> <li>• boundaries of credit scoring solutions</li> <li>• monitoring credit scoring</li> <li>• credit reference agencies</li> <li>• money laundering</li> <li>• mortgage lending</li> <li>• credit risk analysis</li> <li>• high net worth customers</li> </ul>

<b>Credit Risk Practices for Business Banking</b>		
<p>Critically analyse the different aspects of credit risk practices and how credit risk fits within a bank's risk management framework.</p>	<p>Explain the different risks of credit facilities to commercial enterprises when using non-credit scoring techniques to form a risk focused analysis.</p> <p>Differentiate between Commercial Credit Ratings, Retail Credit Ratings, Credit Rating Agencies and Credit Reference Agencies.</p> <p>Identify the key stages of a structured approach to risk identification including the approach that is used by central bankers to distinguish between different industries and sectors.</p> <p>Critically analyse elements of Porter's Five Strategic Forces to understand the effects of certain industry and business risks.</p> <p>Critically analyse the different areas of supply chain management that can impact on the safety of a credit facility.</p> <p>Recommend best practice for mitigating risk when creating and developing an effective management team.</p> <p>Evaluate the major legal risks, including industry environmental issues, that impact upon the safety of credit facilities.</p> <p>Explain the different aspects of credit conditions and covenant compliance.</p> <p>Critically evaluate a structured risk-focused methodology that summarises targeted financial risks in a business.</p> <p>Following completion of industry, business and high level financial risk assessments, analyse how these impact on the business and how</p>	<p>Risk analysis and assessment</p> <p>Risk management strategy</p> <p>Market/industry risk assessment</p> <p>Business risk assessment</p> <p>Financial risk assessment</p> <p>Documentation and pricing risk</p> <p>Credit write up/credit memorandum</p>

	<p>different types of legal structures affect credit and audit risks.</p> <p>Critically analyse risk-focused structures for customers' borrowing needs and explain how the trading cycles of businesses vary and impact on these requirements.</p> <p>Evaluate the importance of collateral, legal, documentation and regulatory factors in credit risk practices.</p> <p>Assess how a structured approach to providing a written as well as a summarised risk approach assists in identifying customers' needs.</p>	
<b>Dealing with Financial Difficulties</b>		
<p>Evaluate potential solutions when financial difficulties arise with a customer's account and decide on an appropriate course of action that best serves the interests of the bank and its customer.</p>	<p>Identify the warning signs of financial difficulties and potential problems, explain the implications of these problems for the bank and the customer and evaluate options for remedial action.</p> <p>Analyse the factors to be taken into account when considering additional lending.</p> <p>Critically analyse diligence, insolvency, bankruptcy and sequestration under the laws of Scotland and of England and Wales.</p> <p>Critically analyse the process of bankruptcy and the consequences for the individual and bank when an individual customer becomes bankrupt.</p> <p>Compare the alternatives to bankruptcy for the individual, including trust deeds in Scotland and the individual voluntary arrangement in England.</p> <p>Critically analyse a bank's process for protecting its interests in cases</p>	<p>Financial difficulties/types of potential problems.</p> <p>Evidence/warning signs – what they are and how to spot them.</p> <p>What to do when things go wrong.</p> <p>Customer conversations.</p> <p>Remedial action:</p> <ul style="list-style-type: none"> <li>• additional lending</li> </ul>



	<p>of insolvency.</p> <p>Summarise the legislation of insolvency law, including the circumstances justifying the appointment of an administrator or a receiver, the duties of an administrator and a receiver, an explanation of the difference between a company being wound up and going into administration or receivership, and an explanation of what is meant by administration orders and when they are used.</p> <p>Critically analyse the process and consequences of companies being wound up compulsorily and voluntarily.</p> <p>Examine the types, powers and responsibilities of the liquidator and interpret what is meant by gratuitous alienation and unfair preferences.</p> <p>Rationalise the order of the distribution of a company's assets in liquidation.</p>	<ul style="list-style-type: none"> <li>remedial action by customer</li> </ul> <p>Corporate recovery/re-structuring</p> <p>Administration</p> <p>Receivership</p> <p>Liquidation</p> <p>Diligence</p> <p>Insolvency</p> <p>Bankruptcy</p> <p>Sequestration</p> <p>Distribution of assets</p> <p>Trust Deeds</p> <p>Individual Voluntary Arrangements</p>
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