T-LEVELS | Institute for Apprenticeships & Technical Education

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

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Learner ID

T Level Technical Qualification in Finance (Level 3)

Thursday 5 December 2024

Morning (Time: 2 hours 30 minutes)

Paper reference **19553**

Core: Examination
PAPER 2: Application of Finance

You must have:
A calculator

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and Pearson learner ID.
- There are two sections in this question paper. Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets
  – *use this as a guide to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

1 Name **one** of the financial factors that may cause a financial crisis.

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(Total for Question 1 = 1 mark)

2 Name **two** elements of a contract.

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(Total for Question 2 = 2 marks)

3 Explain **one** ethical dilemma in a financial services workplace.

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(Total for Question 3 = 2 marks)

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4 Name **one** of the different client groups of the financial services sector.

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(Total for Question 4 = 1 mark)

5 Explain **one** purpose of health and safety law.

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(Total for Question 5 = 2 marks)

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6 Explain **two** outcomes that the Financial Conduct Authority (FCA) expects businesses to achieve to ensure fair treatment of customers.

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(Total for Question 6 = 4 marks)

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In 2023, the Financial Conduct Authority (FCA) stated that businesses are responsible for securing customer data and protecting the data from fraudsters. Regulators provide information and resources to help firms implement and embed the new rules to improve outcomes for consumers.

7 Discuss processes that could be used to protect the access and transmission of data.

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(Total for Question 7 = 6 marks)

TOTAL FOR SECTION A = 18 MARKS

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SECTION B

Scenario 1

You have just started working for Ashington Bank (AB) after taking a career break to study. You are working at one of AB's branches, having previously worked for a competitor of the bank. You assist in providing advice to several private and small business clients. The branch manager has had a meeting with you to discuss possible training and updating of skills that you may require.

As part of the training, you and your manager have identified the need to update yourself on corporate social responsibility (CSR) and ethics.

You work well with clients and colleagues. However, you have become increasingly concerned that you have colleagues who have friends and relatives that are clients of AB.

You have developed a level of professional scepticism, which is a skill and attitude needed by all finance professionals. This skill ensures that they carry out their duties in a professional way.

The Financial Conduct Authority (FCA) has contacted AB about a number of complaints it has received from customers of your branch. Staff from head office have been into the branch to carry out a fact-finding exercise, so that they can identify any issues.

You must use Scenario 1 to answer questions 8(a) – 8(e).

8 (a) Explain **one** benefit of professional scepticism in financial services.

(2)

(b) Explain **one** reason why it is important for staff of a finance business to behave responsibly.

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(c) Explain **one** way of improving professional and ethical behaviour in a financial services business.

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(d) Explain **one** potential conflict of interest in a financial services business.

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(e) Discuss how AB should manage customers' complaints.

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(Total for Question 8 = 18 marks)

Scenario 2

For at least a decade, payment protection insurance (PPI) was sold with loans, credit cards, mortgages and other types of credit. In a very large number of cases this PPI had been mis-sold with customers not knowing that they had this cover. Or that they had been charged an unfair amount of premium with large commissions paid to the person/business selling the policy.

In the last two decades, UK lenders have said they expect the PPI scandal to cost them collectively close to £50bn. The finance world hopes the scandal will be forgotten. Bankers are privately keen to say that lessons have been learned and they no longer offer PPI.

However, one of the UK's most senior financial regulators shared concerns that banks needed "a generation" to fix the cultural issues that led to so much mis-selling. The FCA warns that lenders could repeat bad behaviour, especially in difficult financial times because incomes become threatened.

Mis-selling of financial services and products takes many forms and can cause serious issues.

The Financial Conduct Authority (FCA) has mentioned that both SMEs and pensions are key areas of concern in the possible mis-selling of financial services. The FCA predicts that the biggest problem could come from a new type of mis-selling, and has said:

"The next big question is about data. It is incredibly valuable, and it is our intent that customers benefit from the value."

You work for Globe Bank (GB), a large national bank offering financial services to businesses and private clients. Over the last 15 years, the bank has changed its working practices several times. In some instances, these working practices may not have been as ethical as they could have been. You know that different specialist teams in the bank have not worked well together. Internal auditors have not worked consistently to communicate their plans with departments that are being audited. There has been insufficient training of staff in how to ensure full compliance with regulations and legal requirements. The training budget is now being reviewed and aspects of continuous improvement are being discussed across GB.

These issues have led to GB being involved in mis-selling in the past. GB wants to change its operational processes, to become a more ethical and responsible bank.

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You must use Scenario 2, to answer questions 9(a) – 9(d).

9 (a) Explain **one** impact of mis-selling practices on Globe Bank.

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(b) Explain **one** impact of regulatory change on finance professionals.

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(c) Assess how the expectations of professional conduct, behaviours and attitudes of the specialist teams have impacted on Globe Bank.

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The directors of GB are considering whether to invest and change how they work by looking at how they sell financial services and operate. One particular focus is staff behaviour, to avoid repeating problems of mis-selling that have occurred in the past. However, the directors are unsure about how much change is required across GB.

They have two options to choose from:

Option 1:

- Accept and manage the risks involved in continuing the way GB operated before the scandal.

Option 2:

- Develop and transform GB and its business model.

(d) Evaluate which of the **two** options is more appropriate for GB.

(12)

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(Total for Question 9 = 26 marks)

Scenario 3

Shire Pensions (SP) manages a number of pension and annuity schemes for small businesses and also provides financial information, advice and guidance.

SP has managed these schemes for small businesses for a number of years and has been successful in generating growing profits year on year. Recently, some clients have moved to government-based schemes. This move has led to a fall in customers and a fall in profits for SP.

SP has also had several complaints. The regulator has contacted SP about complaints made as a result of poor advice and information. There has been an alleged breach of confidentiality. One business has reported that it received information accidentally from SP about another business.

One of SP's staff has also whistleblown. The whistleblower has provided details about practices they claim have been ongoing in SP that have not been in the best interests of a client.

The board of directors is concerned about the fall in profits and the potential regulatory action that has been found out. The board has received the whistleblower's comments and now wishes to consider how SP can improve the way it offers services that meet the needs of clients for pension and annuity products and advice.

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You must use Scenario 3 to answer questions 10(a) – 10(d).

10 (a) Explain **two** roles of financial service regulation.

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(b) Explain **one** element of a code of ethics that governs behaviour in financial services workplaces.

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The directors of SP have been considering the work of different regulators in relation to the financial services sector in the UK. They have carried out research about the Financial Conduct Authority (FCA), the Financial Ombudsman Service (FOS) and The Pensions Regulator (TPR). One director has been concerned about how the accounts of SP are presented in line with the Financial Reporting Council (FRC) guidelines.

(c) Assess which regulators will have the most impact on Shire Pensions.

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The directors of SP are determined to stop the decline in customer numbers and profits by changing its business model. They have two options:

Option 1:

- Continue with pensions and annuities advice and management of small schemes and actively market these to new small business customers.

Option 2:

- Change to become a pension broker for a full range of pension schemes and offer advice to private customers about other pension schemes.

(d) Evaluate which of these **two** options is better for SP.

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(Total for Question 10 = 28 marks)

TOTAL FOR SECTION B = 72 MARKS
TOTAL FOR PAPER = 90 MARKS

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