

# Cross-Party Group on Credit Unions

## Minutes of the meeting held at 5.45 on Wednesday 5<sup>th</sup> March 2014 in Committee Room 4, The Scottish Parliament

### Present

John Wilson MSP (Convener), Frank McKillop (Secretary), Chic Brodie MSP, Hugh Henry MSP, Margaret McDougall MSP, Maureen Watt MSP, Robert Auld (Glasgow CU), Chris Boyland (Accountant in Bankruptcy), Melissa Colquhoun (GEMAP), Mary Connelly (Perth & Kinross CU Study Group), Norman Crawford (Water of Leith CU Study Group), Steven Cunningham (Alexander Sloan), Gerry Docherty (East Kilbride CU), Chloe Elliott (GEMAP), Michael Hope (Cumbernauld Central CU), David Hunter (Church of Scotland), Jane Lees (Scottish Government), Flora Mackin (The Transport CU), John Mackin (The Transport CU), Rose Mavin (Wishaw CU), Harry McCrossan (Wishaw CU), Cara McGuigan (Capital CU), Tom McVay (SCVO CU), Charles Meehan (Dalmuir CU), Dr Robbie Mochrie (First Scottish University CU), Eddie Percy (Glasgow City Council), Charles Sim (Scotwest CU), Julie Ann Smith (West Lothian CU), Mary Smith (Wishaw CU), Jim Suddon (Capital CU), Anne Walker (Perth & Kinross CU Study Group), Euan Walker (Perth & Kinross CU Study Group), Ian Wilson (Glasgow CU), Alison Wright (West Lothian CU)

### In attendance

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

### Apologies

Anne McTaggart MSP (Deputy Convener), Jackie Baillie MSP, Claudia Beamish MSP, Kezia Dugdale MSP, Mary Fee MSP, Neil Findlay MSP, Patrick Harvie MSP, Jim Hume MSP, James Kelly MSP, Jenny Marra MSP, Mark McDonald MSP, Margaret McDougall MSP, Mary Scanlon MSP, Drew Smith MSP, Allison Barnes (Money Advice Service), Sharon Bell (StepChange Scotland), Trisha Butler (Drumchapel Community CU), Alice Connelly (Wishaw CU), Chris Donald (PRA), Gordon Ferguson (FCA), James Graham (SAOS), Angela Hampson (ABCUL), Christine Harris (Drumchapel Community CU), Stephen Jones (Scottish Government), Robert Kelly (NHS CU), Jim Lally (Education Scotland), Mark Lyonette (ABCUL), George Macdonald (Tay Valley CU), Murdo Macdonald (Church of Scotland), Nancy MacGillivray (West Lothian CU), Roger Marsh (PRA), Carol McHarg (1<sup>st</sup> Alliance (Ayrshire) CU), Prof Charles Munn (Church of Scotland), Dermot O'Neill (SLCU), James Proctor (Co-operatives UK), Ann Robertson (1<sup>st</sup> Alliance (Ayrshire) CU), Omar Shaikh (Islamic Finance Council), Martin Stewart (PRA), Nicola Thom (Irvine Housing Association), Donald Urquhart (Capital CU), Graham Vance (SBRC), Lindsay Watt (DWP)

- 1 The Convener welcomed all to the meeting. He noted with sadness the passing of Iain MacGillivray from West Lothian CU who had been a regular participant in CPG meetings for a number of years.
- 2 Attendance and apologies were noted as above.
- 3 Minutes of the meeting held on 15/01/14 were read, moved as correct by Charles Sim, seconded by Norman Crawford, and agreed.

There were no matters arising.

- 4 The Convener introduced Fergus Ewing MSP, Minister for Energy, Enterprise and Tourism, to speak on the topic: *"How can the Scottish Government support credit unions?"*, followed by an extensive discussion. Points made included:
  - Credit unions have a role to play in offering an ethical alternative to high cost lenders;
  - The average payday loan debt is now higher than the average monthly wage;
  - A cap on interest rates and restrictions on rollovers are overdue but welcome, and all interested parties should work with the Financial Conduct Authority (FCA) to help it deliver reforms of the payday lending industry;

- The Scottish Government's "12 Days of Debtmas" campaign had encouraged significant numbers of enquiries and new members joining credit unions. It was asked whether any banks have been as successful as the credit union movement in attracting new business in recent years.
- The Bankruptcy and Debt Advice (Scotland) Bill had enjoyed broad support from credit unions, and if passed, would create a "Financial Health Service" for Scotland;
- It is hoped the Bill will end "shopping around" for insolvency products, and the single Common Financial Tool should ensure exactly the same contribution is required whether an individual enters DAS, a Trust Deed or bankruptcy.
- It was noted that there are some concerns about the repayment term for bankruptcy being increased from 36 to 48 months. It was pointed out that only around one third of bankrupt individuals are able to make any contribution at all, the Common Financial Tool will fairly assess whether and how much they can repay, and the additional twelve months could recover a further £1.29m for creditors;
- It was asked if the Scottish Government will continue to review debt management and insolvency products after the Bill is passed and to ensure credit unions are not unfairly vulnerable when lending responsibly in line with their social mission;
- Building financial capability in the entire population is seen as a Scottish Government priority, and getting the message to schoolchildren and young people is seen as key. Replicating Glasgow City Council's Future Savers project and building on existing work with Young Scot was suggested;
- A generic leaflet and credit union resources for all schools in Scotland was suggested, and it was asked whether a TV advertising campaign could be considered. It was however noted that variations in credit union coverage, resources and services across the country could prove an obstacle to a single national message;
- It was noted that short term payday lending is fundamentally unaffordable for most borrowers and unsustainable for the lender unless very high interest rates are charged. It was argued that credit unions should not seek to copy payday lenders;
- It was however noted that many credit union members are also using payday lenders, and it was argued that credit unions need to upgrade their technology to offer the kind of service modern consumers expect;
- It was noted that there are examples of credit unions offering instant loan products which are sustainable when the extra business generated from new members is factored in, and there may be external support available for credit unions wishing to pursue this;
- It was argued that many credit unions can be too risk averse and have outdated lending policies which do not fit members' requirements and deny the credit union potential income;
- It was noted that issues like over-indebtedness and struggling to pay bills were symptomatic of wider cost of living challenges and that restricting high cost lenders will not solve the core problem;
- More needs to be done to ensure money advisers, housing officers, etc understand how credit unions might be able to help their clients;
- The Scottish Government is determined to tackle the adverse impact of high cost lending and sees the growth of credit unions as a key part of building the nation's financial capability.

The Convener thanked the Minister for his time, his contribution to the discussion and his continuing support for the credit union movement.

#### 5 AOCB:

It was noted that the Archbishop of Canterbury has convened a Credit Union Task Group, and that ABCUL and Kenny MacLeod from Scotwest CU have been invited to join it.

The Convener asked attendees to consider how credit unions might develop and market an alternative to payday lending free from the toxic elements of that product. This could be discussed at a future meeting.

#### 6 The next meeting was provisionally scheduled for Wednesday 4<sup>th</sup> June 2014 at 5.45pm. This meeting will include the Group's Annual General Meeting.

#### 7 The Convener thanked all for their attendance and closed the meeting.