Principles of Lending and Credit
1. **Title**  
Principles of Lending and Credit (PLCR)

2. **Start date**  
Valid for study sessions commencing from 1 November 2011

3. **Level of module**  
Level 4 FHEQ

4. **Number of credits**  
15

5. **Status**  
Optional module within Professional Certificate in Banking

6. **Recommended prior modules**  
Financial Markets & Risk (within first 60 credits)

7. **Programmes of study to which module contributes**  
Professional Certificate in Banking

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**8. Intended subject specific learning outcomes**

On completion of this module, students will be able to:

a) Understand the underlying framework and environment within which borrowing and lending takes place, including: social, moral, ethical and cultural influences on responsible lending; regulation of credit provision in terms of relevant local and international laws and codes of practice; and generic principles and attributes of sound lending and risk assessment.

b) Understand and explain the nature of different types of borrowers that exist, and the risks associated with particular categories of borrower; the various types of lenders in the financial marketplace and how these lenders meet the differing needs of customers and other stakeholders.

c) Identify, describe and compare the different borrowing needs of personal and commercial customers, including purpose of borrowing, amount and risk involved; and the range of lending and credit products and services available to meet these requirements.

d) Analyse particular customers’ credit needs in relation to underpinning principles, matching approach to type of borrower, purpose, amount and availability of relevant collateral/security, in order to reach appropriate lending solutions in given situations.

e) Describe and apply relevant processes of monitoring and control of lending, once approved, in line with the ‘lending cycle’: from the initial lending decision, through management of information, to recognition of early warning signals, control actions, refinancing and, where necessary, recovery of debts.
9. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

Completion of this module will contribute to the fulfilment by students of each of the following generic programme learning outcomes:

1. Plan, work and study independently and use relevant resources appropriately.
2. Locate, record, organise and manipulate data/information, extract key points from complex material and use ICT where appropriate.
3. Demonstrate sound knowledge and understanding of the subject matter, apply basic concepts and principles relevant to the area of study, and interpret and evaluate these within that context.
4. Analyse problems, using appropriate quantitative/qualitative skills, and evaluate a range of approaches and solutions, making recommendations as appropriate.
5. Communicate the results of their study/work accurately and reliably, with appropriate justifications and evidence/examples, in a format relevant to the audience and purpose, e.g. business reports.
6. Learn through reflection on practice and experience, including identifying future development needs.

10. Syllabus overview

This module has been designed to provide students with a sound introductory level of knowledge and understanding of the requisite skills to effectively manage the varied lending requests made nowadays by customers.

The early syllabus sections provide a broad framework of the lending environment, ensuring that the student is aware of the implications of lending responsibly, in compliance with the legal and regulatory environment in which lenders operate, before moving on to analyse the different types of customers, their borrowing requirements and the wide range of lending services that can now be offered by many different types of lenders to satisfy those borrowing needs.

The syllabus provides the student with an overview of the whole lending process. This includes a review of the lending cycle, including making the initial lending decision, but also moving on to discuss the control and monitoring of any lending made, early warning signals that repayment of the debt could potentially be an issue and, where necessary, consideration of the process of debt recovery.

The general principles and features of collateral/security are considered, in outline only, together with an overview of some of the advantages and limitations of differing types, whether direct or third party, covering personal or corporate debts. However, there is no detailed coverage of the specific legal aspects of taking and perfecting particular forms of collateral, nor of the legal intricacies of different methods of dealing with insolvency, both of which can vary significantly according to geographic location.
11. Methods of delivery

A: Modes of study

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.

12. Assessment

There is one summative assessment component for this module. Students will sit a single two hour written examination comprising eight compulsory short answer questions.

The grade awards are as follows:

- Distinction: 70%-100%
- Pass: 40%-69%

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. The Lending Framework
   • Background
     ▪ Sources and uses of credit funds (intermediation)
     ▪ Demand and supply (saving and borrowing, risk versus reward)
     ▪ Volume and categories of lending and debt
   • Responsible Lending
     ▪ Corporate social responsibility
     ▪ Moral, ethical and cultural considerations
     ▪ Treating Customers Fairly
   • Regulation of Lending
     ▪ Relevant law, codes of practice and lending policies
     ▪ Consumer protection
     ▪ Capital adequacy, liquidity and risk
     ▪ Other cultural approaches, e.g. Islamic/Sharia finance
   • Assessment of Lending Propositions
     ▪ Attributes of good lending: safety, liquidity, profitability.
     ▪ Financial and non-financial analysis
     ▪ Scoring versus judgemental lending

2. Types of Borrower
   • Categories and outline characteristics of:
     ▪ Personal borrowers
     ▪ Sole traders, partnerships
     ▪ Incorporated businesses (limited liability, separate legal entity)
     ▪ Other borrowers (unincorporated bodies, clubs, societies, charities)
   • Risk and market segmentation
     ▪ Risks associated with different types of borrowers
     ▪ Segmentation by sector, size, differing needs

3. Types of Lender
   • Main types of lenders and organisational structures
   • Point of sale lending (hidden lenders, store cards, consumer credit)
   • Sources of finance (retail/wholesale, short/long-term, market links)

4. Purpose of borrowing
   • Working capital
   • New ventures and business expansion
   • Purchase of fixed assets
   • Property (residential and commercial)
   • Consumer finance (personal loans, instalment credit, point of sale)
   • Linking purpose to risk, legality, security of repayment

5. Lending solutions
   • Overdrafts, revolving credit, loans
   • Credit cards, instalment credit, point of sale credit
   • Hire purchase, leasing, asset finance
   • Debtor finance: factoring, invoice discounting
   • International trade finance (in outline only)
   • Interest and exchange rate hedging
   • Linking solutions to type of borrower, purpose and risk
6. The lending decision
- Underpinning principles: appetite for risk, pricing, profitability
- Matching approach to borrower, amount and purpose
- Lending assessment tools and principles of credit-scoring
- Financial analysis
- Non-financial analysis (SWOT, sectoral analysis, Porter, PESTEL)
- Documentation, facility letters and covenants
- Collateral/security: general principles / main types.

7. Monitoring and control of lending once approved
- The lending cycle (retail and corporate)
- Type of borrowing (open-ended, self-liquidating, revolving, etc.)
- Exception reporting and management information
- Early warning/default indicators
- Control actions, refinancing, stages of recovery
- Methods of dealing with insolvency