

Cross-Party Group on Credit Unions

10th February 2022 13:30 – 14:30

Introduction to the CPG on Credit Unions for 2022

Present

MSPs

Tess White MSP (Convener)

Stuart McMillan MSP (Deputy Convener)

John Mason MSP

Invited guests

Alice Connelly – Wishaw Credit Union

Beth Welsh – Tail O' The Bank Credit Union

Carol McHarg – 1st Alliance (Ayrshire) Credit Union

Chinyere Adeniyi-Alade - Grampian Credit Union

John McClay – West Lothian Credit Union

Julie Reddin – Mosshill Credit Union

Maggie Curry - North East Fife Credit Union

Mary Clark – Port Glasgow Credit Union

Nichola Dobson – NHS Credit Union

Patricia Butler – Drumchapel Community Credit Union

Phil Rowsby - First Scottish University Credit Union

Phil Rowsby – First Scottish University Credit Union

Rakiya Suleiman – NHS Credit Union

Robert Foubister – NHS Credit Union

Robert Rae – NHS Credit Union

Ruth Kerr – Drumchapel Community Credit Union

Sofia Dogan – Kingdom Credit Union
Stephen Mooney – NHS Credit Union
Stephen Worgan – Stirling Credit Union
Thomas McVay – SCVO Credit Union

Non-MSP Group Members

Bill Hudson – ACE Credit Union Services
Cathy Greig – UK Credit Unions Ltd
Dawn Vear – UK Credit Unions Ltd
Dermot O’Neil – Scottish League of Credit Unions
Frances McCann – National Credit Union Forum
Natalie McQuade – Association of British Credit Unions Ltd
Niamh Evans - Association of British Credit Unions Ltd
Robert Kelly – Association of British Credit Unions Ltd

Apologies

Paul Sweeney MSP (Deputy Convener)
Miles Briggs MSP
Adrian Sargent – Castle Community Bank
Arthur Mathison – Castle Credit Union
Carol Bendall – First Scottish University Credit Union
David Ross - Glasgow Credit Union
Jane Anderson – NHS Credit Union
Karen Wallace – Right Way Credit Union
Liz Campbell - Castle Milk Credit Union
Margaret Duffy - New Easter House Credit Union
Margaret Hopkirk – NHS Credit Union
Margaret Strachan – Castle Community Bank
Vivienne Allison - Greater Springburn Credit Union

Introduction and Welcome

Tess White opened the meeting and welcomed all guests to the CPG for the Parliamentary term. It was shared that meetings will be held quarterly, and dates will be shared for meetings in May, September and December 2022.

The purpose of the CPG was highlighted as follows: 'To provide a forum to discuss issues which affect credit unions in Scotland, the CPG will also create a foundation for policy development relating to credit unions and help to form a network of good practice between credit unions and Parliamentarians.'

Tess White gave apologies on behalf of deputy convener Paul Sweeney. Tess White and Stuart McMillan gave their apologies that they need to leave the meeting early to attend the Chamber. Stuart McMillan remarked that he is delighted to be working with the CPG.

Overview of Priorities for 2022

Natalie McQuade (ABCUL) gave a high-level overview of priorities that have been raised and agreed for the CPG by the credit union trade associations. The following priorities and points were raised:

Promotion and Growth of the Sector

- Pending legislative reform will permit credit unions to offer a wider range of products and services presents an upcoming growth opportunity.
- HM Treasury have confirmed that credit cards are also already permissible under the current legislation for credit unions.
- A Scottish Government promotional campaign, that highlights credit unions as community lenders, is going live from 21st February till mid-March.

Payroll Services

- Credit unions are well-practiced in providing payroll services, so steps can be taken to ensure that credit unions to the forefront of payroll services and engaged with potential employer partners. There is a concern that some employers are choosing other companies as payroll service providers.
- A good example of a promotional scheme to promote payroll services is the Work and Save Campaign by Scotwest Credit Union, Capital Credit Union and the Financial Inclusion Centre. There is potential to scale up this initiative across the sector or provide a generic campaign on payroll services with support from Scottish Government.

Community Wealth Building

- Banking HUBs are being put in place in communities across the UK, where there has been a withdrawal of bank branches. There may be potential for credit unions to gain access to provide their services via these banking hubs.

- Potential for Scottish Government to fund a shared service to support credit unions with business lending services, so they can offer loans to small local businesses and invest in their communities. Credit unions are legally able to lend to SMEs, but often need specific knowledge and resource to be able to provide business lending products.

Accredited Learning Qualification for the Sector

- A Chartered Banker qualification, the Certificate in Credit Union Principles and Practices, was previously used to train individuals working and volunteering in the sector.
- However, the qualification was previously withdrawn as the course content needed to be refreshed. Resources and support are required in order to update this qualification.

Further Priorities Identified by Credit Unions

- Credit unions had been asked to identify actions that MSPs could take to support credit unions prior to the meeting via a survey. Highlights of credit unions responses to the CPG Conveners survey were shared in the meeting, with the list of actions identified distributed alongside these minutes.

Statistical Update

Niamh Evans (ABCUL) gave an update on the scale and financial trends of the Scottish credit unions sector over the past 5 years using data from the Bank of England statistical releases, up to the latest available data from the 3rd quarter of 2021. Key points to be taken away from the data included:

- Credit unions are numerous in Scotland, but there has been a steady decrease in the number of credit unions due to mergers or credit unions winding down.
- Around 400,000 total credit union members in Scotland, which represents over 7% of the population. However, the total number of members has been stagnant over the past 5 years and seen a slight decrease during the pandemic.
- Growth in total shares held in credit unions has accelerated during the pandemic, as some individuals have increased their savings during the pandemic. Conversely, the total loans value of credit unions has decreased during the pandemic. This is problematic as credit unions main source of income is on loan interest.
- The rise in savings has caused a large growth in credit union assets that has outpaced growth in capital, meaning the capital-to-assets ratio across the sector has decreased over the past two years. Further, the decrease in loans and strong growth in assets has meant the sector's loans-to-assets ratio has fallen in the past two years.

John Mason asked whether there is potential to set a target to reach for the percentage of the Scottish population that is a credit union member, as there are countries with a much higher level of credit union membership. Tess White requested that data is shared to compare Scotland with other countries with higher credit union membership. This data is included in the accompanying document to these minutes.

Open Discussion

The meeting proceeded with open discussion of the priorities and challenges faced by the sector, chaired by Tess White. The following points were raised by attendees:

- It was noted that the priorities for each credit union will vary due to differences in their membership base.
- The role of credit unions in financial education was discussed by several individuals. It was raised that the CPG should explore how credit unions can improve financial skills and resilience across Scotland, and if Scottish Parliament could look at credit unions providing financial education in schools.
- It was remarked that, whilst several credit unions have delivered financial education in schools, this has mainly been in primary education, as it is difficult to get access to secondary schools or further education. It was shared that Welsh Government supports credit unions as part of its financial inclusion strategy, providing credit unions with grants to work in schools. It was noted that financial education is compulsory in Welsh schools.
- It was expressed that the sector may be at a crossroads in terms of the competition and wider challenges it faces. The unprecedented growth of Buy Now Pay Later (BNPL) products presents a competitive challenge to credit union lending, as they provide no-interest credit with a very simple and quick process. It was suggested that the CPG should discuss how credit unions services can be made more accessible, such as through better technology and systems updates.
- It was suggested that Scottish Government could support the sector with funding to revamp credit unions promotions and publicity to appeal to younger generations.
- John Mason and Tess White expressed that they would like to continue the conversation around credit unions providing financial education in schools and to know more about the Welsh Government financial education scheme.
- It was requested that more information on the Scottish government promotional scheme involving credit unions to be shared with the group. Further information on the Money Support Scotland campaign has been provided in an accompanying document to these minutes.
- It was raised that the rise of protected trust deeds seen in recent years has hugely impacted credit unions, as debt that could likely have been repaid is often being written off at the expense of the credit union. Concern was expressed on how protected trusts deeds are being advertised and that insolvency companies are collecting a disproportionate amount in fees.
- Tess White gave apologies and left the meeting to present in the Chamber. Natalie McQuade chaired the remainder of the meeting.
- It was raised that there is already extensive work being carried out to resolve issues with personal insolvency solutions outside the CPG, so it was suggested that the CPG may be best focused on other policy developments. The following work on insolvency solutions was noted: the Accountant in Bankruptcy's extensive work on protected trust deeds; the consultation by the Insolvency Service currently open on insolvency regulation reform; and the consultation recently run by the FCA on debt packagers.

- It was raised that a Scottish support fund for credit union mergers could be looked at, given the rate of consolidation in the sector.

AOCB

- Natalie McQuade highlighted to attendees that the WOCCU World Credit Union Conference to be held in Glasgow this year, on 17th – 20th July 2022 if they wish to attend.
- It was commented by Dermot O’Neil that there has been close collaboration and agreement between all the trade bodies in determining the CPG’s priorities.
- A question was raised on how credit union board of directors are ensuring they have enough representation from ethnic minorities, which instigated a wider conversation about diversity and inclusion in the sector.
 - Robert Kelly highlighted the ABCUL Inclusivity Group (AIG) that has been formed to try to promote diversity, equity, and inclusion within ABCUL and its member credit unions. The AIG are working to look at barriers to participation for different groups.
 - It was raised that is a general challenge to recruit for credit union volunteers and directors, and that it would be useful to know how to encourage underrepresented groups to apply for these roles.
 - It was commented that some credit unions are ensuring diversity and inclusion successfully, so it would be good to discuss the steps taken and share best practice in future.

Natalie McQuade closed the meeting and thanked all attendees.