The London Institute of Banking & Finance

Level 3: Certificate in Financial Studies (CeFS) 600 / 8537 / X

Unit 2 – Financial Capability for the Medium and Long Term (FCML) D / 504 / 8110

Examination Date: 07 May 2019

Session Code: S19421

Length of examination: 1 hour 45 minutes

Instructions for learners

1. Open this question paper when instructed to do so.
2. Answer **one** case study from a choice of two.
3. Spelling, punctuation and grammar (SPAG) will be assessed in **question 3** of case study 1 and in **question 3** of case study 2.
4. Use the examination answer sheets provided for your answers. Please do **not** note your answers in this booklet, as they will **not** be recorded.

Information for learners

1. Case study information and data will be provided. **No** other books, papers or aids may be used in this examination.
2. Silent non-programmable (including scientific) calculators are allowed. Programmable calculators are not allowed.
3. The figures and products featured were correct at the time of writing. Use the information and interest rates provided in the case studies for your answers. You are **not** expected to know the current interest rates of specific products and services, nor to have a detailed knowledge of changes to particular products and services.

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Case study 1 begins on page 3

Answer all questions from only one of the following two case studies.

Case study 1

Marcus and Miriam have found the following mortgage information from three different providers:

Product table

	Nationwide	Yorkshire Bank	Post Office Money
Initial interest rate	1.89%	1.79%	2.38%
Interest rate type	Fixed	Fixed	Fixed
Monthly repayment	£998	£987	£1,282
Duration of interest rate	2 years	2 years	3 years
Arrangement fee	£999	£999 for new customers	£0
Standard variable rate	4.24%	5.2%	4.7%
Term of mortgage	32 years	25 years	25 years
LTV	85%	75%	90%
Additional fees	Early repayment charge if you overpay by more than 10% in a year	Early repayment charges apply in the discount period	Early repayment charge if you overpay by more than 10% in a year

Case study questions

1 1 Using the information in the case study, analyse the changes that have occurred in the funding of house purchases in the UK and the financial implications for consumers.
Your analysis should include a consideration of the:

- fees payable for securing a mortgage;
- various interest rates charged for mortgages and the link to the UK base rate;
- impact of changes in the wider economy.

(10 marks)

1 2 Analyse the likely impact on Marcus and Miriam of the changes in the lending decisions of banks and building societies with regard to the size of the mortgages they are now offering.
Your analysis should include consideration of:

- the effect on first-time buyers;
- the impact of changing house prices; and
- other factors affecting the couple being able to afford a mortgage.

(10 marks)

1 3 Evaluate the three mortgages shown in the product table and recommend, with reasons, which of the mortgages is most appropriate for Marcus and Miriam.
Your evaluation should contain a full justification of your recommendation, taking into account:

- Marcus and Miriam's personal circumstances and objectives;
- the different features of the three mortgages;
- the impact of the choice of mortgage on the couple's savings and future disposable income (considering any changes in interest rates).

(15 marks + 5 SPAG)

Non-case-study questions

3	1	Compare the advantages and disadvantages to consumers of using a mortgage adviser to help choose an appropriate mortgage, compared with researching an appropriate mortgage on the internet.	(5 marks)
3	2	Analyse the potential conflict between customers, employees of providers and the providers themselves in the provision of financial services.	(5 marks)
3	3	Describe how the key steps for financial planning can help a person achieve a good financial footprint.	(5 marks)
3	4	Analyse to what extent the corporate social responsibility of providers goes further than required by law. Use examples to illustrate your answer.	(10 marks)

TOTAL: 65 marks

Case study 2 begins on page 7

Case study 2

Miles has collected the following information about three savings products.

Product table

	Tesco Bank Internet Saver	**AA Easy Saver**	**Cambridge Building Society 2 Year Fixed Rate e-Bond**
Interest rate	1.40% (includes 0.85% bonus for 12 months)	1.36% (includes 1.16% bonus for 12 months)	1.55%
Minimum deposit	£1	£100	£5000
Type of account	Variable	Variable	Fixed
Access	Internet only	Internet and telephone	Internet only
Restrictions	Interest rate will drop after the bonus period	Interest rate will drop after the bonus period	There are penalties if you withdraw your money before the end of the fixed term
Duration	Ongoing	Ongoing	2 years
Additional features	No notice period	No notice period	No additional features

Case study questions

2 1 Analyse the importance to Miles of the different features of savings accounts, such as those highlighted in Tables 2 and 3 in the case study. (10 marks)

2 2 Analyse the impact of the terms and conditions of a fixed-rate bond on Miles if he chooses to take out this type of savings product.

Your analysis should include consideration of:

- the effect on consumers with changing financial circumstances;
- the effect of changes in the rate of inflation.

(10 marks)

2 3 Evaluate the three savings accounts shown in the product table and recommend, with reasons, which of the accounts is most appropriate for Miles.

Your evaluation should take into account:

- Miles's personal circumstances and objectives;
- the different features of the three savings accounts;
- the impact of changes in interest rates.

(15 marks + 5 SPAG)

Non-case-study questions

3	1	Compare the advantages and disadvantages to consumers of using a mortgage adviser to help choose an appropriate mortgage, compared with researching an appropriate mortgage on the internet.	(5 marks)
3	2	Analyse the potential conflict between customers, employees of providers and the providers themselves in the provision of financial services.	(5 marks)
3	3	Describe how the key steps for financial planning can help a person achieve a good financial footprint.	(5 marks)
3	4	Analyse why the corporate social responsibility of providers goes further than required by law. Use examples to illustrate your answer.	(10 marks)

TOTAL: 65 marks