

# Chartered Banker

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## Retail Banking (Scotland / England & Wales)

### Assignment 1

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## Important Assignment Information

### ASSIGNMENT LENGTH

For assignments submitted on or after **1st September 2008**, there is a **maximum** word count of **2,500 words**.

From that date, if you fail to adhere to the maximum word count, a deduction will be made to your final assignment mark. Specifically, if you exceed the 2,500 limit, you will be deducted **1%** for every **100 words** or **part of 100 words** over the limit.

For example, if you write a total of **2,614** words, a **2%** deduction will be made to your mark. For clarification, the word count includes all references and attached appendices.

### PASS COMPENSATION AWARD

In recognition of the importance attached to the assignments, an award of **Pass Compensation** will be made to you if you score between 45% and 54% in the final exam and if you complete the required assignment(s) under the following conditions:

1. The assignment mark must be 60% or above – where two assignments are required, then the average mark must be 60% or above **and**
2. Assignments must be in the hands of the Tutor **at least** one month prior to the **chosen examination date for each subject**.

For example, if you enrol to sit a **full** credit subject examination on **15<sup>th</sup> December**, you must have sent **both** assignments to your tutor by **15<sup>th</sup> November**.

Similarly, if you enrol to sit a **half** credit subject examination on **2<sup>nd</sup> March**, you must have sent the **sole** assignment to the tutor by **2<sup>nd</sup> February**.

Please also note the following:

- (a) Where an assignment is marked at less than 60%, this may show up as **'Fail'** in the web-based student record – this is purely with reference to the Pass Compensation award and does not necessarily mean it is a sub-standard submission
- (b) You are **not** permitted to **re-submit** an assignment in order to gain a higher mark
- (c) In the event that you fail an exam and have not completed the required assignment(s), you can subsequently complete the required assignment(s) – these will then count towards any re-sit examination undertaken. Submission dates for these assignments must comply with the relevant timescales as stated in **2** above.

## Introduction

This assignment takes the form of a case study that follows a customer, Homer Aweigh. You will see that he approaches your bank at the start of the assignment and the subsequent questions present further interactions that he has with your organisation.

Homer is a 25 year old sales representative, who works for Snoobington Enterprises Ltd. Snoobington Enterprises sell computer systems and back up support to small/medium sized companies. Homer is on a basic salary of £20,000pa, plus commission.

At the start of the case study, Homer lives with his parents, Jasper and Marigold. Jasper is a civil servant and Marigold is a nurse.

Your bank is called the Drumsheugh Bank. You may assume that this is the bank that you currently work for. Therefore in the case study, when you are asked about the products and services that you have to offer, base your response around that that are available from your current employer.

The second assignment will also be based around Mr Aweigh.

## Question 1

You have been approached by Homer Aweigh, who has no connection with your organisation – he presently banks with a rival organisation, Rutland Bank.

He has called in to see you as he is disillusioned with the Rutland Bank – he finds it difficult to contact the branch by phone, and he feels that he has always got to contact them to find solutions to his financial needs, rather than the bank taking a more proactive approach.

At the moment, Homer has a 'card based account' with Rutland Bank, which seems to be the same account that he has had since starting his connection with them 7 years ago.

Homer tells you that he has little knowledge of the banking system, and would like you to talk him through the basic products and ways in which he can manage his money. He would also like you to explain to him why he should transfer his banking to you rather than with one of your rivals.

**(TOTAL 25 MARKS)**

## Question 2

Congratulations! As a result of the work carried out in Question 1, Homer has transferred his business to you. He has chosen a money transmission account, with direct debits set up to cover his:

- Mobile phone bill
- Gym subscription
- Broadband subscription
- Monthly donation to the Cat and Dog Home
- Monthly donation to Shelter

He has a monthly standing order to Jasper and Marigold in respect of the housekeeping money that he pays them.

He has also taken out a credit card with you.

You have noticed that his income regularly exceeds his outgoings by around £200 per month.

You see Homer in the queue – he is in to clear his credit card bill, which he does in full on a monthly basis. Based on your knowledge of his affairs, you ask him if he has a few minutes to spare, as you would like to have a chat with him about savings and investments. Your luck is in, as he has just had an appointment with a client cancelled.

You take him into an interview room and explain that you have noticed a regular monthly surplus on his account and you think that by using savings and / or investment products you could be able to make his money work harder for him.

Homer seems interested in making more money, but he confesses to you that he doesn't know the difference between savings and investments.

You now need to explain to Homer the difference between savings and investments. You also need to explain to him the products that you can offer him in this field. However, you must also be aware of the offerings of **two** of your competitors. Therefore:

- Explain the difference between savings and investments to Homer.
- Discuss the products that you have available to meet Homer's needs.
- Evaluate your products against those of your two rivals.

**(TOTAL 20 MARKS)**

### Question 3

At the end of your conversation with Homer in Question 2, he has decided to open a mini-cash ISA, paying £200 per month into the account. In addition to this, he is paying some of his quarterly commission into an Equity ISA.

Six months have passed and the balances of these ISAs are:

- Cash - £1,265.36
- Equity - £1,739.45

Homer has called you up to say that he has the opportunity to buy a second hand car, at a knock down price from one of his friends, who has had a last minute opportunity to work in Africa for a year, and so is keen to have a quick sale. The car will cost £5,000, but in Glasses' Guide, a similar vehicle would fetch around £6,500. Homer explains to you that as he will use the car as a 'taxi' for his parents, they are willing to contribute £1,000 towards the cost. Whilst he has some funds in his ISAs, he is reluctant to use these as part payment as he wishes to take full advantage of the tax free elements of these accounts.

What you are being asked for is a loan of £4,000, which Homer would like to repay from his quarterly commission payments. If his job performance continues at its current level, he estimates that he will earn around £1,500 in commission per quarter for the foreseeable future.

Due to the rather unusual way of repaying this loan, a credit scored personal loan will not be appropriate here. Instead, you will need to manually underwrite this facility, in order to come to a decision as to whether or not you would lend these funds to Homer.

You are required to explain how you will go about this task, stating, in a structured manner, the factors you will consider when coming to your decision. In your answer you should also explain what additional information you would be looking to obtain from Homer, along with an explanation of why you will require this information.

Finally, you should state whether or not you would sanction this loan, along with reasons why, and what type of product you would use were the loan to be sanctioned.

**(TOTAL 30 MARKS)**

#### **Question 4**

A further year has now passed, and Homer continues to be a good customer.

He calls you up with the happy news that he has just got engaged to his long-term girlfriend, Natasha. He and Natasha are keen to buy a house together, but as with other financial services products, his knowledge of the different types of mortgage is rather sketchy.

You have arranged for him and Natasha to call in to see you later today and he would specifically like you to tell him the difference between a capital and interest mortgage and an interest only mortgage. In addition to this, he tells you that he has seen a number of press advertisements about ‘current account mortgages’ and would like you to explain these to him as well.

As part of your preparation, you think it wise to find out what different mortgage packages are available at **two** of your local rivals in the mortgage market.

You are required to:

- Explain a capital and interest, and an interest only mortgage.
- Explain a current account mortgage
- Outline the offerings of two of your rivals and compare these with those offered by your bank.

**(TOTAL 25 MARKS)**

**TOTAL ASSIGNMENT MARKS – 100**