

# Cross-Party Group on Credit Unions

Minutes of the meeting held Tuesday 8 October 2019  
Committee Room 2, Scottish Parliament

## Present

Ruth Maguire MSP (Convener)	Scottish Parliament
Johann Lamont MSP	Scottish Parliament
Sandra Neill	Scottish Government
Chris Rafferty	Scottish Government
Karen Hurst	Association of British Credit Unions Ltd
Matt Bland	Association of British Credit Unions Ltd
Chinyere Adeniyi-Alade	Grampian Credit Union
John McClay	West Lothian Credit Union
Marcela Hashim	Prudential Regulation Authority
Alan Gray	First Scottish Universities Credit Union
David Ross	Glasgow Credit Union
Andy Wright	1 <sup>st</sup> Class Credit Union
Nancy MacGillivray	ACE Credit Union Services
Bill Hudson	ACE Credit Union Services
Mark Russell	NHS Credit Union
Flora Mackin	Transport Credit Union
John Mackin	Transport Credit Union
Michael Royce	Money & Pension Service
Gareth Evans	Money & Pension Service
Jonathon Slinger	Blackburn & Seafield Credit Union
Reginald Forbes	Blackburn & Seafield Credit Union
Jim Suddon	Capital Credit Union
Julie Gregory	Capital Credit Union
Marlene Shiels	Capital Credit Union
Graeme Mullins	East Kilbride Credit Union
Julie Reddin	Mosshill Credit Union
Janet Baird	Motherwell & District Credit Union
Rosie McCreedy	Motherwell & District Credit Union
Usman Ahmed	Motherwell & District Credit Union
Elizabeth Degning	NHC Credit Union
Dermot O'Neill	Scottish League of Credit Unions
Gordon Stewart	Stirling Credit Union
Cathy Jamieson	Scotwest Credit Union
Ian McGowan	West Lothian Credit Union
Cathy Greig	UKCU
David Mackay	Hi Scot Credit Union

## Apologies

Angus MacDonald MSP	Scottish Parliament
Claudia Beamish MSP (Deputy Convener)	Scottish Parliament
James Kelly MSP	Scottish Parliament

## Introduction

Ruth Maguire MSP, Convener, welcomed the group to the meeting and noted apologies.

It was noted that the minutes of the last meeting had been circulated and approved shortly after the previous meeting.

## Update on insolvency

Karen Hurst, of ABCUL, provided an update on the issues relating to Protected Trust Deeds, which was the topic of a meeting of the group in 2018 and remains an ongoing concern for the sector.

- The issue continues to be a significant challenge for the sector, as PTD numbers continue to increase.
- The Minister has responded to a letter sent by CU trade associations in May, noting that there was no consensus on a way forward and that it remains under consideration. However, he has since given a commitment to a full review of insolvency, which was an ask of the sector in that letter. There is no timeframe for this at this time.
- ABCUL and other representatives of the sector have raised concerns about the issue with the Minister and will continue to press the Government.
- ABCUL and SLCU gave evidence to the Scottish Parliament Economy Committee last month and were consistent in how this is impacting the sector.
- In terms of the UK Government actions, the Insolvency Service recently conducted a call for evidence on IP regulation and, as well as individual responses, the sector co-ordinated a joint response making clear all CU organisations are united in their concerns.
- Moving forward, ABCUL is committed to making this a priority and working with everyone around the table.

The following questions/points were made:

- Whether there is a timeframe for addressing this (which there isn't, as this remains a matter for the relevant governments and regulators).
- The fact that there needs to be a full independent review (it was noted that this has been an ask in the joint letter, preferably by the FCA).
- The Scottish Government needs to act to urgently address this problem, given that it has the legislative powers to do so.

*Action: It was agreed that a letter would be sent on behalf of the group to the relevant minister to ask for a meeting with representatives of the group. ABCUL will co-ordinate this and report back at next meeting.*

## The Books of Council and Session

This was an agenda item from two credit unions.

The Transport Credit Union noted concerns that The Book of Council and Session (BCS) is not currently accepting entries that have a digital signature. It was noted that there is no in principle objection to allowing digital signatures but that the BCS is being modernized in other priority areas first. This is not in keeping with toward digital and online services within financial services and prevents credit unions from using the Registration for Preservation and Execution enforcement method which credit unions, as lenders exempt from consumer credit regulation, can use to recover unpaid debts.

There was a discussion about the matter, in which the following points were made:

- The increasing digitalization of the sector is not being reflected in the Registrar of Scotland, which requires 'wet' signatures.
- ABCUL and SLCU both highlighted some concerns that there were a number of different issues to consider here, as opposed to the straightforward issue around digital signatures. It was noted that the ability to use the BCS was not an option for all other personal lenders, which would need to be considered.
- The restriction is making the sector uncompetitive, and it's important that CUs retain this option.

There was no clear consensus on how to proceed with the matter.

ABCUL committed to exploring the issue further with its members and enquiring on progress towards digital signing with the Registrar. The Convener noted that any views can be sent to the secretariat, and it can be picked up again at a future meeting.

## **Employer partnerships**

The convener introduced three speakers to give an overview of their work on employer partnerships.

*Michael Royce, Money & Pensions Service (MAPS)*

- Michael set out the recent work of MAPS, and outlined the plans to launch a new financial wellbeing strategy next month, which will have targets specific to Scotland. He noted that pay roll savings schemes will feature highly in the strategy.
- Timpsons were the first company to launch a sidecar savings pilot for staff, and the University of Glasgow is to launch its own scheme for staff next month.
- MAPS have commissioned research into the impact of CU savings schemes, which Gareth Evans will speak about in more detail.

*Gareth Evans, Financial Inclusion Centre.*

Gareth presented on the initial findings from research he has undertaken on the impact of CU pay roll savings schemes, from a report being released that day.

- The research sought to investigate how take up of existing schemes can be improved, and how effective schemes are in helping people build up a savings buffer.
- The research showed that there was almost universal satisfaction among those already using a scheme.
- It also clearly demonstrated that paying into a credit union via pay roll had a positive impact on the regularity of savings and levels of financial wellbeing relative to those not participating.
- There needs to be more exploration of the impact of pay roll schemes on overall wellbeing.
- It was also the case that, in workplaces with existing established schemes, around two thirds of all staff were unaware of it.
- Further pilot initiatives around encouraging engagement with credit union payroll services are being explored as part of the project and conclusions are to be published in February 2020, with the full report being published in the summer of 2020. There will also be some additional tools developed for the CU sector.

*Mark Russell, NHS Credit Union*

- Mark Russell gave an overview of the work of the NHS Credit Union, and began by noting how a recent campaign by a mainstream bank appeared to be imitating the model used by CUs for some years.
- The NHS CU has seen the most success in focusing in the ways in which the schemes can be offered as a benefit, at very little cost to employers.
- It is also vital that CUs focus on the need to break the borrowing cycle, which many employers are unaware of, and also to challenges negative perceptions of the sector.
- In terms of challenges, it is important that the right messages get to the right decision makers, as this is difficult for CUs.
- We also need to look to smaller organisations and not just large employers. Often it is small employers that are not able to afford expensive benefits packages and so are most able to benefit from a partnership.

After the presentations there followed a discussion and some questions to the speakers. The following points were covered:

- Establishing relationships with the private sector remains a challenge. Gareth noted that he feels having strong evidence is essential, and also that policy makers foster an environment where it is considered a standard workplace benefit. It might also be useful to link it to schemes such as the Living Wage.
- There are a number of for profit organisations moving into this space and the CU sector responds to that – we cannot take it for granted that this is ‘our space’.
- In work poverty is a real concern and one that needs to be discussed more, as it is often not seen as a priority for employers.
- Lots of smaller organisations like having a local connection and need to be targeted.
- CUs could benefit from improved marketing, as low awareness remains an issue.
- Although the work by MAPs had focused on savings, we should look to promote CU lending, as the difference in interest rates between a CU and a high cost lender is stark. This needs to be demonstrated to employers in monetary terms.
- Work by ABCUL in competing with for profit providers had shown that the two sectors may be working with different people. The ‘save as you borrow’ message is an important one for the sector to be promoting. Experience had also shown that some large employers how much some people paid to lend, as senior staff were able to access more competitive rates not offered to those with a poor credit history.
- The Scottish Govt’s promotion of the sector was positive, so we should look to build on that.

## **AOB**

There was a question about how the Credit Union Investment Fund (CUIF) will be allocated and the terms to be applied to the loans. The Government representative advised that a series of meetings are planned to help co-produce and develop, in partnership, a national strategy which will be supported by the CUIF to be launched in Spring 2020.

The meeting was brought to a close.

