

What future for credit unions?

7. What Future for Credit Unions?

The research findings

It is useful to start this concluding chapter with a summary of the research findings reported in earlier chapters.

Institutions and finances

Nearly a third of the adult population of the Republic of Ireland, and a similar proportion of Catholics in Northern Ireland, are members of credit unions. Unions both north and south of the border belong to the Irish League of Credit Unions which has a stable financial base and appears to provide a strong supporting organisation.

The research showed that credit unions in Northern Ireland ranged from 200 to 12,500 members, with an average of more than 1000. Assets had been stable over the past ten years at about £430 per member, and the financial structure did not vary much between larger and smaller unions. Although many of the large groups spent substantial amounts on salaries and accommodation, surpluses were large enough both to pay a dividend on shares and to contribute to reserves. The unions were able to offer loans averaging about £400 each to three-quarters of their members each year.

In England, Wales and Scotland there were three stages of development after the Credit Union Act of 1979: immediate growth; then a pause as several of the new groups got into trouble; and then, recently, a rapid expansion. Credit unions are regulated by the Registrar of Friendly Societies, and belong to one of two umbrella groups. One of the points at issue between the rivals is the relative priority to be given to *instrumental* or *idealistic* considerations in the development of the movement. Credit unions have also been nurtured

by specialist development workers, often appointed or supported by local authorities. In spite of the immediate success of some of these initiatives, there is still less than one credit union member for every 1000 members of the adult population.

The average British credit union was much smaller than its counterpart in Northern Ireland, with 280 members. Assets were growing, but were still only £260 per head. Many British unions had low levels of reserves, and could not afford to pay a dividend on shares. They nevertheless managed to offer loans averaging £400 each to three fifths of their members each year. All the indicators showed that the smallest British unions were in the weakest financial position.

Running a credit union

It was generally argued that the initiative and motivation for starting a credit union should come from the potential members themselves, rather than from outside. It was important to identify a genuine 'common bond', rather than try to create one. In Northern Ireland these bonds were mostly defined in terms of residence or employment within a locality, but there was usually a close link with the Catholic Church. In Great Britain there was a wider range of bonds based on areas of residence, workplaces, churches and other existing associations.

Credit unions belonged to their members, but were administered by a smaller group of elected officers and helpers. Although the work load could be heavy, these leaders were motivated at the same time by a desire to serve their community, and by a combination of more personal considerations. Some of them were elected because of their previous administrative experience; others required training or had to learn as they went along. Many of the leaders were the middle aged, middle class men who often appear to be the 'natural' choices for positions of responsibility, but it was often difficult for the leadership group to recruit others to take their place.

Credit unions often relied heavily on the services of one of the three representative organisations during their early years – for information, training, advice and other administrative services, as well as for insurance. Of the two larger groups, the ILCU appeared to enjoy the full confidence of its affiliates, but feelings about ABCUL were mixed. Many credit unions had other sources of support: local authorities had been increasingly active recently; workplace unions

were often supported by their employer; and the Catholic Church played an important role in some British as well as many Irish credit unions.

Most small unions ran weekly collection sessions in church halls or other hired premises, and relied entirely on the services of their own members. The largest unions (in Northern Ireland) had their own offices run by full-time employees. Middle-sized unions – around 800 members – had to decide whether expenditure on staff would be justified in improved administration and higher turnover. Many were reluctant to employ staff for fear that the members would lose control of the union. Some had hired staff without a clear idea about their role, and encountered problems.

Many of the smaller credit unions faced an anxious choice whether to try to expand or to confine their membership. Growth would extend the advantages of membership to more members of the community, and it would provide a firmer financial base. On the other hand, many felt, a large union would destroy the personal approach at the heart of the credit union concept.

Joining a credit union

The research included personal interviews with a sample of members of seven credit unions. The social composition of the groups varied widely: one consisted mostly of fairly prosperous ‘middle class’ owner-occupiers; at the other end of the scale, two had recruited mostly unemployed or low-paid council tenants in ‘working class’ communities. A large proportion of the members of some unions, especially of the two poorest, were women.

Recruitment to credit unions was overwhelmingly by word of mouth, rather than through more formal methods of communication. While better off members had generally been attracted by the prospect of credit at low interest rates, poorer people were more interested in the opportunity to build up their savings. Many members did not really understand what a credit union was when they joined, and it often took them some time to understand how the link between savings and loans worked.

About 10 per cent of members formed a leadership group which was heavily involved in all aspects of the union’s activities. Outside this group, only a quarter of the rank and file members had ever attended their union’s AGM. Participation (as measured by attendance

at meetings) varied strongly from union to union, and was weaker among working class than among middle class members. But there was only one union where non-participation appeared to have induced any feeling of alienation or dissatisfaction. Leaders and participators placed more emphasis on the social and community ideals of the credit union than non-participators did; but it was the poorer, more working class unions which showed most signs of this 'community spirit'.

Savings

People's ability to budget on their weekly or monthly income was, of course, strongly influenced by how much income they had to budget with. But there were no signs that poor credit union members found the problem either easier or more difficult than other people with similar resources.

More than half of credit union members had savings in building societies, bank deposit accounts and so on. The extent of these savings was largely determined by the family's level of income. The main advantages of the credit union over a building society were said to be convenience and the opportunity to borrow at low rates of interest; the main disadvantage was the low return on the investment.

About two-thirds of members were making regular contributions into their savings account with the credit union. The amount of these regular payments, ranging from 80p to £12.30 per member per week, was largely determined by the union's policy. The longer someone had been a member, the more savings they would have accumulated. Within each union, better-off members tended to build up their savings at a faster rate than those with lower incomes, and this meant that the better-off held a relatively large proportion of the savings pool. High-income families reported even more savings outside the credit union, however, while low income families had placed more than half of their capital with the union.

Members' use of credit

Although they expressed a clear general preference for credit union loans, the majority of members had used other sources of credit over the past year. The pattern of non-union credit use was similar to that observed in the general population, with better-off families tending to use credit cards, bank loans and store accounts, while poorer people tended to buy on instalments from mail order catalogues. There was

no sign that belonging to a credit union reduced people's borrowings from other sources – if anything, the reverse.

Credit union loans were nevertheless used more often than any other single source of credit; three-quarters of all members had had one, just over half within the past year. These loans tended to be between £100 and £500 – that is smaller than bank loans or hire purchase agreements, but larger than most credit transactions with mail order houses or retail outlets. They were used for a wide variety of purposes, led by travel and holidays, vehicles, social celebrations and paying off existing bills. Members reported few problems over the procedures for arranging a loan. Advances tended to be repaid over about a year. The repayment instalments were largely determined by the size of the loan; for a loan of a given size, the instalments were only slightly linked to 'ability to pay' as measured by family income. People with high incomes, however, tended to have borrowed larger sums than those on low incomes. Since the use of non-union credit was also linked with income, it could be seen that the union supplied about two fifths of the credit used by people at all income levels.

Problems of repayments

A small number of members – most of them poor people – said that they had had some difficulty in repaying money they had borrowed from the credit union. Whether they had experienced problems or not, members thought the debt collection procedures were (or would be) 'sympathetic'. Although it is difficult to use the annual accounts to measure the extent of bad debts, most unions had problem loans, which caused serious difficulties in some cases. Many officers felt that their policies on the allocation of loans and on the recovery of arrears had not been rigorous enough at first, and this had often led to continuing difficulties with debt recovery.

The value of credit unions

What do these research findings lead to? Are credit unions a good thing or a bad thing? Should they be encouraged, and, if so, how?

Tens of thousands of people belong to credit unions. Few of them are dissatisfied with the way their union is run, feel that there are disadvantages to membership, or wish to leave. If the members want to belong, that is sufficient reason for having a credit union.

Some of the advantages of membership are social and political rather than economic. Although a union depends on the existence of a common bond, it can help to reinforce that bond. The collection meetings are valued as social occasions. Many members may find that the credit union is the only organisation they know which genuinely welcomes equal participation in decision making. Many of those who accept office derive personal satisfaction from their role. For a few, the opportunity to serve and lead their credit union has provided a major step in their personal development.

As in most self-help groups, however, only a small proportion of the members do most of the work, and it is difficult to persuade others to join the leadership group. If people are reluctant to take on these roles, or eager to relinquish them, that is a disadvantage. It also appeared from the survey that rank and file members set much less store by the participative and community spirit ideals than the leaders did. These considerations imply that the social and political advantages of credit unions may not be all that they are cracked up to be by the movement's spokesmen. There is no doubt, though, that they have the edge over impersonal financial institutions on this score.

Many members – a clear majority in some unions – are attracted principally by the opportunity to save. About half of all members hold savings in banks, building societies and so on, but the half who do not are particularly likely to make regular payments into their account with the union. One of the advantages is the convenience of local collection sections, and for those without a previous regular savings plan, the union would be a boon.

There is little sign that credit union members lack access to the mainstream credit market, or that the union substitutes for other kinds of credit. The union is nevertheless members' preferred method of borrowing. This is a clear advantage.

Most credit unions charge an annual percentage rate of interest of 12.7 per cent. This is cheaper than any other source. The banks and building societies charge around 20 per cent, depending on the prevailing rate of interest in the general economy. Other respectable sources charge up to 30 per cent, and charges in the shadier end of the market are much higher than that.

The comparison between credit unions and their nearest rivals is, however, more complicated than declared rates of interest would indicate. Savings have to be taken into account too. A building society

offers about 6.5 per cent tax-paid to regular small savers; a bank pays 4 per cent net. The most common credit union dividend is about 4.5 per cent, and many unions, especially the small ones in Great Britain, cannot offer any dividend at all. Secondly, a credit union expects members to leave their savings intact, and take out a loan, if they wish to spend any money. Members are therefore charged for the use of their own money. We asked one of the credit union umbrella organisations, a leading high street bank and a leading building

Table 7.1 Comparison of credit union, bank and building society interest rates

	Credit union	Bank	Building society
Loan			
Amount drawn	£500	£250 ¹	£250 ¹
Insurance premium	nil ²	£10.00	£14.31
Interest rate (apr)	12.7%	20.0%	22.6%
Interest charged	£30.40	£26.67	£30.41
Repayments (monthly)	£44.20	£23.89	£24.56
Savings			
Starting balance	£250	£250	£250
Amount withdrawn	nil	£250	£250
Monthly payments	£42.47	£62.77	£62.11
Dividend/interest rate	4.4% ³	4.0% ⁴	6.6% ⁴
Dividend interest received	£21.28	£15.06	£26.31
Final balance ⁵	£780.92	£768.30	£771.63

- Notes:
1. In practice neither the bank nor the building society would usually offer a personal loan for as small a sum as £250.
 2. Most credit unions provide free insurance; banks and building societies add an option premium.
 3. The credit union's dividend rate is the average reported in Northern Ireland. Many credit unions, especially in Great Britain, have not been able to offer any dividend.
 4. The bank's and building society's interest on savings are after paying composite rate tax. Credit union members would be liable to tax on their dividend if they were tax-payers.
 5. If the bank and building society customers did not pay the optional insurance premium, their final balances would be £779.68 and £788.15 respectively.

society, each to calculate what would happen to someone with £250 in savings who wanted to raise £500, and who had £20 per week with which to repay the loan and build up savings over a year. Table 7.1 assumes that the credit union would retain the £250 savings and lend the whole £500; the bank and the building society would release the £250 savings, and lend only £250. At the end of the year, and payments totalling £1290, the credit union member would be only about £10 better off than the member of the building society, or the bank's customer. In fact this advantage depends entirely on assumptions about the provision of insurance, and about the ability of the credit union to pay a dividend. All three creditors agreed that the comparison was not exact, but it is arguable that credit union loans are not much cheaper than credit available from some other sources.

This comparison suggests that there is not much difference between credit unions and other sources of credit, once savings have been taken into account. For people denied access to mainstream credit, the comparison would be much more in the unions' favour. But most credit union members are not in that position.

For the average member, therefore, the credit union provides some social and political benefits; is a convenient method of building up savings; and is the preferred source of credit. These three advantages add up to the conclusion that credit unions are valuable institutions, worthy of encouragement. But as far as the average person is concerned, none of the advantages seems great enough to justify the view that credit unions are superior to all alternatives.

The ideals of the credit union movement are not expressed in terms of the average person, though. Credit unions are aimed principally at poor people, to encourage thrift, and to provide them with a source of cheap credit which will protect them from the clutches of money lenders. It is therefore important to assess unions' impact on families with low incomes.

One of the seven unions studied in detail consisted mainly of middle-income owner-occupiers. It provided a welcome service to those people, but it is fair to conclude that it did little for the poor. The workplace based union included some low paid employees, but few of the poorest people, most of whom have no work at all. Chart 3.2 showed that at least a quarter of the other five unions had incomes near the supplementary benefit (income support) level; in two of them, the proportion of 'poor' members was well over one-third. It is useful to

think of poor people as belonging to one of two different types of union: those where they share the union with other people with modest but reasonable incomes; and those where most of their fellow members are about as poor as they are.

None of the credit union members interviewed had borrowed from a money lender within the past year. But several of the poorest among them had made use of trading checks, which are often thought of as ‘fringe’ credit. It is difficult to draw any conclusions about the effect of credit unions on the use of money lenders, because so little is known about that sector of the market. The survey of 2,155 people recently commissioned by the Office of Fair Trading¹ showed that only one of them used loans from ‘a money lender or tallyman’ nowadays; two used pawnbrokers; 14 bought on instalments from ‘a doorstep salesman or tallyman’. These sources of credit are so rare that the fact that none of the credit union members used them does not necessarily mean very much. Anecdotal evidence suggests that moneylenders are a plague to the poor in certain areas, but it is difficult to say how far credit unions had saved people from their clutches. A recent report suggests that moneylenders are an important cause of debt in the Irish Republic, in spite of the wide availability of credit unions there.²

Although we cannot conclude anything about money lenders specifically, it appears that credit unions do not generally replace other forms of credit. The comparison with the OFT survey is not exact, but it shows, if anything, that credit union members are more likely than other people to use other sources of credit such as banks, store cards and hire purchase.

Comparison of the credit union activities of poor and not-so-poor members shows that better-off people save more than poorer ones. This is hardly surprising. It means, first, that unions with a large proportion of poor members take a long time to build up their assets. Second, where there is a range of incomes within a single union, it is the better off who contribute most to the savings pool.

Similarly, better-off members borrow more from their credit union than poorer people do – not more often, but in larger amounts. This is partly because the right to borrow is linked to the member’s level of savings; partly because of a higher demand for credit among people who can afford to repay it.

The left hand side of Chart 7.2 summarises the relationship between income and members’ savings and loans with the credit

Chart 7.2 Savings and borrowings of credit union members, by available family income

Within credit union

Elsewhere

union. Both activities are related to income, and it is clear that the union is more valuable to people with money than to those without. This may be a disappointment to those whose credit union ideals focus closely on the poor.

Because loans are more strongly related to income than savings are, there is a slight tendency for better-off people to borrow the worse-off members' savings. Better-off people were attracted to join the union by the opportunity to borrow, whereas worse-off people wanted the chance to save. So the relative balance between savings and loans is in accordance with members' own preferences.

The right hand side of Chart 7.2 provides a similar summary of credit union members' activities in the open market – savings with buildings societies, banks and so on; credit from banks, credit cards, mail order and so on. Both savings and borrowings are strongly linked to income. This time, there is a tendency for relatively poor people to borrow the savings of relatively rich people – and to pay them for this service.

But the main point of the chart lies in the comparison between the left hand and right hand sides. Although credit union activities do depend on income, the link is much less strong than it is in the open market. Credit unions may not have created economic equality, but they appear to be much less unequal than the outside world. In comparison with other opportunities, the credit union is more useful to those with low incomes than to those with higher incomes, who would have no difficulty in saving or borrowing with commercial institutions.

Promoting expansion

Credit unions provide a medium of exchange for savings and loans for about a third of the Catholic population of Northern Ireland, but for only a tiny proportion of people in Britain. In Northern Ireland they have been successful, not only in recruiting members, but also in building up substantial assets and laying down healthy reserves. In Great Britain assets are low and reserves slender. The average union in Northern Ireland reported a reserve of £47,850 at the end of 1986; this represents two-thirds of the total assets of £72,260 reported by the average union in Great Britain. The smallest British unions' finances seemed even more precarious. Although the research did not attempt to establish indicators of financial risk, it may not be surprising that seven of the British unions reviewed in 1987 closed their books during 1988.

It is less than ten years since the British Credit Union Act was passed. Perhaps it is still too early to conclude that the movement has failed to take hold in Britain. But it is clear that credit unions were much better established in Northern Ireland by 1976 than they are in Britain today, and this does not suggest that a long lead-in time is necessary. After a pause in growth between 1982 and 1986, there has been a recent spurt in the establishment of new groups in Britain. It is to be hoped that this is the breakout from an established bridgehead; alternatively, it may be feared that sudden expansion on an uncertain base might overstretch the movement. The newest unions were not included in our research, and it is too early to draw any conclusions about their impact.

An underlying theme for this research has been the conflict between what were called the *idealistic* and *instrumental* approaches to the development of credit unions. It was not intended to imply that

this involved an argument between two sets of people who were either wholehearted idealists or pure instrumentalists. Everyone recognises the importance of both considerations; the debate is about where the balance should lie.

There have nevertheless been some fierce, even bitter arguments. One arch instrumentalist claimed that 'credit unions should be a business activity, not a religious experience' – a remark repudiated by his more moderate colleagues. It might be argued that one of the reasons for the slow development of credit unions in Britain has been the polarisation of their supporters: between those whose belief in self-help for the poor has obscured an assessment of the economic realities of the world in which poverty has been created; and those whose narrow focus on the accounts has ignored the social goals which distinguish credit unions from other and stronger financial institutions.

During the early 1980s, the pendulum swung towards the *instrumental* approach. Over the past two or three years the *idealistic* approach has regained ground, but it is important to prevent the pendulum swinging too far the other way. Progress towards the social and anti-poverty goals of credit unions has to be based on a hard-headed assessment of the economic and financial constraints within which they operate.

One of the focal points for the debate within the movement is the question of scale. *Instrumental* considerations favour credit unions with thousands of members and substantial assets. In North America mergers have created credit unions big enough to compete on level terms with many commercial finance houses. There is talk of this happening on a smaller scale in Northern Ireland. *Idealistic* considerations favour small credit unions where everyone knows everyone else, and actively participates in running the scheme. But the research suggests that a sense of participation is not as important to the rank and file members as their leaders think; moreover there is no clear evidence that the feeling of belonging varies between credit unions of different size.

It might be argued that any advantages to be gained by restricting membership to two or three hundred people would be outweighed by the financial risk of operating on so small a base. Yet three-quarters of all British unions have fewer than 300 members. Once a union had achieved financial stability, on the other hand, there would be no point in recruiting additional members to the point at which the common

bond could be diluted or forgotten. The ideal size for any particular union will depend on the priorities of its existing members, and on the number of people within the scope of the common bond. In general, it might be suggested, unions should aim for about 500 members in the first instance – about as many as can be administered by volunteers without straining their goodwill. Those groups still with plenty of demand at that stage might then aim to grow again, to stabilise with a membership of about 1,500 serviced by a paid administrator.

Very large institutions such as the big American credit unions or British building societies depend primarily on their performance in the open market for savings and credit. But groups with a few hundred or even a few thousand members depend heavily on loyalty to the common bond to persuade people to save regularly, repay their loans and contribute time and energy to administration. It is therefore important to assess the research evidence about common bonds.

The strength of credit unions among Catholics in Northern Ireland might be explained by a sense of common cause within a minority group which felt oppressed by the majority. But this theory scarcely explains the high level of credit union membership in the Republic of Ireland. A more plausible explanation for unions' performance North and South of the border lies in the connection with the Catholic church. Even though unions in Ireland usually define their potential membership in terms of a geographical area, the actual common bond probably lies in membership of the church. Apart from any material advantages to be gained through the use of church halls and so on, active support from the pulpit and the existing hierarchy and discipline especially associated with the Catholic church provide an ideal environment for a credit union.

This link cannot be expected to be as useful in Britain. Catholics form a minority of the population, and (outside the enclaves of Irish immigration in Glasgow, Lancashire and London) they are dispersed among the non-Catholic population. Even so, three of the four (non-workplace) British unions included in our survey served a largely Catholic membership. Other churches might take on a similar role, though the less formal relationship between ministers and parishioners might limit the number of people who would consider themselves committed to the common bond. While a credit union might usefully be established among existing members of a church, there is no sign

that unions with Christian origins have been particularly successful in attracting members from the community at large.

Another existing structure on which credit unions can be based is the workplace. All the potential members have regular incomes, and it is easy to deduct regular savings or repayment instalments direct from pay. Employers are usually willing to provide some form of support. These administrative arrangements are so satisfactory that a credit union can operate successfully with relatively little commitment of time or enthusiasm by its members. The workplace credit union included in our survey seemed to have the lowest morale, and had been in danger of collapse through lack of interest; it had nevertheless managed to build up savings more rapidly than any of the other unions under study. There are, however, two drawbacks. One is that the union may add to members' sense of dependency on their employer, rather than encourage independence through self-help. The second is that the union automatically excludes people without jobs, who may be the poorest and in greatest need of its services.

The *idealistic* aims of credit unions therefore depend heavily on the 'community' common bond. All the signs are, though, that this is the most difficult base on which to build. The people of some areas may have a natural bond: perhaps because of a clear boundary between one housing estate and another; perhaps because of a concentration of members of one ethnic group; perhaps because at some stage the people made common cause against the municipal bureaucracy; perhaps through working for a single employer; perhaps through support of a successful football team. Where such a bond exists, a credit union might thrive, and could help to cement the original relationship.

In areas where none of these things have generated a sense of community, a credit union will face more serious difficulties. Poverty may provide a common bond when everyone can identify the same external cause (like the pit owners, for example), but most 'poor' areas contain a mixture of well paid and under paid employees, successful and unsuccessful people who have set up on their own, unemployed, sick and retired people. Many poor families feel ashamed of themselves or 'different' from their neighbours. In those circumstances, poverty can be a divisive rather than a cohesive force. A credit union could establish itself only by creating a common bond from scratch – a sense of loyalty to the union itself.

There are enough examples of credit unions operating within ordinary communities to show that this can be done, given talented leadership and local good will. Not surprisingly, they find it an uphill struggle. The question is: how can they be encouraged and supported?

One possibility might be to combine the advantages of different types of bond by opening a credit union to the employees of a firm *and* the residents of the surrounding area. This might be a particularly powerful combination either if local authorities wished to promote credit unions, or in towns with a single dominant employer.

There are four ways in which outsiders might help a community credit union to start up.

Stimulus: Obviously, the first step is to let people know that credit unions exist, and what they can achieve. This can be done in general by giving lectures and film shows, encouraging stories in local papers and radio programmes, distributing leaflets and so on. We were told that there was no point in ‘selling’ credit unions – calling a meeting on a housing estate specifically to suggest one – and that the initiative should come from the potential members. But some of the development workers hired to promote credit unions within local authority areas may come close to ‘selling’.

Expertise: The description of running a credit union in Chapter 2 made it clear that the leaders required a substantial contribution of advice and training at the start. Some of this has to be explicit instruction; on other issues, leaders need to be told what choices are open to them, and left to take their own decisions. It is not clear whether outside supporters should also actively help the leadership team during the formative period, as well as instructing and advising them.

Expenditure subsidy: Some unions have managed to obtain small one-off grants to meet or contribute to start-up costs associated with registration and recruitment. Others have received more substantial funds to pay for staff or other running costs over the first two or three years. These initial subsidies have not always been successful. It might be argued that they had not been thought out properly beforehand. A more general objection might lie in the difficulty of ‘weaning’ a group off its subsidy after the initial period.

Capital subsidy: An external supporter might subsidise the assets of a new credit union. There have been one or two cases of a credit union being launched with a benefactor's contribution to the capital fund. The Credit Union Act forbids such subsidies being offered as a loan.

If more community credit unions are to be set up, there is no doubt that the supporters of the movement will have to spread the word about the advantages of membership, and provide information, advice and training to the leaders of embryo groups. There are serious doubts whether assistance should go any further than that. In the long run, a community credit union depends on the loyalty of its members, and on the willingness of some of them to work for the common good. It is feared that too much support might allow unions to develop among groups of people lacking the necessary commitment; worse, that if life is too easy at the start, the commitment will actually be discouraged. This is the Spartan philosophy. Experience shows that idealistic outsiders cannot create credit unions in areas of need. But it is worth looking for ways of delivering support which encourage success without damping down commitment.

This research has focussed on the credit unions themselves, rather than on the various organisations which support and control them. In Ireland there is one organisation which promotes and supports credit unions, and takes a large share of the responsibility for supervising them. The Irish League appears to be a strong and effective organisation based on the resources provided indirectly by 750,000 individual members.

In Britain, there is no single organisation responsible for the development of credit unions. The Association of British Credit Unions has been the larger of the two umbrella groups. In the past it has been over-committed to an *instrumental* view of credit union development, and has faced administrative and financial problems. More recently, however, the Association has broadened its policy, and a change of personnel and location is said to have led to improved administration. The National Federation of Credit Unions stood out for the *idealistic* approach. For many years it had only ten member unions, but it has been responsible for a large share of the growth in numbers that has been achieved in the past year or so.

There are still only 35,000 credit union members in Great Britain. They cannot afford the luxury of two national associations. The

differences between the two groups may seem important to the protagonists, but there is no reason why a policy could not be worked out within a 'broad church'. To outsiders the split has all the appearance of a sectarian squabble.

Another institution involved with credit unions is the Registry of Friendly Societies. It has fulfilled its statutory duties, and reports that no member has ever lost money through the failure of a union. But there have been various indications in the course of our research project that this very minor aspect of the Registry's work has been channeled into a bureaucratic backwater. That would not matter if (as in Ireland) some other organisation effectively held the reins, but lack of interest within the Registry may have contributed to the weakness of the movement in Britain.

Another group of potential supporters is local authorities. Several have hired credit union development workers, or have supported workers employed by one of the umbrella organisations. Many have been appointed quite recently, and more posts have been announced. It has not yet been possible to assess their work. They will provide a welcome addition to credit unions' resources within the cities and counties where they have been appointed. On the other hand, our research identified a number of initiatives of this sort which had not been thought through in advance, and which were not successful. In other cases, the ambitions of the local authority did not accord with the experience of the umbrella organisations. Care is needed to harness the resources provided by local authorities to promote the best strategy for unions and their members.

While the existing credit unions provide a valuable service to a growing number of people, there is some doubt whether they can ever 'take off' to reach a substantial proportion of the population in Great Britain, in the absence of a widespread natural common bond equivalent to the Catholic church in Ireland, and in competition with existing and widely available sources of credit. If there is to be any chance at all, it may be suggested, there should be a single agency responsible for the encouragement, support and regulation of all unions. This might take one of two forms.

One of the options lies within the direct control of the existing credit unions. It would be achieved if the existing umbrella groups joined to form a single union of credit unions. This would have no chance of success if members, officers or staff of either existing

organisation entered the merger anxious to achieve as much as possible for their own side. It could work if both sides recognised that they had failed in the past and contributed to an entirely new body. The organisation would combine the services provided to credit unions by the two existing groups, and develop a coherent but wide-ranging development strategy. It would put this into effect in collaboration with the Registry of Friendly Societies, local authorities or any other available ally.

This option would retain the self-determination which many credit union members value. But it would remain a small and relatively weak body, dependent on individual negotiations with others for support. An alternative form of organisation would be based on a formal alliance between the unions themselves, on the one hand, and representatives of other interest groups, on the other. These could include public agencies such as the Registrar of Friendly Societies, the Office of Fair Trading and the National Consumer Council; local authority interests; the churches; other voluntary organisations; and charities wishing to support the movement. Such an agency would probably have some official status as a quango. The Registry of Friendly Societies might outpost its registration staff to work with the new organisation, in order to maximise the liaison between development and policing activities. It would probably attract a small endowment of public money, at least to cover its secretariat and enforcement costs. It would provide insurance and banking facilities to the member unions, and this would raise revenue with which to pay for other services. It would look for grant aid from central or local government, or from charities, to pay for development work.

It is assumed that any new Credit Union Development Agency would cover Great Britain. There is no need for any change in Northern Ireland, and it would be pointless to break up the successful Irish League. It is to be hoped that Protestant credit unions in Northern Ireland would join the League. But they might be allowed to join and register with the British agency if their members refused any association with Dublin.

The proposal for a single agency puts all the credit union eggs in one basket. If the system of political patronage led to the appointment of a weak Chair; if the credit unions and the other members could not reach an agreed policy; if the unions indulged in factional strife among themselves; or if the other interests were less than wholehearted in

their support – if any of these things happened, the agency could fail, and with it the hopes of the credit union movement. Such an agency may nevertheless represent the best chance for credit unions in the 1990s.

References

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