

# Cross-Party Group on Credit Unions

Minutes of the meeting held at 5.45pm on Wednesday 4<sup>th</sup> March 2015 in  
Committee Room 4, The Scottish Parliament

## Present

John Wilson MSP (Convener), Anne McTaggart MSP (Deputy Convener), Frank McKillop (Secretary), Johann Lamont MSP, Fraser Amos (Capital CU), Chris Bell (Capital CU), Trisha Butler (Drumchapel Community CU), Norman Crawford (Let's Build Credit Unions), Catherine Davenport (Capital CU), Louise Galbraith (Cornerstone Mutual Services), Angela Hampson (ABCUL Director), Christine Harris (Drumchapel Community CU), Jeremy Hewer (SFHA), Robert Kelly (NHS CU), Mark Lyonette (ABCUL), Flora Mackin (The Transport CU), John Mackin (The Transport CU), Nancy MacGillivray (ACE), John McClay (West Lothian CU), Carol McHarg (1<sup>st</sup> Alliance (Ayrshire) CU), Charles Meehan (Dalmuir CU), Robbie Mochrie (First Scottish University CU), Charles Sim (Scotwest CU), Laura Sneddon (Accountant in Bankruptcy), Gordon Stewart (Stirling CU), Jim Suddon (Capital CU), Billy Thomson (West Lothian CU), Douglas Thomson (DAT Associates)

## Apologies

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, Mary Scanlon MSP, Drew Smith MSP, Steven Cunningham (Alexander Sloan), Kevin Dann (Grampian CU), Chris Donald (PRA), Bobby Gould (CUNA Mutual), Owen Kelly (Scottish Financial Enterprise), John Lange (East Kilbride CU), Jane Lees (Scottish Government), Dermot O'Neill (SLCU), Eddie Percy (Glasgow City Council)

- 1 The Convener welcomed all to the meeting.
- 2 Attendance and apologies were noted as above.
- 3 Minutes of the meeting held on 17/12/14 were read, moved as correct by Charles Sim, seconded by Anne McTaggart MSP, and agreed. The Credit Union Expansion Project was the main topic of this evening's meeting, and there were no further matters arising.
- 4 Louise Galbraith (Managing Director, Cornerstone Mutual Services) presented on the theme: *Collaboration and transformation for credit unions*, followed by extensive discussion. Points made included:
  - ABCUL had been awarded the contract to deliver the Credit Union Expansion Project (CUEP) after a competitive tendering process by the Department for Work and Pensions, and Cornerstone Mutual Services is the subsidiary which is managing the Project;
  - There has been an extensive process of design and supplier selection to ensure the best available platform and operating models for credit unions are selected;
  - Some credit unions have a cost to income ratio which is too high to be sustainable, and the Project is keen to address this;
  - It was noted that credit unions must appeal to and engage with younger people, whose expectations are for instant online access and control of their accounts;
  - There was a view that compliance requirements on credit unions are increasing, and that credit unions may need to recruit more specialist expertise to their boards and staff to maintain high standards of governance and satisfy the regulators;
  - It was argued that credit unions need to focus on developing products, services and access channels which appeal to more consumers before considering a national marketing campaign;
  - It was noted that national marketing campaigns are very difficult when there is a range of disparate credit union products and operating models, and that national marketing campaigns in other countries have not necessarily represented value for money or driven growth.
  - There was a view that credit unions should be able to market themselves on the quality of service they offer, and that modernising their operations is part of making credit unions more attractive;

- It was noted that the new operating model proposed by Cornerstone Mutual Services is much more than an IT project, and that a core banking platform alone will not address all the challenges credit unions face;
- It was noted that an agency banking relationship is crucial to ensure the optimal service to members, and Cornerstone Mutual Services has achieved this;
- Central services which credit unions can access include credit control, treasury management, a procurement hub, automated lending decision tool, human resources and internal audit;
- It was noted that automating systems means fewer staff interventions are required in each case, representing much lower costs;
- Credit checking loan applicants can be in borrowers' interests if it helps members establish a positive footprint with the credit reference agencies;
- There was a view that bank cards could become obsolete as payment technology moves on rapidly, and Cornerstone Mutual Services were not committing to attaching cards to their products;
- A suite of standardised products – with elements that can be tweaked by individual credit unions – is being developed with the credit unions in CUEP;
- As Cornerstone Mutual Services is a mutual, it was noted that any profit it generates directly benefits the credit unions that join it;
- As credit unions look to broaden their appeal, there was a view that banks may not react well to credit unions attracting business from more “mainstream,” consumers;
- There was a view that the UK banking market is splitting between people banks want to serve, and those they don't. It was argued that banks would be happy to see credit unions grow as they see credit unions serving the consumers the banks will not serve, although it is vital to maintain a mixed membership in order to do so sustainably.

The Convener thanked Louise for her presentation, and all who contributed to a lively discussion.

#### 5 AOCB:

- Dr Robbie Mochrie drew attention to the Scottish Universities Insight Institute *Financing the Future* programme which will be running 3 workshops in Glasgow between April and August. Everyone with an interest in making their credit unions better was encouraged to take part, and Robbie Mochrie agreed to give a report on the programme to a future meeting of the CPG.
- The Convener and Secretary gave an update on the Credit Union Working Group which is chaired by the Business Minister Fergus Ewing MSP. It was noted that the Group is starting to focus on partnerships with employers, promoting savings in schools and ensuring high quality training is available to credit unions. The Convener stated that he was keen to maintain a link between the topics discussed at the CPG and the work of the Working Group.
- The Convener reported that he has enquired about holding an event at the Scottish Parliament around International Credit Union Day in October at which the Working Group might publish its report.
- John Mackin highlighted a potential clash between the Financial Conduct Authority's responsible lending rules and the proud record many credit unions have of giving members a chance in very challenging circumstances, for example, to avoid eviction. It was agreed that the FCA should be invited to attend CPG meetings.

6 The Group's next meeting will be held on 03/06/15 at 5.45pm. The CPG's AGM will be held on that date, and a theme and speakers for the business meeting would be decided based on the topics discussed this evening.

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