

# Cross-Party Group on Credit Unions

29<sup>th</sup> March 2023, 13:00-14:00

Cost of Living & Community Wealth Building

Present

## MSP Group Members

Tess White MSP (Convener)

Paul Sweeney MSP (Deputy Convener)

John Mason MSP

## Invited guests

Alice Connelly – Wishaw Credit Union

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

Brian O'Hara – Taxi Trade Credit Union

Chinyere Adeniyi-Alade – Grampian Credit Union

David Ross - Glasgow Credit Union

David Wardlaw – NHS Credit Union

Gurmeet Chahal – 1<sup>st</sup> Class Credit Union

Janice McLean – Moshill Credit Union

John McClay - West Lothian Credit Union

Julie Bruce – Discovery Credit Union

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

Rob Hall - 1<sup>st</sup> Class Credit Union

Rose Mavin – Wishaw Credit Union

Sofia Dogan - Kingdom Credit Union

Stacey Mitchinson - 1<sup>st</sup> Class Credit Union

Stephen White – Scottish Government

North East Fife Credit Union

## Non-MSP Group Members

Bill Hudson

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

Debbie Smith-Hands- Association of British Credit Unions

Dermot O'Neill - Scottish League of Credit Unions

Frances McCann – National Credit Union Forum / ScotWest Credit Union

Niamh Evans - Association of British Credit Unions

Robert Kelly - Association of British Credit Unions

## Apologies

None given by MSPs

## Welcome and Introduction

Tess White welcomed attendees to the Cross-Party Group on Credit unions meeting. Tess introduced the agenda, saying that the Group will continue discussions on how Parliamentarians and Scottish Government can support credit unions during the cost of living crisis, and then will discuss the Scottish Government's work on Community Wealth Building discussions, with a presentation from Stephen White of the Scottish Government's Community Wealth Building team.

## Cost of living

Tess White invited Niamh Evans (ABCUL) to speak about the results of a survey of Scottish credit union.

Niamh Evans provided the following summary of discussions held so far and feedback received from credit unions on what support would be helpful from the Scottish Government:

- I want to provide a quick summary of the discussions had so far on potential support from Scottish Government. Credit unions have said they would like to see in the current economic circumstances. The CPG heard from credit unions at the last CPG meeting on the fantastic work they are doing to adapt to the cost of living crisis, to continue to promote financial inclusion and help their members with building financial resilience.
- Stated that in the cost of living crisis, the work of credit unions is needed more than ever. With record levels of people struggling with their financial wellbeing, more people than ever could benefit from access to affordable, safe credit, and a financial services provider that will work to improve their financial wellbeing, through financial education and supporting them to build good money habits. However, there are many potential actions that that Scottish Government could take to support credit unions in expanding their work in the current financial climate.
- Niamh highlighted the key uses of funding and financial resource that credit unions, based on credit unions comments in the last CPG meeting and

feedback received via a survey. She thanked credit unions that had provided feedback.

- The most common point raised by credit unions is the desire for Scottish Government to take further action to promote and build awareness of the sector. Taking steps to improve the profile of credit unions to build reach and awareness, whether through promotional campaigns of the Scottish Government, though funding for the sector to carry out its own marketing
- It was raised funding to guarantee loans would be helpful to support credit unions in their mission of financial inclusion. A similar scheme was run in Wales last year, where the Welsh Government provided a fund to guarantee small loans to new members. The credit unions involved said the scheme was invaluable in allowing them to expand access to affordable credit.
- Funding can also help credit unions with the increased operational costs they face with high inflation
- It also been commented that funding to support credit unions mergers would be beneficial to build economies of scale and develop the sector

Tess White shared with the group that may be looking at writing a briefing note on the role of credit unions and what they can contribute to Scottish Government discussions on the wellbeing economy, and will look to share the Find Your Credit Union website on social media. The aim of posting would be to raise awareness amongst those who don't know what a credit union is, and will see if Scottish Parliament's external relations to share a post on credit unions. Tess thanked Niamh and opened the discussion to the group.

Ann Robertson agreed with what Niamh had covered, and noted that support for credit union mergers is really important and will help the sector in the near future.

Stephen White, commented that he will discuss this further in his presentation on Community Wealth Building, but commented that credit unions are key and at the centre of the finance pillar.

John Mason MSP supported the points raised about Scottish Government promoting the credit union sector, and asked if the group could discuss this further. Noted he is enthusiastic on the idea of credit unions going into more schools and getting young people saving early on and that there has been examples of great success in this, including within his constituency. Asked for further detail on current support for credit unions work and raised the potential for local government to work further in inviting credit unions to collaborate. Tess White responded that this is great idea and that the CPG will look into discussing this as a tangible action.

Dermot O'Neill responded that he would comment on the four ideas proposed, noted that the merger activity for credit unions is expanding, that there has been significant trend of consolidation in the Scottish credit union sector, says want to see credit unions come together naturally with mergers rather than close, and the Scottish

League of Credit Unions would like to see Government support for credit union transfers of engagement.

Commented that the Scottish League would support the promotion and awareness generation for credit unions, that promotion should not just be of affordable credit, but also the promotion of thrift and the habit of saving, credit union payroll services. Less minded to support for operational costs as don't want credit unions to turn into grant dependent entities and that credit unions should have sustainable business models. Final suggestion was guarantee for small sum lending, and noted that this conceptually makes sense but raised the conflict between this and affordable lending. Of course don't want people turning to illegal money lenders, but need to be careful around not lending to those who can't afford it. Summarised that the Scottish League support the two suggestions, but not around operational support and

Tess White asked the group about channelling the energy for the promotion of thrift and habit of saving and going together with credit unions working with schools. Tess asked John Mason if he could envision a pilot for going into schools or if the group could create an informative written piece on credit unions to share with schools.

John Mason responded that a lot of this was already happening with credit unions going into schools, and that it is a question of expanding the work that is happening already.

John McClay commented that West Lothian credit union has already been working in schools, but their issue is getting the funding to work with schools. Noted that they don't need funding for the main operations of the business but for work like going into schools, where no income is made, is where the credit union needs resources. Noted that the Scottish Government did previously provide funding to support the credit union going into schools, but it has been getting harder to fund this work. Noted that there needs to be funding for children to be the savers and borrowers of credit unions in future.

Cathy [Greig] echoed that credit unions have been in schools for a long time, and that since the pandemic there is a reluctance to have credit unions back in again, and there's never been much engagement from secondary schools.

Rob Hall enquired about local credit unions presenting to Scottish Parliament and the civil service about forming a payroll partnership. Tess White noted that the Scottish Parliament does offer credit union services to staff, and that she would look into this query after the meeting.

Bill Hudson shared that there is an issue going into secondary schools in Scotland. Bill noted for comparison that the Welsh Government compensates credit unions for working in schools and that is a part of their financial inclusion strategy. Tess White asked John Mason about whether when the new finance cabinet secretary is announced that whether they would be able to speak to John Mason said the more

we could do to engage with Ministers the better, and that he's sure that many ministers are happy to engage with credit unions and CPGs when they can. Tess agreed that she would write to new cabinet secretary as convener of the CPG.

Ann noted that her credit union were working in schools before the pandemic, but has become much harder since the pandemic. Noted her view is that teaching savings and managing finance should be on the curriculum for schools, but that it is very difficult to get on with that.

Tess White came back to the promotion point, that the conveners have discussed heavily that it would be ideal if they could share on social media a case study/story of a credit union helping their community. Tess asked if it could be organised after the call for some of the attending credit unions to share example stories for the promotion of credit unions.

Dermot O'Neill stated that the credit union trade bodies would happily be able to share stories of the work that credit unions are doing in their communities and schools. Cathy Greig agreed that . Tess White asked if these could be emailed to the secretariat in the weeks following the meeting.

Dermot said that most credit unions would like to do more outreach work, but many are prioritising critical work out of survival first before outreach work that has been discussed. Suggested that riding out the current economic crisis should come first before looking at expanding work in schools.

Tess White thanked attendees for their contributions and invited Paul Sweeney MSP to speak on the Scottish Government's Community Wealth Building Consultation.

## Community Wealth Building

Paul Sweeney MSP welcomed opportunities to allow communities to hold wealth and credit unions and housing associations are vehicles to do this. Paul Sweeney MSP welcomed Steven White – Head of the Scottish Government's Community Wealth Building Unit – to present to attendees.

Stephen White gave thanks for the invitation to speak. Mentioned the recent changes in Scottish Parliament and believes a firm focus in economic development will continue with the new First Minister.

Community wealth building (CWB) defined as a strategic level economic development policy. CWB is about local partnerships working with the public sector and anchor organisations and communities and business to establish key actions at the strategic level. CWB does not micromanage actions but seeks to drive the most benefit from the best and most relevant action.

The framework was developed in the USA and then used in Preston, England. The core of CWB is the desire for a less extractive economy, with more wealth staying in communities. Such as local companies, Scottish based SMEs with more procurement contracts and more jobs in Scotland. A desire for more local companies and co-operatively owned businesses.

Five pillars of Community Wealth Building:

1. **Inclusive Ownership**: broadening of the business space and active ownership
2. **Spending**: the way of investing grants and raises the question of procurement which have seen improvements but more focus needed
3. **Land and Property**: the ownership of assets by communities and the effective influence over their use with an active collaboration and design presence
4. **Finance**: importance of credit unions here with business loans and urges comments on the ongoing consultation. More utilisation of public sector funding for communities is encouraged
5. **Workforce**

Model is not seeking to take on and direct business but to help business to grow and offer this support to Scottish companies. Significant use of resources in the public sector annually and encourages a shift towards monies being focussed more at the community level.

The consultation is broad and encourages correspondents to express freely how they feel. Urges credit unions to create and maintain partnerships with local businesses not necessarily through lending but fostering new co-operative business environment.

Sees the Bill as an opportunity to develop the broad support for community development. Recommends those who seek more information to read the first fifteen pages of the consultation.

Provided an example of the East Ayrshire Council awarding a local farmer the contract to supply local nurseries, primary, and secondary schools with their milk. The farm is a progressive employer which pays living wage. This is an example of how the money that is in the sector can be reconsidered as to how it is allocated to improve community wellbeing.

## Questions:

Paul Sweeney MSP thanked Stephen for presenting, and highlighted the potential with concentrating wealth from households in credit unions who can make investments in local infrastructure and developments to create a return in capital for communities.

Conversation opened up to the floor:

- Dermot O'Neil (SLCU) – SLCU supports the notion of community wealth building and that it is important for Scottish development.
- Highlighted that credit unions naturally do three of the five examples provided in the consultation
- Highlights to MSPs that credit unions are subject to FCA and PRA
- Credit unions in Scotland have utilised the Scottish Community Lenders Fund (2021) and was transformative to services
- Suggested areas of focus – greater recognition of the role credit unions to provide and explore the establishment of community banks. Would be a reserved matter
- Notion of a community bank is a label, not a tight definition. Conversation needed to discuss what a 'community bank' is and should be highlighted in the consultation
- Credit unions need to continue to promote their own services, consider risk and keep monitoring numbers. Essential to have and maintain competent personnel in credit unions.
- Investment in people is important – suggests a 'toolkit' for credit union volunteers across Scotland
- Expand on learning for credit union volunteers and staff by providing accredited learning opportunities
- Encourage Scottish government to expand funding for apprenticeships to be offered within credit unions and encourage young people to join

Paul Sweeney MSP highlighted the recent closure of North Lanarkshire Municipal Bank closures being partly due to legislative and regulatory developments increasing and substantial investment was needed to ensure compliance.

Conversation possible around the scaling constraints of credit union and the role of a national investment to create a 'single clearing house' for the national credit union network to help sustain infrastructure needed.

Stephen White – agrees that these ideas are welcome in the consultation and seeks opinions on regulatory experiences. Credit unions as businesses and good employers in themselves as well as investors and supporters of local business.

Tess White and Paul Sweeney close this section of the meeting due to time.

Tess welcomes Dermot to contact her about the apprenticeship suggestion due to her background in HR.

## Closing Statements

Tess White says thanks to Niamh Evans and Paul Sweeney thanked Niamh for her contributions to the CPG.

Niamh gives thanks for the kind words and wishes the best in the future.

Next CPG meeting aims to be in July with the return of Natalie McQuade (ABCUL).