

Cross-Party Group on Credit Unions

Minutes of the meeting held at 5.45pm on Tuesday 15th January in Committee Room 4, The Scottish Parliament

Present

John Wilson MSP (Convener), Anne McTaggart MSP (Deputy Convener), Frank McKillop (Secretary), Jenny Marra MSP, Margaret McDougall MSP, Maureen Watt MSP, Claire Blackburn (Glasgow CU), Trisha Butler (Drumchapel Community CU), Ian Caldwell (Scottish Police CU), Jeanette Campbell (Citizens Advice Scotland), Norman Crawford (Water of Leith CU Study Group), Danny Dickson (The Co-operative Bank), Anne Fannan (Motherwell & District CU), Anne Feeney (Pollok CU), Deirdre Forsyth (Scotwest CU), Angela Hampson (Glasgow CU), Stephen Kelly (Inverness CU), Tom Kelly (Johnstone CU), Amanda Lannigan (Scottish Police CU), Jim Lee (Scottish Co-operative Party), Jane Lees (Scottish Government), Garreth Lodge (Office of Kezia Dugdale MSP), Yvonne MacDermid (Money Advice Scotland), Nancy MacGillivray (West Lothian CU), Kenneth MacLeod (Scotwest CU), Fiona Malcolm (Scottish Government), John McGowan (Accountant in Bankruptcy), Carol McHarg (1st Alliance (Ayrshire) CU), Charles Meehan (Dalmuir CU), Ian Miller (Co-operation & Mutuality Scotland), George Murray (Drumchapel Community CU), Dermot O'Neill (SLCU), Eddie Percy (Glasgow City Council), Joe Reilly (Shettleston & Tollcross CU), Marlene Shiels (Capital CU), Charles Sim (Scotwest CU), Stephen Sweeney (SLCU), Douglas Thomson, Donald Urquhart (Capital CU), June Walker (Glasgow CU), Alison Wright (West Lothian CU), Andy Wright (1st Class CU)

In attendance

Fergus Ewing MSP (Minister for Energy, Enterprise & Tourism)

Apologies

Jackie Baillie MSP, Claudia Beamish MSP, Drew Smith MSP, Emma Balfour (Citizens Advice Scotland), Allison Barnes (Money Advice Service), Kyla Brand (Office of Fair Trading), David Dugan (The Co-operative Group), David Eadie (Falkirk District CU), Bobby Gould (CUNA Mutual), Owen Kelly (Scottish Financial Enterprise), Robert Kelly (NHS CU), Jim Lally (Education Scotland), John Lange (East Kilbride CU), Tom McVay (SCVO CU), Brian O'Hara (Taxi Trade CU), Malcolm Richards (Falkirk District CU), Mark Ringland (RBS), Margaret Smyth (Scotwest CU)

- 1 The Convener welcomed all to the meeting and apologised for the late start due to over-running business in the Chamber. He gave a special welcome to Fergus Ewing MSP, Minister for Energy, Enterprise & Tourism, who had joined us to discuss the new Bankruptcy Bill.
- 2 Attendance and apologies were noted as above.
- 3 Minutes of the meeting held on 21/06/12 were read, moved as correct by Donald Urquhart, seconded by Joe Reilly, and agreed.
- 4 Frank McKillop (ABCUL) summarised credit unions' views on the published proposals for the new Bankruptcy Bill, and Fergus Ewing MSP outlined the Scottish Government's position on the key issues. Points made included:
 - Credit unions were thanked for their high level of engagement with the Government's consultation process;
 - Many credit unions are greatly encouraged by the proposals for the new Bankruptcy Bill and feel it will better balance the rights and needs of debtors with the rights and needs of creditors, including credit unions;
 - Key proposals in the Bill include the requirement to access money advice before pursuing any form of statutory debt relief, the use of a single Common Financial Tool for all Debt Payment Programmes, Protected Trust Deeds (PTDs) and bankruptcies, and a minimum payment period of 48 months for debt relief products;

- A PTD should only be pursued when a debtor truly cannot afford their debts, and not because it can deliver “easy” debt relief – or a profitable case for the Trustee;
- Credit unions support the proposed minimum debt in PTDs as this could help restrict their use to cases where they are clearly the fairest solution for the debtor and creditors alike;
- Credit unions support the proposed minimum dividend in PTDs as this should similarly provide a strong statutory deterrent to abuses of PTDs, with the onus on the Trustee to ensure the promised dividend is delivered rather than creditors suffering from the Trustee’s failure. However, it was noted that Insolvency Practitioners and money advisers argue that this measure would cause more PTDs to fail and more debtors to be sequestrated;
- Credit unions also support the proposed exclusion from discharge of debts incurred within 12 weeks of seeking debt relief as this would protect creditors from cases where a person accesses credit dishonestly with the intention of writing it off. However, many Insolvency Practitioners and money advisers feel this would be impractical and could be abused;
- Whatever the final decision on the more controversial PTD proposals, there will be new PTD Guidance, stricter controls on Trustees’ fees, greater transparency in the process, tighter regulation and a more robust supervisory role for the Accountant in Bankruptcy (AiB);
- The new Bankruptcy Bill will provide the clear framework which will make the debt relief process in Scotland fairer for all parties involved.

The Convener thanked the speakers, and opened discussion of the issues. Points raised included:

- The law should discriminate between ethical lenders (like credit unions) and unethical lenders (like doorstep or payday lenders);
- The biggest problem is not the conduct of debtors, but the conduct of debt management companies and Insolvency Practitioners. The AiB should adopt a more pro-active and adversarial approach to its supervision of the industry;
- While compulsory money advice is broadly welcomed, it needs to be properly monitored and policed. There must be full transparency from the fee-charging money advice sector, and there is potential for a serious conflict of interest if the money advisor is connected to or even the same person as the Insolvency Practitioner who will manage that person’s PTD or bankruptcy;
- The Bankruptcy Bill needs to take into consideration the potential impact on personal insolvencies of other contemporary developments like Welfare Reform and the rise of payday lenders. Addressing these challenges is key to the development of an effective “Financial Health Service”.

Before he had to leave for another engagement, the Minister reiterated that there would be a more robust approach to supervision from the AiB, that many people’s poor money management skills and financial capability had to be addressed, and that he wished the Scottish Government had the powers to regulate payday lenders.

The Convener thanked all for their contributions to a lively discussion and the Minister for his attendance. It was agreed that the CPG would follow the progress of the Bankruptcy Bill and continue to correspond with the Minister on the issues of interest to credit unions.

- 5 There was no AOCB.
- 6 The next meeting of the CPG will be held on 19/03/13 on the subject “How do we respond to high cost lenders?”.
- 7 The Convener thanked all for their attendance and closed the meeting.