Consumer Credit Risk Management
### ifs School of Finance

**MODULE SPECIFICATION**

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<tr>
<td><strong>1. Title</strong></td>
<td>Consumer Credit Risk Management (CCRM)</td>
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<tr>
<td><strong>2. Start date</strong></td>
<td>Valid for study sessions commencing from 1 November 2011.</td>
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<td><strong>3. Level of module</strong></td>
<td>Level 4 FHEQ</td>
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<td><strong>4. Number of credits</strong></td>
<td>15 credits</td>
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<td><strong>5. Status</strong></td>
<td>Option module within Professional Certificate in Banking</td>
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<td><strong>6. Recommended prior modules</strong></td>
<td>Financial Markets &amp; Risk (within first 60 credits)</td>
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<td><strong>7. Programmes of study to which module contributes</strong></td>
<td>Professional Certificate in Banking</td>
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#### 8. Intended subject specific learning outcomes

On completion of the course of study, students should be able to:

a) Understand and apply the principal decision making and control techniques essential to effective consumer credit management.
b) Understand the effective day-to-day management of credit-related operations and systems.
c) Understand the contribution of the consumer credit function to the effectiveness of the overall management of the lending enterprise.
d) Demonstrate their knowledge of how legislation, regulation and self-regulation, and the role and influence of external agencies, relate to consumer credit.
e) Apply their knowledge and understanding to the day-to-day running of credit analysis, credit operations, collections and recoveries functions.

*Note:* The subject will not deal with the nature, formalities or practices concerned with any security that might be taken in connection with the lending.

#### 9. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module students will be able to demonstrate achievement of the following generic learning outcomes:

1. Ability to learn through reflection on practice and experience.
2. Ability to work with complex material.
3. Ability to analyse problems and identify appropriate solutions.
4. Ability to work and study independently and utilise resources effectively.

These intended generic learning outcomes contribute to the following programme learning outcomes: 1, 2, 4, 6
10. Syllabus overview

The subject concerns itself with the effective management of consumer credit risk within the broadening range of lending facilities embraced by the Consumer Credit Act 1974 and subsequent regulations.

Increasingly, such facilities are administered on a centralised basis – whether by bankers, credit operators, or others – and may be delivered electronically, by cheque, plastic card or other debit transaction. The subject is therefore relevant to all such providers of consumer credit. Note: Students will be expected to be familiar with at least the basic characteristics of the products described above, and how they are used.

The syllabus topics have been chosen to develop the student’s knowledge and understanding of the critical elements of credit management, as applied by the leading credit grantors, including the management of credit risk and how lending facilities are established and controlled. It is also designed to develop the student’s knowledge of the statutory and regulatory influences that condition the approach of the credit grantor as well as other bodies that contribute to the management of these risks.

11. Methods of delivery

There are three approved modes of study for the module: through approved centres and by web supported learning with the option of workshops. Each student enrolled on the module will have access to the MyifsILE environment and the ifs KnowledgeBank learning resources.

Web supported learners

Web supported learners will be given access to a web tutor for each module and the ifs learning support team.

Web supported learning with workshops

Students can choose to register for two enhancement workshops delivered by ifs approved Associate Lecturer’s at appointed locations (subject to demand).

Academic centre learners

Students enrolled for the academic centre mode will be provided with the same access to the general induction and learning materials as distance learners.

Total learning hours: 150.
Learning Materials

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Reading

The recommended reading for the module is the ifs text Consumer Credit Risk Management, complemented by reading references and links sourced through the ifs KnowledgeBank.

12. Assessment

There is one summative assessment component for this module. Students will sit a two-hour objective test.

Assessment will focus primarily on the learning outcomes associated with the cognitive skills of knowledge, understanding, analysis and application.

The test comprises 75 questions as follows:

- 50 multiple-choice questions that will test knowledge and understanding across the syllabus (1 mark each); and
- 5 case studies, each with 5 questions that will test skills of analysis and application (2 marks each).

The total marks available for this assessment component is 100.

There is no minimum score requirement in either section of this assessment component.

The pass mark for this component is 60% (60 marks from the 100 marks available).

Total marks available: 100.

You may use a scientific calculator but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.
13. **Syllabus**

1. **Credit scoring and the organisation**

   This section of the syllabus introduces the concept of credit scoring and its potential benefits to both the organisation and the individual user. It gives an overview of the framework of a credit scoring system within a financial services organisation.

   Its focus is learning outcomes a) & c) and it covers the following:

   - History of scoring and analytics – reason for credit scoring.
   - Overview of types (tailored versus generic) and uses of (application; behavioural; customer; collections and fraud) scoring throughout the credit cycle.
   - Understanding data sources for credit risk assessment.
   - The legal, regulatory and supervisory environment (CCA, SCOR, Treating Customers Fairly, Responsible Lending); Impact of Basel II and capital adequacy requirements.
   - Risk appetite – Striking a balance between Marketing and Credit Risk; The 1998 Competition Act, and the Competition Commission.
   - Developing and managing Credit Scoring Systems.

2. **Application scoring theory**

   This section of the syllabus introduces the theory behind application scoring and gives the student an understanding of why the practical systems discussed in section 1 of the syllabus have developed.

   Its focus is learning outcomes a) & b) and it covers the following:

   - Principles of scoring
   - Application scorecard development
   - Strategy setting
   - Managing overrides
   - Strategy / scorecard monitoring
   - Identifying scorecard adjustment/ redevelopment requirements
3. **Application processing**

This section of the syllabus introduces the framework of the application process, once the decision to lend has been made.

Its focus is learning outcomes b) & e) and it covers the following:

- Delivery Channels
- Pre-screening
- Data capture, automatic checks
- Handling referrals, declines and appeals
- Safe card dispatch
- Decline management
- Fraud control – CIFAS and online techniques
- Money laundering (relevant UK legislation e.g. Proceeds of Crime Act)
- Exception
- Judgemental lending versus credit scoring

4. **Customer Management**

This section of the syllabus introduces the subject of customer management and the balance between controlling a lending portfolio whilst also growing the same lending book. It also introduces issues concerned with lending multiple products to the same customer.

Its focus is learning outcome c) and e) and it covers the following issues:

- Authorisations
- Control processes for granting additional credit
- Using Automated Decision-making systems
- Transactional fraud control
- Behavioural Scoring
- Development and Maintenance of Behaviour scorecards
- Customer Level Scoring
- Portfolio Management and Management information
- Performance drivers
5. Delinquent accounts

This section of the syllabus introduces the students to the possibility that not all
debt is repaid on time. The student will explore the role of the collections
department and behavioural scoring within it. It also introduces the various
insolvency regimes.

Its focus is learning outcomes d) & e) and it covers the following issues:

- Collections Management processes
  - External debt collection agencies
- Management information in collections
- Using Behaviour Scoring for Collections including Pre-delinquency
- Role of voluntary/external advisors (CAB and fee chargers)
- Managing Recoveries including litigation and write-off
- Insolvency, bankruptcy and IVAs – including the Enterprise Act 2002;
- The administration of fraudulent accounts
- Theory and practice of Provisioning

6. Regulation and Industry Bodies

This section of the syllabus introduces the major regulatory bodies with
responsibilities for regulating credit risk and collection activities.

Its focus is learning outcome d) and it covers the following issues:

- Self-regulation and credit scoring – “Guide to Credit Scoring”;
- Role of the FSA and the BERR in relation to consumer credit;
- Money Advice and the role of consumer support agencies;
- Credit Bureaux and their regulation – the role of SCOR;
- The role of the Information Commissioner’s Office in relation to credit data and
  credit risk assessment;
- Implications of Basel II