

Cross-Party Group on Credit Unions

19th December 2022, 13:00-14:00

AGM & Cost of Living Crisis Response

Present

MSP Group Members

Tess White MSP (Convener)

Paul Sweeney MSP (Deputy Convener)

John Mason MSP

Invited guests

Adrian Sargent - Castle Community Bank

Carol McHarg - 1st Alliance

Chinyere Adeniyi-Alade – Grampian Credit Union Ltd.

David Ross - Glasgow Credit Union

John McClay - West Lothian Credit Union

Julie Reddin - Mosshill Credit Union Ltd.

Karen Wallace - Right Way Credit Union

Paul Morris - Clackmannanshire Council

Phil Rowsby - First Scottish University Credit Union

Sandy Robertson – Scottish Parliament

Sofia Dogan - Kingdom Credit Union

Stephen Worgan - Stirling Credit Union

Non-MSP Group Members

Dawn Vear - UK Credit Unions

Debbie Smith-Hands- Association of British Credit Unions

Dermot O'Neill - Scottish League of Credit Unions

Cathy Greig – UK Credit Unions / Vale of Leven Credit Union

Josie Shohet - Association of British Credit Unions

Marlene Shiels - Capital Credit Union / National Credit Union Forum

Niamh Evans - Association of British Credit Unions

Robert Kelly - Association of British Credit Unions

Apologies

Miles Briggs MSP

Stuart McMillan MSP

AGM and Re-Election of Office Bearers

The annual election of CPG office bearers was conducted.

- It was confirmed that the CPG meeting was quorate, and members of the Group resolved to re-elect office bearers for the CPG.
- It was proposed, and agreed to, that Tess White would remain as CPG convener.
- It was proposed, and agreed to, that Paul Sweeney will remain as deputy convener for the CPG.
- It was proposed, and agreed, that the Association of British Credit Unions shall remain as secretariat for the CPG

The Group was reminded of the purpose of the CPG was confirmed as follows: CPG on credit unions provides a platform and purpose for Scottish credit unions to discuss ideas and collaborate. The group creates a foundation for policy and development of credit unions and shares best practice.

Niamh Evans (ABCUL) discussed that the previous CPG meeting discussed payroll deduction schemes, and that actions to support this will be carried forward. She noted that due to the significant impact of high inflation and current economic circumstances, the CPG will focus on the cost of living crisis into the new year.

Tess White welcomed attendees on behalf of the MSPs. Tess White and John Mason gave their apologies that they would need to leave at 13:30 due to surgery commitments. Tess White reiterated the importance of the CPG during the cost of living crisis and asks that following the meeting there is wider communication of the meetings outcomes.

Update from Credit Unions on Cost of Living Crisis

Three credit union speakers provided an update on their credit unions response to the cost of living crisis.

Marlene Shiels, CEO of Capital Credit Union and member of the National Credit Union Forum, presented the following update:

- Began by thanking MSPs for attending and noted the importance of the CPG for giving a voice to the credit union sector in Scottish Parliament.

- Capital Credit Union is an Edinburgh-based credit union with large geographical coverage of Scotland and 26,000 members
- Capital CU has taken steps to adapt to members' needs during the cost of living crisis, including:
 - Moved from the policy of requiring that a member must save in order to borrow, to encouraging saving if and when the member can, as saving is not affordable for some in current circumstances.
 - Lowered minimum loan value from £250 to £50, as many members were seeking a small loan to cover the cost of a weekly food shop. Offering these small loans at the credit union's lowest-ever interest rate.
 - Entered a pilot No Interest Loan Scheme with Fair4All Finance
 - Added benefits calculator on credit union website
 - Staff in member-facing roles are becoming 'Money Guiders' with the Money and Pensions Service
 - Using a 'Breathe Easy' tool to help members find support from other agencies
 - Offering loan payment holidays
 - Opened two new branches in areas of high deprivation
 - Providing monthly grants to local charities tackling fuel and food poverty

Adrian Sargent, CEO of Castle Community Bank, presented the following update:

- Castle Community Bank's aim is to build a strong and resilient credit union and support community initiatives for members, especially during the cost of living crisis. Financial education and wellbeing projects are key, as well as debt advisory services.
- The credit union has grown strongly over past two years and now one of the largest credit unions in the UK.
- Thanked the Scottish Government for support for the Financial Inclusion for Scotland Scheme.
- Proactive approach to cost of living crisis – responsible lending and affordable crucial at this time.
- High demand for loans in the cost of living crisis, but have to ensure these are affordable for borrowers.
- Loan issuing is down: fewer members can borrow and fewer can save, more members are struggling with debt, increasing rate of loan delinquency and people struggling to pay, and people reverting to debt solutions far quicker.
- Noted that the credit union is taking the following steps to support members with the cost of living:
 - Listening to members and taking a considerate approach to solving issues
 - Appropriate referral to debt advice and getting people help early

- Reducing loan repayments and providing payment holidays
- Credit union has a partnership with SNOOP, which assesses everyday expenditure and offers money saving tips
- Benefit finder and calculator for members
- Providing budget planner
- Supporting local debt advice charities
- Supporting and regularly donating to local food banks
- Looking forward the credit union is working with Financial Inclusion for Scotland as well as working with finance sector to develop new products
- Noted that growing the sector is critical to help more people.
- Noted that the PRA is consulting on changes to credit union regulation that will support the professionalism of the sector but may also present challenges for growth.

Niamh raised couple of the MSPs attending may need to leave the meeting shortly and thanked them for their attendance and listening to this important discussion. She noted that the Group will aim to meet again to continue this discussion on the cost of living crisis in early 2023.

Karen Wallace, CEO of Right Way Credit Union, provided the following update on the credit union's context of the cost of living crisis:

- Right Way Credit Union is a community-based credit union, currently in a 'growth period', with 5000 members across West Scotland, £4.5m in member savings and £3.2m in loans to members
- Responded strategically to the Pandemic
- Noted that the credit union is facing the following challenges due to the cost of living crisis:
 - Loan applicants not meeting lending criteria and increase in loan application declines by 300% in 2022– as responsible lenders credit unions need to ensure borrowers can afford to pay their loans back
 - Existing borrowers struggling to repay and contacting credit union to reduce their loan payments
 - Increase in missed payments and defaults
 - Less members able to save or are withdrawing from their savings
 - Finding that the most squeezed are the middle earners, earning £20-£30k, which is the credit union's target market
 - Due to increase in missed loan payments, the CU's provisioning bad debt has had to increase by 50%
- Highlighted the following ways that the credit union is helping members with the cost of living crisis:
 - Staff trained as 'Money Guiders' with the Money and Pensions Service, particularly on how to identify vulnerable members and how to support them in difficult times

- Working with Third Sector Interface in Renfrewshire to highlight the risk of illegal money lenders and how credit unions can be a better option
- Included benefit calculator on the credit union website, looking to include this as a step for
- Using small marketing budget to utilise social media to reach members and recently started a podcast featuring partner organisations, to give members tips on budgeting and saving

Tess White MSP and John Mason MSP thanked the group for the meeting as they needed to leave at this stage. Tess White noted that 2023 is going to be a very important year for credit unions.

Marlene Shiels thanked the group for the opportunity to speak about her credit union and learning what other credit unions are dealing with.

Opportunities to Support Credit Unions with Cost of Living Crisis Response

Niamh Evans, Policy & Advocacy Manager of ABCUL, discussed some of the ways Scottish Government could work to support the sector's cost of living crisis response, and presented the following points:

- The CPG will issue a survey will be issued to credit unions in 2023 to gather opinions on priorities for Scottish Government to support the sector during the cost of living crisis, along with the meeting's minutes.
- Summarised some of the key challenges and risks credit unions are seeing with their members in the cost of living crisis:
 - A growing demand for credit, but increased credit risk
 - Declining loan affordability, increase in individuals with negative surplus income
 - Rising levels of personal debt and growing dependence of households on credit
 - Increased demand for high-cost credit, BNPL and illegal money lending
 - A decreased ability to save and reduced savings buffers
 - Decreased financial resilience at all levels of income
 - Growing levels of poverty and amount of households in financial crisis
 - Poor financial, physical and mental wellbeing
- To prompt a discussion on how the Scottish Government could support credit unions, she suggested that there are different uses of funding that could support credit unions with responding to the cost of living crisis, including:
 - Providing funding to deliver small crisis grants to declined loan applicants
 - Funding to guarantee small-sum emergency loans to reduce credit risk and improve accessibility to affordable credit for those in crisis

- Funding to guarantee debt consolidation loans to help individuals struggling with debt move to more affordable credit
- Improving credit union's reach through funding for marketing campaigns
- Funding for financial education outreach initiatives
- Promoting credit union payroll partnerships with businesses

Paul Sweeney MSP thanked the group for the helpful insights and stated that he enjoyed listening to the meeting and will catch up in the New Year.

Niamh invited credit unions to provide comments on what support they would like to see from Scottish Government with the cost of living crisis, and the following discussion points were made:

- Adrian Sargent raised that in the context of the Prudential Regulation Authority consultation on credit union regulation that proportionality is considered, especially that regulation supports growth of the sector.
- Dermot O'Neil stated that promotion of the sector should be aimed at the wider population to reach more people, to show that credit unions also lend to those who are not acutely financially squeezed, to encourage higher-value, longer-term loans where affordable, in order to promote sustainability of the sector. Noted support for funding for marketing to reach more people and supports funding for financial education schemes.
- Dermot raised questions about delivering small crisis loans, as encourages lending only to those who can afford it and tension between offering small crisis loans and being unable to lend to those who cannot afford it. Also believes line needs to be drawn between the role of credit unions in offering affordable credit and being distributors of welfare. Dermot added that consolidated debt products make sense, but credit unions need to be careful - should only provide these services alongside encouraging behavioural change from the borrowers
- Niamh Evans supported Dermot's opinions and noted that lending should always be responsible and that there are new challenges for credit risk, but that improving access to affordable credit is important in the the current circumstances where may individuals are in crisis with low financial resilience. Noted that the potential to deliver small-sum emergency grants to declined loan applicants is in response to current context of economic crisis, and some credit unions are already providing small emergency grants where they have the funds available.
- Niamh agreed that debt consolidation loans present challenges and that not all credit unions offer these loans, but that guaranteeing these loans would be to support credit unions to offer loan consolidation where it is responsible to help mitigate the financial risk to credit unions of borrowers entering an insolvency solution.

- Phil Rowsby added that there are often adverts on Scottish TV about clearing debts, and it would be welcomed if there was a general publicity campaign funded by the Scottish Government for the credit union sector generally
- Stephen Worgan supported Dermot's statements, noted we must understand what core business is for credit unions and how to do this well, and that broadening membership base key. Notes that Government can play large role in changing understanding of what credit unions are via promotion of the sector that increases credibility and trust in credit unions as an option for people to hold their savings with.
- Stephen noted that Stirling CU has collaborated with the Citizens Advice Bureau to respond to the cost of living crisis, with a cost of living advisor representing both organisations who offers support within the community.
- Niamh Evans echoed Stephen's sentiments and said the Scottish Government could work to increase the credibility of credit unions through strategic promotion of credit unions and that the sector still struggles with the stigma of being a 'poor man's bank'.
- Niamh thanked attendees will send out the minutes and survey to credit unions in 2023.

The meeting was concluded.