

Cross-Party Group on Credit Unions

2 April 2025, 17:50 – 19:30

Location: Hybrid – Zoom / Scottish Parliament

Present

MSP Group Members:

- John Mason MSP
- Paul Sweeney MSP – Deputy Convenor
- Stephen Kerr MSP – Convenor

Invited Guests:

- Carol Gillon – 1st Alliance Community Bank
- Robbie Mochrie – Dalmuir CU
- David Ross – Glasgow CU
- Charles Sim – Churches Mutual
- Chinyere Adeniyi-Alade - Grampian CU
- Frances McCann – Scotwest CU
- John McClay – Caledonian CU
- Julie Reddin – Mosshill CU
- Kenny Murphy – Kingdom CU
- Lynne Kearney – South Coatbridge CU
- Liam Murphy – Blackburn Seafield & District CU
- Stephen Mooney – NHS (Scotland and North England) CU
- Sofia Dogan – Kingdom CU
- Adrian Sargent – Castle Community Bank
- Norman Crawford – Dalmuir CU
- Theresa McLaughlin – Baillieston CU
- Allan Gray – SCVO CU
- Vincent Ferguson – North Coatbridge CU
- Peter Gavin – Caledonian CU
- Pil Rowsby – Scottish Universities Community Bank
- Paul Morris – Clackmannanshire Council
- Derek Penman – Scottish Universities Community Bank
- Adrian Davies – NestEgg

Non-MSP Group Members:

- Natalie McQuade – ABCUL

- Josiah Cadman – ABCUL
- Dermot O'Neill – SLCU

Apologies:

No apologies

Meeting Start:

Minutes from the previous meeting

21 January meeting minutes approved

Key topics from the meeting:

- **Speaker:** Adrian Davies

Nest Egg Presentation

Engagement with Lloyds Banking Group

- Discussed proof of concept with Lloyds Banking Group regarding declined loan applications, with extension to Scotland with the Bank of Scotland.

Introduction of NestEgg

- Introduced NestEgg, regulated as a credit information services advisor. They provide a credit decision-making platform for 43 credit unions across the UK. NestEgg are regulated as a credit information services provider.
- They currently have 7 credit unions covering Scotland, soon to be 11, resulting in about 25,000 credit decisions worth £100 million.

Recognition and Achievements

- Mentioned winning the Fintech Scotland Consumer Duty Challenge to monitor and assess the vulnerability of loan applicants. As well as winning the FCA Financial Inclusion TechSprint.

Platform

- Explained that the platform is for those declined by banks, and the need to offer 2 or 3 options to access credit.
- Highlighted health vulnerability as the prime vulnerability.

Optimisation of Applications

- Noted that they do not ask the name of the employer until the end of the application to prevent dropouts – it was found that requesting the name of an employer at the start of an application led to significant dropouts in applications.
- Optional benefits check available, but can lead to dropouts as well.
- There is currently around a 20% conversion rate

- There is £13 billion worth of demand for lending in any one year – 20% conversion gives a figure of £2.6 billion.

Loans and Loan Comparison

- Loans can be displayed and compared without impacting the credit score through soft credit checks.
- Mentioned the mobile-first approach, but also usable on desktop.
- There are currently 23 credit unions on the broker platform
- NestEgg provide a widget for each credit union website
- It was noted that in Scotland, one in four applications to a credit union has a default on their credit file, whereas through NestEgg, it is only 8%.

Regulatory

- NestEgg is in the process of applying to the FCA as a credit referencing agency.

Discussion Highlights:

Common bond Checks

- Stephen Mooney raised the question of how a common bond check for employer/industrial is done. Adrian responded to Stephen, highlighting that when NestEgg asks the individual to name their employer, the employer will be matched to the credit union they have.
- Peter Gavin asked if mainstream banks should bear the costs associated with referrals to credit unions. Adrian responded by highlighting that it was different from bank to bank. The business case is that the credit unions don't have to pay fees; they're paid by Fair4All Finance, and in some cases, the bank will pay.

Data Access and Transparency

- Adrian Davies explained that credit unions can access data free of charge from NestEgg if signed up. Participation in data sharing means free access to data.
- Highlighted making explainable decisions on a wider amount of data, leading to fairer and more transparent decision-making.
- Mentioned the 2.5% fee on the accepted loans' cost.
- Discussed pressure on deregulation by big banks and the importance of consumer duty.

Technology and credit unions growth

- Adrian D. said that it wasn't just about regulation but also the use of technology in doubling the size of the mutuals and cooperatives sector. NestEgg will also be taking into account savings for credit positioning.
- Young people want to use mutuals – but there are significant barriers to drawing young people in if it were digital and easy to use – and so increasing the size of the sector isn't just about regulation, but also technology as well.

Vulnerable customers

- Julie Reddin asked why banks are not changing their products to lend to vulnerable customers. Adrian explained that banks do not see much profit in it and have no intention of lending below £1k.
- NestEgg will also only charge if the loans are accepted.
- Mentioned the importance of ensuring funding regardless of the loan applicant's area.

Mid to Long-term for NestEgg

- Allan Gray asked Adrian Davies where he sees NestEgg in 5 years. It was noted that there may be a need to go to banks and ask them for liquidity. As well as this, it was mentioned that NestEgg will be aiming to make explainable decisions to individuals with a much wider range of data.

Modernising credit unions

- Dermot O'Neill highlighted the difference between a member and a customer and the need to modernize volunteer-led community credit unions in Scotland.
- Discussed fintech as a way for credit unions to connect with members and potential members.
- He mentioned that NestEgg, looking to immediately serve people seeking credit, would inadvertently push back credit unions towards the 'poor man's' credit space. As well as this, the mention of the 2.5% fee underwritten by Fair4All is not currently in place in Scotland. Dermot was enquiring what the arrangement in terms of the fee would be.

Loan and declined loan applicants.

- David Ross proposed the question of what happens to the declined loan customers after referral. NestEgg would tell the applicant why their loan has been declined and what they needed to do in order to be accepted the next time around. Furthermore, there is also flexibility from the credit union to deal with the declined loan applicant.
- David also queried if four credit unions can offer loans to the individual after going through initial checks, and whether NestEgg or the individual chooses the loan. Adrian responded by using the example of Wales and overlapping common bonds – the applicant will be able to choose which credit union provides their loan. However, if NestEgg have enough data points, they will tell the applicant what the percentage of likelihood they will be accepted by each lender.
- Vincent Ferguson asked what the average loan given out was. They were around £2.5k excluding Northern Ireland.
- Adrian highlighted that NestEgg can inform applicants why their loan was declined, and credit unions can send their email to declined applicants.

Member conversion

- Stephen Kerr highlighted the challenge of serving customers' needs and converting them into members with fintech.

Opportunities

- Adrian Sargent suggested an opportunity for credit unions in the decline of high street banks- filling in to provide for communities.

Dialogue nationally

- John Mason asked if there was dialogue between trade associations and non-affiliated credit unions. Natalie highlighted that ABCUL has open dialogue with non-affiliated larger credit unions in Scotland – there is also the National Liaison Group that credit unions and trade associations feed into.

Help-to-save updates

- Natalie McQuade discussed the potential multi-provider model for Help to Save. HM Treasury and HMRC are keen to hear from credit unions who are interested in offering the Help to Save accounts from April 2027. Natalie also provided an update on the ongoing collaboration between trade associations, a number of credit unions and Lord Hunt regarding CONC and affordability complaints. Natalie also provided an update on Common Bond reform and that HM Treasury were holding two roundtable events with a select number of credit unions varying in size and common bond type in the coming week. The roundtables will focus on 3m potential membership cap, same household requirement, non-qualifying members and the current merger process.

AOCB:

- Dermot O'Neill highlighted the value of cooperation between SLCU and ABCUL.
- Robbie Mochrie mentioned workshops on the purpose of credit unions now and in the future, run by colleagues from the University of Edinburgh and Edinburgh Futures Institute. Robbie also discussed the need for additional sources of capital, especially patient capital, highlighted capital constraints when moving from £5 million to £10 million, and mentioned that there was a political window for credit unions to take advantage of.
- Stephen Kerr mentioned the potential for the National Scottish Investment Bank for patient capital.
- Adrian Sargent discussed the need for patient capital and the cost associated with it. He mentioned there were very few providers of patient capital.

Next Meeting

The upcoming meeting is aimed for mid-June.

Close of Meeting:

Stephen thanked everyone for attending the meeting.