

# Credit Union News

“Our  
Government  
supports  
credit unions.”

Interview with Sajid Javid MP,  
Economic Secretary to the Treasury

See page 6



ABCUL to deliver  
£38 million expansion  
project  
Page 4



ABCUL Conference 2013  
Page 8



Unlocking credit unions  
Page 13



# Credit Union Expansion

**THE NEWS that ABCUL has been contracted by the Department for Work and Pensions (DWP) to deliver the Credit Union Expansion Project (CUEP) means the start of an exciting period for British credit unions, their members and consumers.**

This once-in-a-lifetime opportunity will help to place the credit union movement in Britain on a similar footing to leading credit union movements around the world.

The collaborative approach that lies behind the success of credit unions in other countries can become a possibility here. DWP has allocated up to £38 million to deliver the project and that investment will enable us to build on our existing achievements, such as the Credit Union Current Account and the Credit Union Prepaid Card. Working together with credit unions we will create a competitive and attractive range of financial services that consumers can make use of with all the convenience you would expect of a modern banking service.

members in a sustainable way. This project will harness the skills and knowledge already within the sector and assist more credit unions to provide a range of attractive products in the ways that consumers want to access them. This is how we can emulate the success of credit union sectors around the world and provide a real co-operative alternative to the commercial banking sector; one that is valued and trusted by consumers.

## Consumer confidence

Trust is a major factor in the provision of services to consumers; not least in the financial services world, where bad behaviour, bail outs and bonuses have rocked consumer confidence and led to a major overhaul of the regulatory regime.

Doug Taylor from *Which?* spoke at our recent

**“The collaborative approach that lies behind the success of credit unions in other countries can become a possibility here.”**

As well as increasing credit union membership and saving low income consumers £1 billion in interest payments by 2019, a key aim of CUEP is to expand in a way which brings sustainability to participating credit unions and non-reliance on Government funding by the end of the two year project.

This is an ambitious aim, but we know it isn't impossible. While there are some credit unions which still receive a public subsidy, plenty do provide a range of products to a variety of



Mark Lyonette,  
Chief Executive, ABCUL.

Credit Union News is published by Association of British Credit Unions Ltd, Holyoake House, Hanover Street, Manchester M60 0AS.  
E-mail: [cunews@abcul.org](mailto:cunews@abcul.org)  
Tel: 0161 832 3694  
Fax: 0161 832 3706

ABCUL has made every effort to ensure that the information in this magazine is correct, but we cannot accept any responsibility for any omissions or errors.  
The views expressed do not necessarily reflect the views of ABCUL.

Editorial co-ordination by Ethos public relations.  
[www.ethos-pr.com](http://www.ethos-pr.com)

Design & print by ICM Creative Communications Ltd.  
[www.icmcreative.co.uk](http://www.icmcreative.co.uk)

Printed on 80% recycled paper containing 60% post-consumer waste



# Project

“ *Credit unions in other parts of the world have been credited with keeping the banks honest, but not just because of their ethics and ownership structure.* ”

Annual Conference on the subject of trust in financial services and gave an insight into the thoughts of consumers and what needs to be done to restore trust. Research by *Which?* for their Big Change campaign found that just 6% of consumers thought bankers acted in their best interests and scarcely 10% trusted the banking sector as a whole.

## Scandals

Credit unions haven't been caught up in the scandals that have hit the banks in the past few years and we pride ourselves on our ethical approach. We should be able to take advantage of the lack of trust in the wider financial services sector. But the fact that we only reach 2% of the population tells its own story – simply being mutual will not in itself attract enough people to create a sustainable credit union.

Another insight that Doug shared with us at the conference was that only 3% of people saw the ownership structure of a financial services provider as the most important factor when choosing one. This ranked behind customer service, rates and fees and ease of access, all chosen by around 20% of those surveyed.

Credit unions in other parts of the world have been credited with keeping the banks honest, but not just because of their ethics and ownership

structure. By providing easy to access, great value services that people want, they attract enough of the population to offer real competition to both mainstream banks and high cost lenders; their reputation is founded on providing excellent services at competitive prices to large numbers of people. Through accessing these services people realise the added value that a mutual provider can bring – they don't necessarily join it in the first place because they are taking a moral stand.

Collaboration is how credit unions in the US, Australia, Canada and elsewhere grow their businesses sustainably and successfully. With the investment from the DWP, we can develop the infrastructure the credit union sector needs.

## Final note

Doug Taylor concluded his presentation to us with a final note – “Good intentions, high motives without professionalism or fair value will not create trust or recruit and retain customers.”

So I look forward to working with you over the next two years to create a sector which does provide what consumers want and deserve from a financial services provider – excellent customer service, great value rates and fees and services accessible through modern channels.

## Credit union apprentice stars in new film



**AN APPRENTICE from Wolverhampton City Credit Union has a starring role in a new film from the National Apprenticeship Service.**

The film aims to encourage more young people to take up an apprenticeship in the financial sector and features four young people working in different roles across the sector. The apprentices recount their experiences and talk about how an apprenticeship has benefited them.

22 year old Jazzmyne Dixon completed an intermediate apprenticeship in customer service at Wolverhampton City Credit Union. She joins three other rising stars working for financial companies in other parts of the UK in the film, which also talks about the wide range of varied job roles and opportunities available.

Employers, led by the Financial Skills Partnership, the Sector Skills Council for the financial sector, are being encouraged to promote the film across the sector and to young people. The film will also be used by the National Apprenticeship Service in resource packs for schools and at careers events up and down the country.

Jazzmyne, who is now a customer services officer with Wolverhampton City Credit Union, said: “My apprenticeship has offered me the chance to gain a nationally recognised qualification whilst earning an income. It has given me an insight into the financial sector and the varied job roles available.”

[www.apprenticeships.org.uk](http://www.apprenticeships.org.uk)

[www.apprentice.tv](http://www.apprentice.tv)

[www.wolfsavingsandloans.co.uk](http://www.wolfsavingsandloans.co.uk)

# ABCUL to deliver £38 million Credit Union Expansion Project

**Thirty one credit unions have contracted with ABCUL in the first phase of the project. It is likely that this number will at least double when credit unions committed to joining the project later this year sign up. Over 17 million people are eligible to join the credit unions which have signed up to the first phase of the project. They are:**

1st Alliance Credit Union Ltd – Ayrshire  
 Bridgend Lifesavers Credit Union Ltd – South Wales  
 Bristol Credit Union Ltd  
 Central Liverpool Credit Union Ltd  
 City Of Plymouth Credit Union Ltd  
 Clockwise Credit Union Ltd – Leicestershire  
 Croydon, Merton & Sutton Credit Union Ltd  
 Enterprise Credit Union Ltd - Merseyside  
 Gateway Credit Union Ltd – South Wales  
 Hampshire Credit Union Ltd  
 Hartlepool Credit Union Ltd – County Durham  
 Hull And East Yorkshire Credit Union Ltd  
 Kent Savers Credit Union Ltd  
 Knowsley Mutual Credit Union Ltd - Merseyside  
 LASER Credit Union Ltd – South Yorkshire  
 Leeds City Credit Union Ltd  
 Loans And Savings Abertawe Credit Union Ltd – South Wales  
 London Plus Credit Union Ltd  
 Manchester Credit Union Ltd  
 Moneywise Newcastle Credit Union Ltd  
 North Somerset Credit Union Ltd  
 North Wales Credit Union Ltd  
 Nottingham Credit Union Ltd  
 Pennine Community Credit Union Ltd - Lancashire  
 Pollok Credit Union Ltd – Glasgow  
 Rainbow Saver Anglia Credit Union Ltd – East Anglia  
 Sefton Credit Union Ltd - Merseyside  
 Smart Money Credit Union Ltd – South Wales  
 The Co-operative Credit Union Ltd – employment in the co-operative sector  
 Voyager Alliance Credit Union Ltd – employment in the public transport sector  
 White Rose Credit Union Ltd – West Yorkshire

**ABCUL HAS been contracted by the Department for Work and Pensions (DWP) to deliver an ambitious project to modernise and grow the credit union sector in Britain.**

In June 2012, the Government announced it would take forward the findings of the Credit Union Feasibility Study, which set out how credit unions could sustainably provide services for up to a million more people, giving them access to banking products, debt advice and affordable loans.

DWP has allocated up to £38 million to cover the cost of the project. However, this investment, which is in addition to the £13 million invested in the sector in 2011/12, is made conditional upon the credit union industry meeting a number of agreed milestones for collaboration, modernisation, expansion and sustainability.

Following an invitation from DWP to consortia of credit unions to tender for the delivery of the project, ABCUL was appointed as the successful bidder to deliver the Credit Union Expansion Project (CUEP) in April 2013.

Minister for Welfare Reform Lord Freud said: "We are pleased ABCUL will be carrying out our investment to modernise and make credit unions financially self sufficient so they continue to help those in their communities who need it the most."

Welcoming ABCUL's appointment, Mark Lyonette said: "We are delighted to have been selected to run this ambitious and timely project. I look forward to working with the DWP to ensure that credit unions can expand their collaborative work and create the levels of service which will attract many more people to use their products."

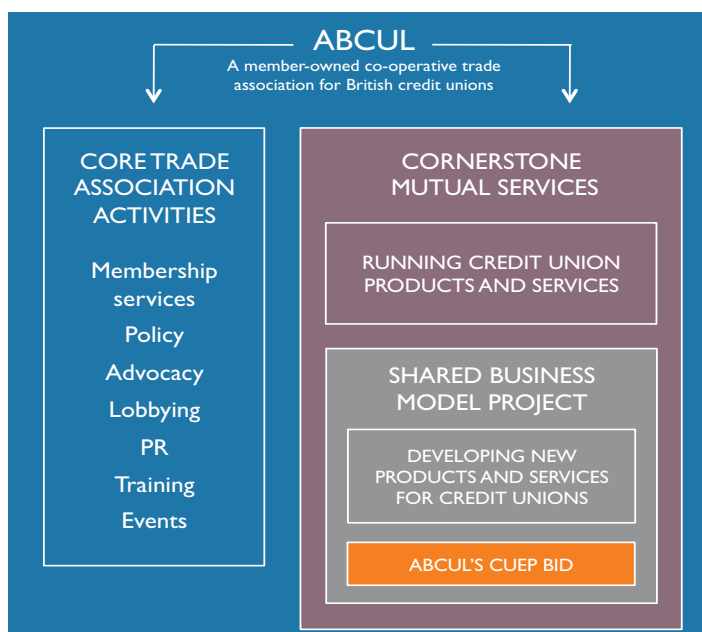
## Landmark project

CUEP is a landmark project for credit unions and a once-in-a-lifetime opportunity for the movement in Britain to build a stronger future through co-operation. Winning the tender to deliver the project, which seeks to place the British sector on a similar footing to leading credit union movements around the world, is a significant achievement for ABCUL and the credit unions in the bid consortium.

The two-year project formally began on 1 May. On this date, the first 31 credit unions joined the project, with further groups set to join on 1 August and 1 November.

Project Credit Unions (ie those credit unions which join the CUEP programme) will commit to monthly growth targets which will measure new members and growth in savings and loans, and, from the autumn, the introduction of new products and services. The credit unions will receive incentive payments if they hit their targets.

Cornerstone Mutual Services, ABCUL's service company for credit unions, will manage the delivery of CUEP. Products and



services developed as part of CUEP will be available to all credit unions that wish to become members of Cornerstone, irrespective of their participation in CUEP.

Significant upcoming developments include automated credit scoring, which is an early DWP requirement in CUEP. ABCUL is also working on a platform to allow prospective members to join credit unions or apply for products online from a central hub.

Project Operations Manager Sam Hardwick says: "CUEP is about more than the development of new products and services, or even growth. It will take credit unions through an ambitious and wide-ranging change programme, establishing the sector as a credible part of mainstream banking in Britain."

### Ambitious growth targets

ABCUL's successful bid is based on an increase in the number of members of Project Credit Unions by 794,000 by March 2015. In addition, targets for cumulative loan and deposit growth have been agreed with DWP at £437 million and £473 million respectively.

ABCUL's justification for setting a significantly more ambitious growth target than DWP's minimum project requirement (of at least 500,000 new members) was to take account of natural growth in the sector. ABCUL's analysis of potential participants indicates that there is already strong growth, and if the last five years' growth rates were maintained, even without intervention they might expect to see nearly 470,000 additional members between 2013 and 2015. ABCUL is therefore proposing interventions that will increase this rate of growth, resulting in 794,000 new members.

Achievement of growth targets will be an important indicator of the project's impact, and DWP's funding arrangements are designed to incentivise growth. However, DWP and ABCUL recognise that the project needs to achieve growth on a sustainable basis. Therefore, the project approach will also track progress to sustainability. Project Credit Unions will be required to define business and financial plans for increasing growth, improving efficiency and profitability and the removal of any public funding after 2015. The project will then track progress on these plans. The success of the project will be assessed through the effectiveness of these interventions, rather than simply the outcomes in terms of sector growth.

ABCUL's approach aims to target what is needed to ensure growth is achieved on a sustainable basis through focusing on four key performance levels: the range and balance of members, income ratios, operating expenses and costs of bad debt.

### Shared Business Model

The CUEP project will support Project Credit Unions to deliver a Shared

Business Model. The Shared Business Model concept challenges credit unions to become more attractive, convenient and efficient through the shared provision of some components of the business model. These components include branding and marketing, products and channels, operations, business support, and IT. The nature of the shared model is to be determined by the Project Credit Unions.

The Shared Business Model incorporates DWP's project requirements and comprises, very broadly, the development of centralised service provision for credit unions, the development of automated account services, as well as supporting credit unions to achieve the degree of cultural change that will be needed to achieve sustainable growth. The scope of the project can be described in terms of three broad "delivery" workstreams:

- **Marketing:** a marketing strategy which will encourage an increase in membership as well as informing the detailed requirements of the new Shared Business Model.
- **Member products and channels:** the development and roll out of member products and channels, which will be a two phased approach. The initial phase will focus on encouraging a wider take up of existing banking and financial service products, as well as providing an automated membership and product on-boarding portal (AMPO). The second, more complex, phase will be the development and roll-out of new products through a centralised delivery platform – the Integrated Automated Delivery System (IADS).
- **Central services:** the development of centralised business support provision, including back office services as opposed to products designed around the needs of credit union members. This workstream will provide assistance for credit unions dealing with cultural change, for example by providing training, by facilitating the co-operation and sharing of best practice to drive up efficiency, as well as by supporting a reduction in infrastructure operating costs through the provision of centralised business services and operations such as collections, accountancy and human resources.

In addition to these delivery workstreams, a fourth workstream will monitor growth and sustainability across the participating Project Credit Unions. This will be achieved by assessing monthly reports on membership numbers, levels of deposits and loans as well as key management accounting information.

### Credit union participation

Only Project Credit Unions will be involved in the development and roll out of products and services and in growth performance monitoring for the duration of the project. However, despite constraints on expanding the number of Project Credit Unions, it is envisaged that non Project Credit Unions will be able to buy in to using services once they are delivered. The potential for expansion of all the products developed and services provided through CUEP will be designed on the basis of potential availability to the entire sector, should there be demand.

Participation in the CUEP will mean much more than monitoring performance against growth and sustainability targets. Project Credit Unions will be involved, through consultation, on definition of each of the component projects, as well as at key project stages. Regular workshops will be organised to facilitate discussion of individual projects, and CUEP progress as a whole, and small groups of individuals from Project Credit Unions will act as project advisory panels, where there is particular interest and expertise.

The CUEP has numerous component projects and whilst it will not be compulsory for any credit union to participate in all of them, the intention is to develop products and services which are useful for as many credit unions as possible. Therefore, Project Credit Unions will have the opportunity to be involved across much CUEP activity. Project Credit Unions will also play an important role in project assurance to help ensure that projects are designed to meet needs and are effectively implemented.

For more information about the project, please email [sam.hardwick@abcul.org](mailto:sam.hardwick@abcul.org).



# Our Government supports credit unions



*“This Government likes the idea of mutual businesses. We want to see a stronger mutual sector, not just in finance but across the board.”*

Sajid Javid MP.

“Everyone involved in the credit union sector should feel that they have in us a Government on their side.” This is the clear message from Sajid Javid, interviewed shortly after the Government announced funding of £38 million to help credit unions transform and attract up to a million more members within five years.

“My earliest memories of the concept behind credit unions was as a child in Bedminster in Bristol,” says Sajid. “I used to help out in a family shop and I later learned that many of the customers saved regularly with a community credit union so that they had cash at Christmas.”

But since taking up his new role as Economic Secretary to the Treasury, he says he has been surprised by the fact that the cap on interest rates that credit unions can charge means many credit unions are losing money.

“I was surprised by the DWP study that showed credit unions can lose money when making loans to members because of the cap on interest. This isn’t a sustainable business model.”

## Responsive

Sajid’s overall message to the credit union sector is one of support. “This Government is responsive to the requests from the sector and that includes raising the cap on the interest that credit unions can charge.”

This is just the latest in a number of changes that he says the Government has committed to, following requests from the sector.

“We have put our money where our mouth is,” he says, and this includes the recently announced £38 million that will be going into the Credit Union Expansion Project to modernise and grow the sector through the delivery of new products to up to a million new credit union members.

Sajid says this commitment to the credit union alternative is clear to see. “We are supportive of credit unions,” he says. “They tick lots of boxes for the Government. This Government likes the idea of mutual businesses. We want to see a stronger mutual sector, not just in finance but across the board.”

**THE GOVERNMENT fully supports credit unions, says Economic Secretary to the Treasury Sajid Javid MP, in an interview for *Credit Union News*. "As a Government, we have put our money where our mouth is."**

# t unions

He says that the Government believes that mutuals are more likely to be customer focused as well as offering much-needed competition in the financial services sector.

Supporting credit unions fits well with the wider priorities of the Coalition Government and can play a role in helping people regain trust in the financial services sector, adds Sajid. "I've learnt that more face-to-face orientated services are better for customers. It helps them make the right financial decisions."

Credit unions pride themselves on getting to know their members and are used to providing just this sort of face-to-face advice. According to Sajid, this results in customers receiving better financial advice and can play its part in rebuilding trust in the financial sector. "Long term, this will definitely help trust," he says.

## Culture of saving

"This Government wants to see a culture of saving," explains Sajid. "Studies show that many people aren't saving enough, either as cash or in pensions."

Sajid says that saving is not only good for individuals but a stronger savings culture is good for society as a whole. People who are used to saving are in a position to make better credit decisions he says and, for financial institutions, savers help lower credit risks and defaults. And in the case of credit unions, the more money people save, the more they have to lend out to other members.

Speaking about the role employers could play in helping the credit union sector grow, Sajid has two specific ideas. Employers could make it easier for their employees to save by developing a local link-up with a credit union and introducing a payroll deduction scheme, so employees can save directly out of their pay packet. And secondly, he believes

that there is an important role for volunteers in credit unions. Employers could allow their employees to help credit unions as part of their community involvement, sharing their time and experience with a credit union.

## Sensible approach

As in any business, innovation can help an organisation develop and grow. For credit unions, new products and services, delivered more efficiently using the latest technology, will enable them to reach out to more people and fulfil the need for affordable finance in many more communities.

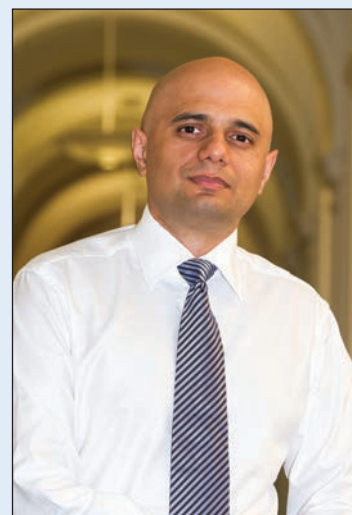
Sajid says credit unions' sensible approach to their members' financial needs should see them offering a wider range of products. "I am very supportive of credit unions exploring

new products. I know some of the larger credit unions already offer mortgages, but also insurance and other services." Sajid says that this is not only good for competition, but it also offers "more choice for customers".

Although the expansion project is about modernising the credit union industry, it is also about helping the sector become self-sustainable and Sajid Javid welcomes the role ABCUL and credit unions themselves can play to help achieve this.

Towards the end of the interview Sajid reiterates that credit unions offer an important alternative to other providers of financial services, but he goes on to say that he thinks "not enough people know about credit unions. They could do with more self-promotion." The Credit Union Expansion Project can provide the impetus for credit unions to transform themselves and really make their voice heard.

With continuing support for credit unions from the Economic Secretary and the rest of Government, this task will be much easier.



## About Sajid Javid MP

**SAJID JAVID is the Member of Parliament for Bromsgrove in the West Midlands and was elected in May 2010.**

Born in Rochdale, Sajid Javid is one of five sons. His father was a bus driver, and he attended state schools before winning a place at Exeter University to study Economics and Politics. He joined the Conservative Party in 1988 and has been an active volunteer ever since.

When he was 25, Sajid became a Vice President of Chase Manhattan Bank based in New York. He was later headhunted by Deutsche Bank in London to help build its business in developing countries. He left Deutsche Bank as a senior Managing Director in the summer of 2009 to give something back through politics.

## Specialist

Sajid is a specialist in helping to raise investment in developing countries and is considered a global leader in this field. He has been engaged in community work his entire adult life, including raising £710,000 in a single event for the Disasters Emergency Committee and leading a charity expedition to the summit of Mount Kilimanjaro for Help the Aged. From 2009 to 2012, he was a Trustee of London Early Years Foundation, London's largest childcare charity.

43 year old Sajid is married with four children.



# ABCUL Conference

**THE CREDIT Union Expansion Project and the move to a new regulatory regime provided plenty to talk about at this year's ABCUL Annual Conference and AGM in March.**

Plenary sessions on the Friday afternoon, hosted by journalist and broadcaster Liz Barclay, looked at how credit unions can differentiate themselves in the market as a trustworthy brand. Doug Taylor from *Which?* told delegates how credit unions need to provide a strong customer proposition with good customer service if they are to gain the trust of the public. Michael Edwards from World Council of Credit Unions focused on the US experience where credit unions strive to provide the best possible service in order to ensure that they are trusted by their members.

The role of Government in supporting credit unions was the theme of the second session. Civil servants Dan Turnbull from HM Treasury, Fiona Malcolm from the Scottish Government and Stephen Chamberlain from the Welsh Government, set out how their respective Governments support credit unions. Further sessions and workshops provided delegates with plenty of opportunities to learn more about the exciting environment credit unions are operating within.



On the Friday evening of the conference, London Mutual Credit Union Chief Executive Lucky Chandrasekera and Peter Evans, Police Credit Union Chief Executive, joined their counterpart from Greater Vancouver Community Credit Union, Phil Moore, to host a reception in support of the Credit Union Foundation and to discuss the learning experience that they enjoyed on their trip to Canada in the autumn of 2012. Phil and Greater Vancouver Community Credit Union are great believers in supporting credit unions in earlier stages of their development and have hosted a number of delegations from around the world over the years. Phil Moore is pictured with Lucky Chandrasekera.



The new regulators took to the stage on Sunday Morning. Roger Marsh (right), manager of the credit union team in the Prudential Regulation Authority (PRA) explained the regulator's new judgement-led approach. Philip Cooper told the audience how the new Financial Conduct Authority (FCA) will oversee the customer-facing elements of credit unions' businesses. The FCA, he said, will be a very different beast than the FSA was and will be much more proactive in identifying and tackling potential consumer detriment.



On Saturday afternoon, delegates met to carry out Association business and debate key rule changes. During the AGM, WOCCU's Chief Counsel and Vice President for Advocacy and Government Affairs, Michael Edwards (below), set out the work he and his colleagues do to represent the interests of the global credit union movement with various international organisations such as the Basel Committee on Banking Standards in Geneva.





# 2013



Delegates took a short trip to the National Railway Museum on Saturday night for a gala dinner among historic locomotives and carriages. The dinner was sponsored by the conference's main sponsors, CUNA Mutual. ABCUL President Sharon Angus-Crawshaw (left) welcomed Senior Vice President and Chief Legal Officer for CUNA, Faye Patzner, who travelled from the US to be with delegates.



Liz Barclay chaired the now-traditional "Question Time" plenary session on Sunday morning. This gave delegates the chance to put their questions to (from left to right), Mark Oakes from the FSCS, Claire Porter from HM Treasury, Paul Walsh from CUNA Mutual, Roger Marsh from the FSA (now PRA) and Mark Lyonette. Subjects discussed ranged from the Credit Union Expansion Project to the relative importance of HM Treasury and the PRA.



## Leanne Phillips scoops Tracy Slane Award 2013



Leanne Phillips receives her award from Faye Patzner.

**THIS YEAR'S Tracy Slane Award was presented to Leanne Phillips of London Mutual Credit Union at the ABCUL Annual Conference.**

During her six years with the credit union, through hard work and dedication to members, Leanne has progressed to her current position as Loans Officer and was integral in the development and introduction of the credit union's payday lending product, CUOK!

Leanne was presented with her award by Faye Patzner, Senior Vice President and Chief Legal Officer, CUNA Mutual Group, at the Gala Dinner at this year's Annual Conference in York.

Leanne said: "I am honoured to have received this award and I would like to thank the Loan Department Manager (Matthew Sweetlove), Senior Manager (Joan Driscoll) and Chief Executive Officer (Lucky Chandrasekera), who I have known throughout my time with the credit union and have all been strong influences on my achievement. I'm really looking forward to attending the DEUK Residential Course as it will help me broaden my knowledge and give more to my credit union."

Due to the very high calibre of this year's nominees, the ABCUL Board decided to recognise them all with a certificate of achievement. James Marshall (Plane Saver) and Sam Wilkes-Holmes (United Savings and Loans) were in attendance on the night and so were also presented with their certificates by Faye Patzner.

The other highly commended nominees for this year's award were: Elise Borthwick (No1. Copperpot), Liam Hoggett (South Tyneside), Luke Harold (The Co-operative) and Sivakalyan Patil (London Capital).

The award is given annually to a young person who has demonstrated personal commitment and the ability to significantly influence their credit union. Tracy was a popular member of the ABCUL staff team until her untimely death in 2004 at the age of 25.

# MPs welcome Credit Union Expansion Project

THE CREDIT Union Expansion Project has been welcomed by MPs and other supporters of the credit union movement at a reception organised by the All-Party Parliamentary Group on Credit Unions, chaired by Damian Hinds MP.



Lord Freud.

Representatives from credit unions and a range of interested parties gathered to hear from the Government Minister responsible for the project, Lord Freud, who set out his vision for the sector and the project.

The Minister emphasised the ambitious targets set by the project, and the hard work that will be required to meet them, while affirming his confidence that the sector is capable of meeting the objectives.

Lord Freud said: "I know it will be a hard task, but if we get this right it will mean the credit union sector doubling its membership to two million, providing affordable loans and saving up to £1 billion in interest payments to members and becoming financially self-sustainable and not reliant on government funds."

The Minister explained that the services currently offered by credit unions and those that could be offered in the future can offer real benefits to individuals, not least those looking to borrow small sums. However, about seven million people could gain from access to improved financial services including low cost loans.

"So we have asked credit unions to step up to the plate. And Government is keen to support that aspiration. We also recognise the benefits that credit unions bring to local people and local economies, and we are happy to fund credit union expansion.

"Our objectives are demanding. We want to gain a further 500,000 credit union members within two years, and a total of one million more members by 2019. And we want to save

consumers up to £1 billion in interest payments."

Lord Freud explained that, to achieve this, credit unions have to change the way they work, introducing more efficient processes and automation to reduce overheads, whilst offering modern, desirable products to consumers.

The Minister concluded by saying that ABCUL and its partners have an opportunity to make a real difference to the future of credit unions in the UK.

"Government wants to help, but the credit union sector

must want to change and see that real change is the only way forward. I look forward to ABCUL working in close partnership with DWP to make our ambitions a reality. I am sure that the sector can meet this challenge and I look forward to hearing regular positive updates from this exciting project."

Mark Lyonette thanked the Minister and the Government for having the vision to pursue the project, while reminding guests of the long journey which the sector has undergone to get to this point.

The reception was sponsored by Barclays Bank, long-time supporters of the development of credit unions. Barclays' Strategic Transformation Director and Non-Executive Director of Cornerstone Mutual Services, Steven Roberts, also spoke, setting out the bank's continued commitment to credit union expansion, most recently exhibited by a number of staff volunteering their expertise to support the project.

***“We also recognise the benefits that credit unions bring to local people and local economies, and we are happy to fund credit union expansion.”***





## Duchess visits London credit union

**HRH THE Duchess of Cornwall visited London Community Credit Union in Bethnal Green to see financial inclusion in action.**

The Duchess met local children who are starting their own school bank with the help and support of London Community Credit Union (LCCU). The children told her what they were doing at their school to run the new school bank and of their hopes for it.

The Duchess also spoke to the staff and trustees of the credit union and members of LCCU community outreach projects. Leaders of the Community Champions programme, which is creating community-wide awareness and involvement with the credit union, told the Duchess how they were helping to expand financial inclusion in the

economically depressed London boroughs of Tower Hamlets and Hackney by training local and workplace "Credit Champions" to carry the credit union message into the community.

Adam Farrell, Community Champion Co-ordinator at LCCU, said: "With more and more families feeling the pinch in tough economic times, and trust in the big banks at an all-time low, it's even more important we work to promote the benefits of the credit union as a community alternative."

The Duchess was introduced to LCCU members who had become more involved in promoting the credit union's

work, having benefitted themselves. Patrick Ferguson, a new member of LCCU, told the Duchess he heard about the credit union when the Community Champions came to talk at his housing association. "As soon as I understood what it was, and that they offered affordable loans, I signed up immediately."

London Community Credit Union, which was established 13 years ago, has over 12,000 members and covers Tower Hamlets, Hackney and the surrounding London boroughs.

[www.londoncu.co.uk](http://www.londoncu.co.uk)

## Scottish Government sees greater role for credit unions

**ABCUL HAS welcomed the Scottish Government's new Banking Strategy which sees an important role for credit unions in Scotland's future financial services sector.**

*Sustainable, Responsible Banking: A Strategy for Scotland* states that: "The Scottish Government believes that Scottish credit unions have the potential to become an even greater force in offering an alternative to the mainstream banks and to helping promote diversity in the Scottish banking market."

The Strategy recognises the importance of a diversified financial services market in which local and mutual providers like credit unions can compete with commercial banks in a financial services sector which delivers for consumers and businesses.

It also recognises that credit unions not only offer a great service to borrowers who might otherwise have no alternative to high cost lenders, but can also offer market-leading value on some larger, longer term loans and a highly competitive return on savings.

John Swinney MSP, Scotland's Cabinet Secretary for Finance, Employment and Sustainable Growth, said: "This strategy looks at what more we can do right now to provide diversity, to develop community banking, to support credit unions and help banks meet the commitments

they have made to improve conduct, support small and medium sized businesses and focus on customer service.

"There are a number of further actions that the Scottish Government can take in support of those efforts. This strategy provides a framework for us to do that and to work closely with the banks and others to restore the traditional principles of Scottish banking based on probity, prudence and stewardship.

"This strategy is focused on improving our economic growth now and ensuring people have access to the financial services they need to support households and communities across the country."

The Scottish Government's vision of a growing credit union movement coincides with the UK Government's decision to contract ABCUL to deliver the £38 million Credit Union Expansion Project, which will help credit unions across Scotland, England and Wales to offer a much wider range of products to many more members from across income groups.

ABCUL Scotland Policy and Relations Manager Frank McKillop said: "We're very pleased that the Scottish Government shares our vision of a thriving credit union movement offering a wide range of services to a broad range of consumers and providing genuine competition in the banking sector."

<http://www.scotland.gov.uk/Publications/2013/05/3325>



# Police Credit Union expands to serve prison officers

**MEMBERS OF POA (formerly the Prison Officers Association) can now access savings and loans from the Police Credit Union thanks to a link-up between the two organisations.**



Pete Chapple, Finance Officer at POA, and Peter Evans, Chief Executive of the Police Credit Union.

At its annual conference in 2011, POA members called for a credit union facility to be made available by POA. The idea of POA establishing its own credit union was discounted because of the costs involved and the level of compliance and regulation required, so POA met with a number of existing credit unions with a view to using their services. Following thorough research and a vote at the 2012 conference, POA settled on the Police Credit Union (PCU).

Pete Chapple, Finance Officer at POA, says: "I believe that the Police Credit Union is best placed to serve the interests of POA members. The new POA facility with the Police Credit Union has been developed specifically with the financial needs of POA members in mind.

"The strong financial foundation and ethical background of a credit union offers our members an excellent route for saving or borrowing. With so many of our police colleagues already benefitting, this seemed like an ideal arrangement for POA members."

## Payroll deduction

POA has set up a payroll deduction service with the Police Credit Union for National Offender Management Service (NOMS) staff, making it easy for most of their members to make deposits and loan repayments. Payroll deduction

agreements for remaining members will follow soon.

POA members can join PCU by agreeing to save at least £10 per month through their payroll, where available. After the first savings have been received, members are eligible to apply for a loan, again with repayments coming directly through payroll.

Pete Chapple adds: "I see payroll deduction as a great benefit for POA members, as the money is taken out before they receive their salary – and what you don't see you don't miss!"

PCU is the fourth largest credit union in England and Wales, with over 21,000 members and in excess of £50 million in assets. It was formed in 2003 from seven separate credit unions based in individual police federations and serving 11 forces. Regulatory challenges and economies of scale encouraged the merger and PCU now provides its services to 25 police forces, including the national British Transport Police and the Metropolitan Police.

Although PCU's common bond was originally limited to serving the police, following the legislation changes last year, this was expanded to cover the wider law enforcement sector.

Once a member joins PCU they can remain a member even when they retire or cease to work in law enforcement.

## Extending services

Peter Evans, Chief Executive of the Police Credit Union, says: "The Board and Management of PCU truly welcomes POA into its fold and looks forward to serving POA members for many years ahead.

"By extending our services to members of the POA, we are able to help even more people within the police and law enforcement family. This also means we can gain income through new loans, helping us to maintain and enhance the dividend for all our members. As always, the key lever to developing membership is word of mouth from satisfied members and we can see that trend developing already with our POA connections."

The Police Credit Union now has over 400 POA members with nearly £200,000 lent out already. The new scheme was initially launched through the POA's own bi-monthly magazine and a full scale promotion into prisons with the support of POA is now underway, enhanced by a wide schedule of actual prison visits.

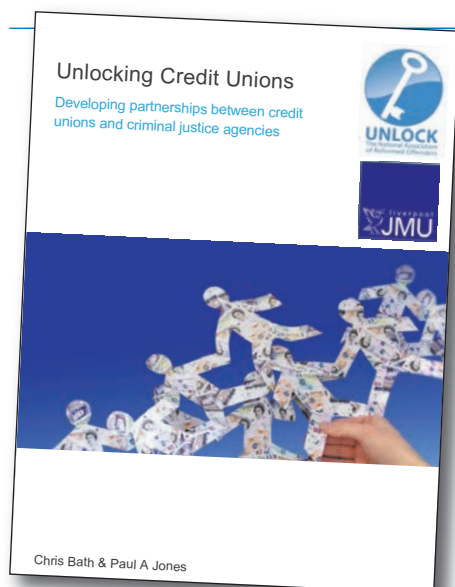
PCU believes that it is important to ensure proper and due representation on the Board and, therefore, POA Finance Officer, Pete Chapple, has been invited to attend PCU Board Meetings, as an observer initially, with a view to becoming a Director in the near future.

[www.poauk.org.uk](http://www.poauk.org.uk)

[www.policecu.co.uk](http://www.policecu.co.uk)

# Unlocking credit unions

**A NEW report highlights the important role credit unions can play in providing financial services to people in or leaving prison.**



*Unlocking Credit Unions – developing partnerships between credit unions and criminal justice agencies, was commissioned by the National Offender Management Service (NOMS) and undertaken by Unlock, the National Association of Reformed Offenders, and the Research Unit for Financial Inclusion (RUFi) at Liverpool John Moores University.*

## Positive future

The purpose of the report was to evaluate the role of credit unions in enabling people who are serving or have completed prison sentences, and their families, to access community financial services in order to build a positive future for themselves. It was launched at a meeting of the All-Party Parliamentary Group on Credit Unions and highlights the work of 13 credit unions working in partnership with 21 local prisons to reduce re-offending.

The research demonstrated that membership of a community financial institution could have positive economic, social and psychological effects that support desistance from crime. It also suggested that credit unions may be critical in delivering flagship reforms within the justice system, including the Work Programme and Universal Credit. However, the report questioned how sustainable such partnerships are in the light of budget cuts and argued that they must be properly resourced.

## Money management

Access to financial services and good money management is central to a person's welfare, both in prison and after release, and exclusion from financial services, combined with poor money skills fosters, rather than

discourages, a return to crime. Access to a credit union savings account while serving a sentence can therefore assist the resettlement process and, once in the community, people who joined a credit union in prison were likely to become regular credit union members with access to a wider range of credit union products and services.

One prison officer quoted in the report explained that access to credit union services "opens up a market with regards to employment and accommodation that would not have normally been available...it is an important aspect of the resettlement process".

Welcoming the report, Minister for Prisons and Rehabilitation, Jeremy Wright MP, said: "Financial inclusion for all is a key aim of the Coalition Government and we believe that this should include people serving prison sentences. The Unlocking Credit Unions report gives some excellent examples of the value credit unions can bring to prisoners and I strongly support the increased involvement of credit unions to support offenders both in custody and serving sentences in the community. I look forward to hearing about progress being made over the coming months."

## Reducing reoffending

Rachael Reynolds, Reintegration Services Manager, National Offender Management Service, added: "NOMS recognises the importance of financial inclusion as part of reducing reoffending. We have already had very positive contact with ABCUL about expanding the role of credit unions in prisons and we look forward to working closely with them to move this forward."

Christopher Stacey, Director of Services at Unlock, said: "Access to basic financial services is a keystone to leaving crime behind and building a positive life; working, paying taxes, spending and saving. The report showed that partnerships between credit unions and justice agencies have the potential to help deliver that, but they must be properly resourced to be effective.

"There remain questions about how the recommendations made in the report will be taken forward, particularly in co-ordinating the development of future partnerships between the credit union sector and justice agencies, but this report provides a firm foundation from which the role of credit unions within the justice system can expand, so that the sector can play its part in helping people move away from crime and lead law-abiding lives as valuable contributors to society."

For more information about the research, or to download a copy of the report, visit

<http://unlock.org.uk/staticpage.aspx?pid=194>



Jeremy Wright MP.

## Case study

**THE EXPERIENCE of Charles, one person featured in the report, demonstrates the benefit of saving with a credit union while in prison.**

Before going to prison, Charles had never had a bank account and managing his money in cash had caused problems due to his drug problem. In prison, the credit union inspired him to save for a motorbike and in two years he saved £800, which he was able to take with him when released.

When he was released Charles said: "It made me feel brilliant; it was a sense of achievement. It was probably the first time I had saved in my life and it made me feel good. I felt proud and normal."



# CUNA MUTUAL

## TRUE COMMITMENT – THEN, NOW, ALWAYS

### THEN

CUNA Mutual Group Limited has been fully committed in its support to UK credit unions since 1976, helping them grow, prosper and protect their members. Over the years, CUNA Mutual has developed products tailored specifically to credit unions and members. With the help of credit unions and our partners, we have developed processes which ensure we provide industry leading service to help credit unions provide the level of help and support to members at a time of greatest need.

### NOW

Through CM Waiver, CUNA Mutual is currently championing a new way for credit unions to protect themselves and their members from short term financial shock brought about by unemployment, accident or sickness. CM Waiver is built into the loan agreement allowing the credit union to waive the member’s obligation to make repayments under their agreement should certain circumstances such as unemployment or disability occur. Through the provision of a Contractual Liability Insurance Policy (CLIP), CUNA Mutual will in turn reimburse the credit union to cover those waived loan repayments\*.

Below are just some of the benefits for the credit union and its members:



C M WAIVER BENEFITS	
FOR THE CREDIT UNION	FOR THE MEMBER
Protects your members at a time of need	Provides reassurance and confidence to borrow
Helps close the protection gap	Terms and Conditions are part of the loan agreement
No selling or authorisation required	Provides protection at a time of need
Helps protect the credit union from payment default	Simple application process

\* Terms and conditions apply

### ALWAYS

Be assured we will always be there with the help and support that credit unions and their members need.



### ABCUL AGM & Conference 2013

We were delighted to attend and sponsor this year’s ABCUL Annual General Meeting from 1 to 3 March, held at the Royal York Hotel in York. The conference was once again a great success with excellent preparation from all involved.

It is evident from this year’s conference that interest across the UK is growing. With representatives from organisations such as *Which?*, the World Council of Credit Unions (WOCCU), HM Treasury, the Scottish and Welsh Governments, the Financial Conduct Authority (FCA) and the Financial Services Compensation Scheme (FSCS) in attendance.

The need to capitalise on this increased interest is essential. We are committed and will help drive and provide the support where required. We will continue to provide and develop affordable and accessible products, support the expectations of those who are financially excluded and play a leading part in generating greater collaboration and co-operation to leverage the unique benefits of credit union membership.

### One of the World's Most Ethical Companies

Our Parent Company, CUNA Mutual Group, has been recognised as one of the 2013 World’s Most Ethical Companies by the Ethisphere Institute. The World’s Most Ethical (WME) Companies designation recognises companies that truly go beyond making statements about doing business “ethically” and translate those words into action.







# British credit unions learn lessons from Canada

**THE CHIEF executives of London Mutual Credit Union and Police Credit Union took part in a sponsored study visit to Vancouver to learn about the Canadian credit union sector.**

Back in March 2012, the Boards of the largest 15 credit unions in membership of ABCUL received a circular asking them to nominate their chief executive for a study visit to British Columbia in Canada. Of those nominated, the two CEOs chosen were Lucky Chandrasekera of London Mutual and Peter Evans of Police CU.

Study visits had been hosted for a number of years by Greater Vancouver Community Credit Union (GVCCU), under the enthusiastic leadership of Chief Executive Phil Moore, a British born émigré from Lincoln. The sponsored visits had ceased in the middle of the last decade, but Phil revived them for 2012. A generous sponsorship was provided to each participating credit union, with other costs the responsibility of the two credit unions.

So, in October 2012, Lucky and Peter flew out to British Columbia to learn how the Canadian credit union sector had developed over its 80 year history, with the aim of better equipping them to contribute to the burgeoning UK sector.

## Programme of visits

The early part of the programme centred on GVCCU, with a thorough explanation of each of its departments. There was also a tour around three of its six branches in the suburbs of Vancouver. The branches were open plan and resembled British building societies, apart from the visible security presence.

Peter Evans says: "We were allowed to sit in, observe and even contribute to the annual Board planning day of GVCCU. The composition of the Board was very much along the lines of a British credit union, although GVCCU are making strong attempts to bring in a younger profile. The planning days were facilitated by Alisdair, who doubled up as a church minister and owner of a PR agency!"

The programme for the trip then widened

out, with attendance at the Solutions Centre Conference in Vancouver city centre. Solutions Centre is a voluntary collective of 36 of the smaller credit unions, all paying the same contribution to the Centre, regardless of their individual size. Formed within the past five years, it was set up to help smaller credit unions to survive and operates a Stabilisation Fund to carry out that aim.

The following day there was a visit to Central 1, also in Vancouver. Central 1 was formed in 2008 by the merger of Credit Union Central of British Columbia and Credit Union Central of Ontario. It is the equivalent of ABCUL in these provinces, providing a range of centralised services to credit unions, including liquidity management, payments processing, internet and trade association services. Central 1 serves over 150 credit unions with a combined membership of 2.9 million.

Next on the schedule was Vancouver Police Credit Union, the only employer based credit union on the agenda. Peter obviously had a greater affinity with this visit, recognising that the fundamentals of a work based credit union are not very different from the UK, except the scale of assets and the range of products. Indeed, whereas Police Credit Union in Britain has 21,500 members for assets of \$75 million CAD, Vancouver PCU has 3,000 members and assets of \$120 million CAD.

As well as seeing a number of other local credit unions, including Mount Lehman Credit Union and Aldergrove Credit Union, Peter and Lucky visited VanCity, a major credit union in Vancouver, which has 480,000 members, 2,500 staff, 58 branches and assets of \$16 billion CAD! And then, on the final day before travelling back, Peter and Lucky attended the equivalent of an ABCUL Chapter meeting near GVCCU.

## A vast amount learned

Both Lucky and Peter learned a vast amount from their stay in British Columbia, from a sector twice as old as the one back home.

Lucky says: "One thing that struck me is that it is normal for all Canadian credit unions to offer transaction banking as a standard product. It is also important that British credit unions think more about mortgage business, so they can balance their loan books better with high and low risk loans."

Peter adds that, based on the Canadian experience, new technology will unquestionably help accelerate the development of the sector in Britain.

Regardless of size, the Canadian credit union movement remains true to its founding ethos, with community support still very much a major part, even for a credit union the size of VanCity. This shows that, being large, offering banking services and wider financial products other than savings and unsecured loans does not need to change the ethos of credit unions. However, the measurement of Canadian credit unions is based on assets and not membership, reflecting the nature of their product provision.

Peter concludes: "Phil Moore was a great host and it was a delight that he was able to join us at this year's ABCUL AGM. Lucky and I were also pleased to be able to return the favour while Phil was in the UK, hosting a visit by him to both London Mutual Credit Union and Police Credit Union."

[www.gvccu.com](http://www.gvccu.com)

[www.central1.com](http://www.central1.com)

[www.vpcu.com](http://www.vpcu.com)

[www.vancity.com](http://www.vancity.com)

[www.mtlehman.com](http://www.mtlehman.com)

[www.aldergrovecu.ca](http://www.aldergrovecu.ca)

# The Co-operative Bank welcomes Government funding for credit unions

By Barbara Hodgson, Regional Manager Charity & Social Banking



Barbara Hodgson, Regional Manager Charity & Social Banking.

**THE GOVERNMENT'S recent announcement to award ABCUL £38 million to help the sector expand sustainably was excellent news.**

As a long term supporter of the movement, The Co-operative Bank was delighted and believes this will support continued growth of the sector and those on low incomes to become less reliant on high cost lenders, who often charge high annual rates of interest.

At a time when all public sector finances are under intense scrutiny and austerity is the order of the day this commitment is a massive endorsement for credit unions. It underlines the faith Government has in the role credit unions can play in tackling financial inclusion.

Credit unions have shown they can provide the financial products and services that meet the needs of people on lower incomes that they might otherwise struggle to get elsewhere.

The sector has already achieved great things in recent years through the closed £100 million Growth Fund which was set up by the previous Government over five years. ABCUL believes this has helped an estimated 240,000 people.

This latest funding will help credit unions modernise computer systems, hire new staff and create more products for customers.

It is hoped that the movement

could serve an extra one million people by 2019, giving them access to banking products, debt advice and affordable loans.

The Co-operative Bank's support for credit unions goes back over many years and includes the provision of products and services through affinity schemes for ABCUL members, joint research into the causes and effects of financial inclusion and providing the back-office systems for the current account scheme.

The two organisations are like-minded and the Bank sees its support for credit unions as part of its own commitment towards helping to tackle financial exclusion.

Historically, the Bank has taken a lead in trying to demonstrate within the industry what can be done around financial inclusion. Its pioneering prisoner accounts scheme where a basic account is opened for prisoners prior to them leaving prison is now available at 30 prisons. It supports rehabilitation and helps avoid problems that they can encounter in attempting to open an account after leaving prison. Research has found that this has helped reduce re-offending rates by around a third.

The Bank has also been pro-active in the area of basic bank accounts, a straightforward account with no

overdraft facilities. It has around 14% of the basic bank account market, considerably more than any other high street bank. The Bank remains

committed to helping tackle financial inclusion and sees backing for the credit union movement as a means to continue to help support the financial needs of lower income consumers. It believes the new finance can enable further success in dealing with this important issue.

## Family of businesses

The Co-operative can also offer credit unions support through the broad range of products and services available through its family of businesses. From banking, insurance and legal services to travel management and electrical items, we really can offer diverse support that few other suppliers could match. These include:

- The Co-operative Insurance can offer a wide range of products for liability, asset and revenue protection.
- The Co-operative Electrical offers value for money electrical products from renowned manufacturers.
- Sunwin Services Group provides a diverse range of security services for most types of business, from security guarding, personnel screening and key-holding to secure cash collection, general CVIT management and ATM engineering support.
- The Co-operative Travel Management provides travel services that include a self-ticketing system and arranging all rail, flight and hotel bookings. Anyone interested in finding out more information about products and services from The Co-operative can contact [barbara.hodgson@cfs.coop](mailto:barbara.hodgson@cfs.coop).



The **co-operative** bank  
good with money