Consumer Loan Approval Process (v2.1 – before compliance review)

Process owner: Head of Retail Banking

Version: 2.1 (replaces Draft v2.0)

Date: 30/10/2026

Bank: Demo Bank d.d. (fictional Slovenian bank)

Scope: Unsecured consumer loans of EUR 1,000 to EUR 30,000 to residents of Slovenia, in EUR, via branch and online channels

Related internal documents: KB-INT-0001 Retail Credit Policy; KB-INT-0002 Delegation of Authority Matrix; KB-INT-0003 KYC/AML Policy; KB-INT-0004 Pricing and Discount Policy; KB-INT-0005 Exceptions Policy; KB-INT-0006 Remuneration Policy; KB-INT-0007 Complaints Policy; KB-INT-0008 Records Retention Policy; KB-INT-0009 Outsourcing and ICT Third-Party Policy; KB-INT-0010 Collections Policy

Status: Draft; submitted to Compliance for review

1. Purpose

This document describes how Demo Bank d.d. markets, assesses, approves, disburses and monitors unsecured consumer loans. The aim is a fast decision for customers (target: one working day for complete applications) without shortening or skipping any mandatory control. Where speed and a control conflict, the control takes precedence (Retail Credit Policy, section 6).

2. Roles and responsibilities

Role	Responsibility
Relationship manager (RM)	Advises the customer, collects the application and documents, explains the pre-contractual information. May apply a pricing discount of up to 0.5 percentage points within the price list. May approve only loans up to EUR 5,000 that he or she did not originate.
Loan officer	Checks completeness of documents, enters data in the core system, prepares the pre-contractual information form (SECCI) from the core system.
Credit analyst (Credit Risk)	Performs manual review of cases referred by the scoring model, approves loans within the Delegation of Authority (DoA) limits, acts as the second approver (four-eyes) for loans above EUR 5,000.
Retail Credit Committee	Approves loans above EUR 15,000 and any deviation that exceeds a credit analyst's authority.
Branch manager	Supervises the branch, handles escalated customer requests, may propose (but not approve alone) exceptions; exceptions are approved one level above the normal approver.
AML Compliance	Reviews potential sanctions and PEP matches, approves high-risk customers after enhanced due diligence (EDD).
Credit scoring service	External ICT service provider (cloud) that returns a credit score. The score is one input to the decision; it does not take the decision. The arrangement is governed by a written outsourcing agreement (see section 3.9).
Operations (back office)	Performs the final pre-disbursement check and releases funds; Operations is independent of the approver. Archives the loan file.
Data Protection Officer (DPO)	Advises on privacy notices, legal bases and data protection impact assessments.

3. Process steps

3.1 Marketing and offer

Advertising that mentions an interest rate or any cost figure states, in a clear, concise and prominent way, by means of a representative example: the borrowing rate and whether it is fixed or variable, the total amount of credit, the annual percentage rate of charge (APR), the duration, the total amount payable by the consumer and the amount of the instalments. Variable-rate offers include the required warning on possible rate changes.

Current campaign wording: “Decision in one working day once your application is complete. Representative example: EUR 10,000 over 60 months, fixed borrowing rate 4.90%, APR 6.25%, 60 monthly instalments of EUR 188.25, total amount payable EUR 11,605.27 (includes processing fee EUR 100 and account fee EUR 3.50 per month).”

All advertising and campaign materials are approved by Compliance before publication.

RMs may grant a pricing discount of up to 0.5 percentage points. Any larger discount requires prior approval of the Pricing Committee. Every discount is logged in the core system with the reason.

Staff remuneration follows the Remuneration Policy (KB-INT-0006): no bonus is linked to the volume or number of loans sold; variable pay uses balanced criteria including customer outcomes and compliance; approvers receive no variable pay linked to their own approval volumes.

3.2 Application, identification and AML checks

The customer applies in a branch or online. The application records identification data, employment, income, regular expenses, existing debts, loan purpose and requested amount and duration.

Identification: in the branch the RM checks the original valid official photo ID in the customer's presence. Online, identity is verified only by the bank's approved remote identification methods (video-electronic identification or a qualified electronic identity). A copy or scan of an ID document on its own is not accepted as verification.

Customer due diligence (CDD) is completed before any credit decision and before the contract is signed: identification and verification, confirmation that the customer acts on his or her own behalf (beneficial ownership), purpose and intended nature of the business relationship, and an AML risk rating (low/medium/high).

Sanctions (EU and UN lists) and politically exposed person (PEP) screening is performed only for loans above EUR 10,000. Applicants for loans of EUR 10,000 or less are not screened. Where screening is performed, the result is stored in the loan file and any potential match is escalated to AML Compliance.

High-risk customers (including PEPs and customers linked to high-risk third countries) are subject to enhanced due diligence and require AML Compliance approval before the decision.

If CDD cannot be completed, the bank does not enter into the business relationship and does not grant the loan.

3.3 Data protection and consents

The Loan Data Privacy Notice is provided to the applicant at the time of application (on the application form and online before submission). It states the controller, DPO contact, purposes and legal bases, recipients, retention periods, data subject rights, the right to lodge a complaint with the Information Commissioner and information on automated processing in credit scoring.

Processing for the credit assessment, the SISBON credit register query and the use of the scoring service is based on the steps needed before entering into a contract and on the bank's legal obligations to assess creditworthiness; it is not based on a consent included in the general terms and conditions.

The customer is informed in advance that the bank will query the SISBON credit register.

Consent to marketing is requested separately, is optional (unticked box), is not a condition for the loan and can be withdrawn at any time as easily as it was given. Customers may object to direct marketing at any time.

3.4 Pre-contractual information

The loan officer generates the Standard European Consumer Credit Information form (SECCI) from the core system. It is given to the customer free of charge, on paper or another durable medium, in good time before the customer is bound by any contract or offer, and in any case at least one day before signing. If the customer wishes to sign earlier, the bank sends a written reminder of the right of withdrawal.

The RM explains the key features, costs, the consequences of missed payments and the right of withdrawal, and answers questions (adequate explanations). On request, the customer receives a free copy of the draft contract.

The APR and the total amount payable are calculated by the APR calculator in the core system, which applies the statutory calculation formula and assumptions. The calculator was tested by Finance and Compliance before use and is re-tested after every change. Each SECCI is checked by a second person (four-eyes) before it is handed to the customer.

3.5 Creditworthiness assessment

The credit scoring service returns a score. The score is one input to the assessment; no application is rejected automatically. Applications with a score below 600 are referred to a credit analyst for manual review.

Income is verified for every loan, using payslips, bank statements or a reliable electronic source. Stated income is never accepted without verification. Regular expenses and existing debts are recorded.

The SISBON credit register is consulted for every application, regardless of the amount.

Affordability: total debt service (all instalments, including the new loan) may not exceed 65% of verified net monthly income (DSTI). No interest-rate stress test is applied. The Bank of Slovenia macroprudential DSTI cap of 50% is not applied to loans approved under this process. Any use of the macroprudential exception allowance is recorded and monitored by Credit Risk.

If an application is rejected, the customer is informed promptly and free of charge, including whether the decision involved automated processing and, where the rejection is based on the credit register query, the result of that query and the register used. The customer may request human review, express his or her point of view, contest the decision and receive an explanation of the assessment.

The scoring model is documented, validated by Credit Risk before first use and at least annually, and its performance is monitored monthly (including data quality and bias indicators). Manual overrides are recorded with the reason and reported to Credit Risk.

A data protection impact assessment (DPIA) for the use of the external scoring service is being prepared by the DPO.

3.6 Approval

Loans are approved according to the Delegation of Authority Matrix (KB-INT-0002):

Loan amount	Approver	Four-eyes
up to EUR 5,000	RM (only for applications he or she did not originate) or credit analyst	Not required
EUR 5,001 – 15,000	Credit analyst	Yes – second approver from Credit Risk
above EUR 15,000	Retail Credit Committee	Yes – at least one approver from Credit Risk

The person who originated an application never approves it. Every decision, its rationale, the data used and the approver(s) are recorded in the core system.

Deviations from the credit policy (for example DSTI above the internal limit or pricing outside the price list) are approved in writing in the core system by the authority one level above the normal approver. Oral or e-mail approvals are not valid. Every exception is entered in the central exception register, and exceptions are reported monthly to Credit Risk.

Staff declare any conflict of interest (for example family relationship with the applicant) and do not take part in such decisions.

3.7 Contract, right of withdrawal and disbursement

The contract uses the template approved by Legal and Compliance, which contains all information required by consumer credit law. The customer signs in the branch or with a qualified electronic signature online and receives a copy of the contract on a durable medium.

The customer may withdraw from the contract within 14 days without giving any reason. Notice of withdrawal may be given on paper or another durable medium (letter, e-mail, or message via online banking) to the contact details stated in the contract; it does not have to be delivered in person. No fee is charged for withdrawal. The customer repays the capital and the interest accrued from the drawdown until repayment within 30 days after sending the notice.

The customer may repay the loan early, in full or in part, at any time; the total cost of credit is reduced accordingly. Any early repayment compensation is applied only within the limits set by law and the contract.

Disbursement: Operations releases funds only after a final check that (i) the loan has been approved within the DoA, (ii) CDD, sanctions and PEP screening are complete with no open match, (iii) the contract is signed, and (iv) the payee account is held in the customer's name. The approver of a loan cannot release the funds for that loan; the core system enforces this separation.

3.8 Monitoring, collections and complaints

The customer is contacted at 15 days past due. Cases more than 60 days past due are transferred to Collections. Before any enforcement or termination, Collections assesses forbearance options (for example a temporary payment reduction or an extended term) and records the outcome.

Credit Risk monitors early-warning indicators for the portfolio monthly (arrears, overrides, exceptions, vintage default rates).

Complaints are recorded in the central complaints register (not in branch mailboxes). Each complaint is acknowledged within 5 working days and answered in writing within 15 working days. The answer informs the customer of the possibility of out-of-court dispute resolution.

3.9 Records, outsourcing and data retention

All loan documents are kept in the core system and the electronic archive with role-based access and access logging. Banking secrecy and data protection rules apply.

Loan files, CDD records and rejected applications are kept indefinitely and are never deleted.

The credit scoring service is an outsourced ICT service supporting an important function. Before go-live the bank: signed a written agreement with service levels, audit and access rights for the bank and the Bank of Slovenia, data location in the EU, security requirements and termination rights; completed a risk assessment; approved and tested an exit plan; and entered the arrangement in the register of information. The provider is reviewed annually.

4. Service levels

Target: decision within one working day for 90% of complete applications. The service level never justifies skipping or shortening the controls in section 3. Applications referred to manual review or AML Compliance follow the standard turnaround for those functions, and the customer is informed of the expected timing.

5. Version history

Version	Date	Author	Change
1.0	15/03/2024	Retail Banking	First version
2.0	01/09/2026	Retail Banking	Draft for faster online approvals
2.1	30/10/2026	Retail Banking	Revised draft, submitted to Compliance for review.