

Cross-Party Group on Credit Unions

Minutes of the meeting held at 6pm on Wednesday 4th June 2014 in
Committee Room 4, The Scottish Parliament

Present

John Wilson MSP (Convener), Frank McKillop (Secretary), Maureen Watt MSP, Liz Armstrong (Value CU), Trisha Butler (Drumchapel Community CU), Joy Campbell (City of Edinburgh Council), Andrew Crawford (Ayrshire CU), Norman Crawford (Water of Leith CU Study Group), Ray Donnelly (First Scottish University CU), Jim Duffy (Ayrshire CU), Kenny Ferguson (Education Scotland), Hannah Frodsham (CMA), Robert Kelly (NHS CU), Ruth Kerr (Drumchapel Community CU), Jane Lees (Scottish Government), Flora Mackin (The Transport CU), John Mackin (The Transport CU), Rose Mavin (Wishaw CU), Margaret McCool (Wishaw CU), Cara McGuigan (Capital CU), Eileen McHale (City of Edinburgh Council), Carol McHarg (1st Alliance (Ayrshire) CU), Tom McVay (SCVO CU), Charles Meehan (Dalmuir CU), Eddie Percy (Glasgow City Council), Helen Reilly (Cumbernauld Central CU), Joe Reilly (Shettleston & Tollcross CU), Brenda Rothead (Education Scotland), Charles Sim (Scotwest CU), Alison Slingsby (FCA), Julie-Ann Smith (West Lothian CU), Jim Suddon (Capital CU), Billy Thomson (West Lothian CU), Donald Thomson (Solway CU)

Apologies

Anne McTaggart MSP (Deputy Convener), Jackie Baillie MSP, Claudia Beamish MSP, Kezia Dugdale MSP, Mary Fee MSP, Neil Findlay MSP, Patrick Harvie MSP, Hugh Henry 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), Alice Connelly (Wishaw CU), Steven Cunningham (Alexander Sloan), Gerry Docherty (East Kilbride CU), Chris Donald (PRA), Bobby Gould (CUNA Mutual), Angela Hampson (ABCUL), Jim Lally (Education Scotland), George Macdonald (Tay Valley CU), Murdo Macdonald (Church of Scotland), Nancy MacGillivray (ACE), Roger Marsh (PRA), Robbie Mochrie (First Scottish University CU), Dermot O'Neill (SLCU), Claire Orr (Accountant in Bankruptcy), Donald Urquhart (Capital CU), Alison Wright (West Lothian CU)

- 1 The Convener welcomed all to the meeting.
- 2 Attendance and apologies were noted as above.
- 3 Minutes of the meeting held on 05/03/14 were read, moved as correct by John Mackin, seconded by Charles Sim, and agreed.

Matters arising:

- The Bankruptcy and Debt Advice (Scotland) Bill was passed by Parliament in March;
 - A Credit Union Working Group chaired by the Minister for Energy, Enterprise and Tourism is being convened. It should be possible for the CPG to feed issues into that Group.
- 4 Presentations on the theme: "*Should credit unions offer payday loans?*" were given by John Mackin (Chief Executive, The Transport CU) and Carol McHarg (Manager, 1st Alliance (Ayrshire) CU), followed by extensive discussion. Points made included:
 - While the Financial Conduct Authority's clampdown has pushed some payday lenders out of the market, it remains a substantial industry;
 - Payday lenders enjoy high visibility thanks to marketing budgets far in excess of what credit unions could ever deploy;
 - Young people in low-paid employment are particularly attracted to payday loans;
 - Credit unions are not in competition with banks, but should offer a complementary service;
 - Credit unions have a social mission – "People helping people";
 - Credit unions must take care of their members' money, but must not be afraid of reasonable risk;

- Although some opposed any raising of the credit union interest rate cap, it is widely recognised that this is required to allow demand for lower value, shorter term loans to be sustainably met;
- Credit unions want to charge their members the lowest possible interest rates, but in some cases, credit unions cannot viably make certain loans for any less than 3% per month.
- Credit unions must be cautious that they do not lose money making too many shorter term loans;
- Credit unions offer an alternative to payday loans through a variety of options, and not just through a similar product;
- Budgeting accounts can help people manage their money over the course of the week/month;
- Many borrowers turn to high cost lenders because they are desperate and in existing difficulty;
- Some people use payday loans even though they are already credit union members;
- When people need an urgent loan, they should think credit union first;
- Credit unions have always offered emergency instant loans on a case-by-case basis;
- Credit checking is important, but still does not provide a comprehensive picture;
- It is challenging to make a responsible lending decision through an instant automated process;
- Credit unions have a key role to play in financial education and building financial capability;
- Credit unions need to be flexible in their product offering;
- Where there is a partnership with employers and a payroll deduction scheme, credit unions can more confidently offer instant loans;
- A Loan Guarantee Fund could help credit unions make more instant loans with confidence;
- Credit unions must control costs and maximise their scale to make smaller sum lending cost effective;
- Much of the recent support for credit unions from politicians, churches, journalists, etc is because they are seen as a possible ethical alternative to the identified problem of high cost lending. If credit unions do not want to get involved in this area, they should expect those supporters to look elsewhere for other solutions;
- Loan brokers taking substantial sums from people for whom they might not even find a loan are an increasing problem;
- Bank charges, home credit and rent-to-buy retailers can cause as much hardship as payday loans;
- The public are more likely to be attracted to a competitive credit union *product* than to a credit union *per se*, but can then learn more about the overall credit union offering once they join;
- Some credit unions do not have the desire or resources to extend their services, and may struggle to cope with an influx of new enquiries;
- Credit unions need to be ready to help people transitioning to Universal Credit;
- Raising awareness and understanding of credit unions should be a priority.

The Convener thanked the speakers for their presentations and all who contributed to a lively discussion.

- 5 There was no AOCB.
- 6 The Group's next scheduled event is the annual celebration of International Credit Union Day. Once again, Parliament is in recess on International Credit Union Day itself, but the event is provisionally scheduled for the evening of Tuesday 7th October 2014.
- 7 The Convener thanked all for their attendance and closed the meeting.