

# **Cross-Party Group on Credit Unions**

12<sup>th</sup> May 2022 13:30 – 14:30

Promotion of Credit Union Payroll Services

Present

MSPs

Tess White MSP (Convener)

Stuart McMillan MSP (Deputy Convener)

Invited guests

Andy Airlie – Islay & Jura Credit Union

Ann Robertson MBE – 1<sup>st</sup> Alliance (Ayrshire) Credit Union

Beth Welsh – Tail O' the Bank Credit Union

Carol McHarg – 1<sup>st</sup> Alliance (Ayrshire) Credit Union

Charles Meehan – Dalmuir Credit Union

Chinyere Adeniyi-Alade – Grampian Credit Union

Craig Horne – Scottish Parliament

David Ross – Glasgow Credit Union

John McClay – West Lothian Credit Union

Kat Mansi – Discovery Credit Union

Lesley Lutomski - Islay & Jura Credit Union

Luke McGilvray – 1<sup>st</sup> Class Credit Union

Rory Gaffney – Capital Credit Union

Sofia Dogan – Kingdom Credit Union

Thomas McVay – SCVO Credit Union

Non-MSP Group Members

Bill Hudson – ACE Credit Unions Services

Cathy Greig – UK Credit Unions

Dawn Vear – UK Credit Unions

Frances McCann – National Credit Union Forum / Scotwest Credit Union

Nancy MacGillivray – ACE Credit Union Services

Natalie McQuade - Association of British Credit Unions Ltd

Niamh Evans - Association of British Credit Unions Ltd

Robert Kelly - Association of British Credit Unions Ltd

## Apologies

Paul Sweeney MSP

Dermot O'Neill – Scottish League of Credit Unions

Julie Reddin – Mosshill Credit Union

Lorraine Corrins – Baillieston Credit Union

Lynne Kearney – South Coatbridge Credit Union

Stephen Worgan – Stirling Credit Union

Theresa McLaughlin – Baillieston Credit Union

## Overview of Credit Union Payroll Services and the Work and Save Scotland Scheme

Frances McCann (NCUF and Scotwest Credit Union) explained the benefits of payroll deduction services and raised the following points.

- Credit union payroll savings schemes allow workers to save or borrow money directly from their pay.
- Payroll offers benefits for individuals but also employers in supporting their employees in building a savings cushion and easing money worries.
- Ongoing economic crisis with the pandemic and now the cost of living crisis, exposed that millions of households have low financial resilience and little in savings.
- In 2018, pre-Covid, fifth of the UK adult population never or rarely saved, just over £11m had under £100 saved.
- According to the ONS, Scottish households save less - around half of the UK average.
- Work and Save Scotland initiative aims to raise awareness of credit union payroll services amongst Scottish employers and workers

- The initiative was Supported by the Government’s Scottish Community Lenders Fund Managed by Social Investment Scotland. Thanks to that funding, Scotwest CU and Capital CU partnered with charitable community company Action for Financial Inclusion, working to provide a free payroll service to companies and their workers.
- Initiative has endorsements from range of organisations and gathering momentum particularly with public sector, and now has big employers on board.
- Scheme is focused on two credit unions, Scotwest and Capital.

Tess White said it would be useful to have something to have to share on social media to promote credit union payroll deduction services and post more widely. The CPG should focus on raising awareness of credit unions.

## Overview of Work Not Worry Scheme

Niamh Evans gave an overview of ABCUL’s Work Not Worry campaign and the learnings from this initiative.

- Work not Worry campaign was carried out by ABCUL to support credit unions with establishing payroll deduction relationship, using grant funding from the Citi Foundation and research on the benefits of credit union payroll services.
- Credit union payroll services offer an easy way for workers to regularly put away savings, but also encourage borrowers to turn into savers using Save As You Borrow loans. Save As You Borrow report found strong evidence that credit unions support their members to build a new habit of regular savings with these loan products.
- The aim of the campaign was to promote credit union payroll deduction services to employers and to equip credit unions with resources to approach potential payroll partners.
- However, there were challenges with this initiative. From undertaking this project, ABCUL notes three main barriers were identified to credit unions forming payroll relationships with organisations.
  - Lack of awareness and understanding of the credit union movement
  - Difficulty for credit unions to reach and speak to the key person in an organisation who has the power to instigate a payroll services partnership with a credit union.
  - Limited resources for credit unions to devote to building these relationships, that can be time-consuming.

Tess White commented that this is a really important issue to act on.

## Case Study of Credit Union Payroll Services

Carol McHarg shared 1<sup>st</sup> Alliance (Ayrshire) Credit Union's experience of offering payroll deduction services and shared the following comments.

- 1<sup>st</sup> Alliance is a community-based credit union with four payroll partners, including North Ayrshire council and a South Ayrshire housing association.
- Some credit union payroll members are just savers, whilst some are both savers and borrowers.
- £44,000 in personal savings made from the Council employees' payroll alone.
- In 2016, the credit union was approached by the Council to see how they could support us and looked looking at a payroll relationship. Worked with a marketing officer at the council to draw up a project plan, that included: advertising on the Council's intranet for staff; posters / leaflets in the Council's offices; joining face to face meetings at the Council workplace.
- The Council's HR staff will now inform new staff about the credit union and their payroll services
- Carnegie Trust funded a scheme of a staff member shared across credit unions to promote payroll services, which helped in raising some awareness
- Also promoted the credit union's payroll services through the Ayrshire Chamber of Commerce
- However, there was very little take up of employers joining via these methods. The challenge is building the credibility with the senior persons in an organisation to build that relationship.

The following discussion was prompted by Carol's presentation:

- Tess White noted that MSPs can do payroll deduction through parliament – it's important to lead by example
- John McClay commented that consortium for the shared staff member, was mainly for raising awareness of payroll, but the credit unions then need to do the groundwork to get the companies on board.
- Thomas McVay raised that credit unions need to get more private sector partners, seem to have a high concentration of public sector and third sector payroll partners.
- Tess echoed the comments that awareness of the sector is needed for these relationships to be built. She remarked that she had a good relationship with the Federation of Small Business and that there is potential to reach out for involvement and invite for a future CPG meeting. Noted that may also be worth engaging with the Confederation of British Industry.
- It was commented that it is difficult to get employers on board, as hard to meet a person in the organisation that has the influence to take a wage deduction project forward.
- Stuart McMillan commented that the discussion is extremely useful and contacting local Chambers of Commerce could be effective. Discussion highlights the job that needs to be done in a national awareness campaign of credit unions and what they do. Potential to write to Scottish Government to ask if there is funding for a promotional campaign for credit unions.
- Tess White echoed the need to raise awareness of credit unions.

- Stuart McMillan raised that Members' Business Debates could provide a non-party political opportunity to highlight credit unions.

## Opportunities to Support Payroll Deduction Schemes

Frances McCann (NCUF) spoke to raise potential opportunities for Scottish Government to promote credit unions, particularly through scaling up the Work & Save Scotland scheme. Frances made the following comments:

- The CPG had naturally moved onto discussing potential actions and that it was interesting that credits have the same issues around publicity and getting to speak to the right person when trying to build payroll relationships.
- Current funding for the Work & Save initiative is based on two credit unions (Scotwest and Capital) have used previous Scot Gov grant funding to publicise the scheme for 18 months. The scheme's aim is to publicise the credit union sector's payroll savings offering using the two credit union's experience and connections.
- Potential for the Government to support and scale up the Work & Save initiative. As well as the assistance of funding, lending the Government's name and profile to the initiative can help build credibility.
- Work & Save highlights the benefits of payroll and points employers in the direction of credit unions in their area. Potential to work with Action for Financial Inclusion to speak to involve other credit unions
- MSPs highlighting Work & Save in their social media would also help
- Highlighted that payrolls savings is part of MaPs plan for Scotland, with MaPs looking at the potential of 'opt-out' payroll savings.

The following discussion followed Frances' presentations:

- Stuart McMillan raised the idea of writing to Scottish Government for money for a promotional campaign and also use social media channels to promote credit unions.
- Bill Hudson raised that, for comparison, Welsh Government provides great support for credit unions and has set up the Money Works Wales website. The website highlights the importance of payroll, helps businesses using the website to build relationship with a credit union.
- David Ross commented that the headline figures of the value of savings and lending can be quite useful to help validate and share some of the successes of the CU sector, which could be useful to use in MSPs / Scot Government promotions of payroll lending.
- Carol McHarg asked Frances McCann if Work & Save Scotland is open for other credit unions to join. Frances responded that she would speak to Action for Financial Inclusion on evolving the project and including other credit unions, also potential to add a search function to find credit unions.
- Carol McHarg suggested that Scottish Government could run a scheme to incentivise employers to sign up with a credit union for payroll, for example a

scheme were the first X number of employers to sign up with a credit union for payroll receive a reward. Stuart McMillan noted the potential to include this proposal in a letter to Scottish Government.

- Rory Gaffney raised that there is potential to draw together and combine a lot of the suggested initiatives to promote payroll services.
- John McClay suggested that Scottish Government require private contractors to use credit union payroll services.
- Tess White stated that the CPG Conveners and secretariat will discuss potential recommendations for Scottish Government raised in this meeting and look to write a letter to Scottish Government.
- Stuart McMillan agreed with Tess on writing to Scottish Government. He also responded to John McClay saying there may potentially be rules preventing a requirement for private contractors to use payroll in procurement law.
- David Ross commented that there are some businesses with significant profile using payroll with the largest credit unions, and that this should be highlighted to show credibility.
- Tess White commented that she found the speakers and discussion really insightful and that there are a set of clear actions to be taken out of today's session.
- Stuart McMillan thanked the group for the range of ideas raised, that the group is moving forward in the right direction and he looks forward to seeing positive change happen.

## AOCB

Niamh Evans highlighted that Scottish Government's promotional campaign Money Support Scotland campaign, which has a range of resources that can be used to promote credit unions as providers of affordable credit to individuals struggling with their finances.

Tess thanked everyone for their contributions and stated that the CPG conveners would meet to discuss this topic further.