

Katherine King  
Strategy & Communications Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

15 June 2015

Dear Katherine,

### **CP 15 / 9 – Feedback and consultation on additional guidance**

We appreciate the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 329 credit unions which choose to be a member of a trade association, 69% choose to be a member of ABCUL.

Credit unions are not-for-profit, financial co-operatives owned and controlled by their members. They provide safe savings and affordable loans. Some credit unions offer more sophisticated products such as current accounts, ISAs and mortgages.

At 31 December 2014, credit unions in Great Britain were providing financial services to 1,197,293 people, including 129,080 junior savers. The sector held more than £1.26 billion in assets with more than £718 million out on loan to members and £1.07 billion in deposits.<sup>1</sup>

Credit unions work to provide inclusive financial services has been valued by successive Governments. Credit unions' participation in the Growth Fund from 2006 – 2011 saw over 400,000 affordable loans made with funding from the Financial Inclusion Fund. Loans made under the fund saved recipients between £119 million and £135 million in interest payments that otherwise would have been made to high-cost lenders. The DWP has contracted ABCUL to lead a consortium of credit unions under the Credit Union Expansion Project, which will invest up to £38 million in the sector and aims to make significant steps towards sustainability.

### **Response to the consultation**

We would like to use the opportunity of this to welcome the efforts that the FCA has made, in conjunction with the PRA, to ensure that the Senior Managers Regime (SMR) is proportionate for small deposit-takers, such as credit unions. In particular we are strongly supportive of the

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<sup>1</sup> Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

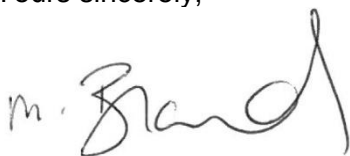
proposed simplified regime for credit unions under a certain threshold. This will alleviate the majority of our members' concerns in relation to the implications of the SMR for the recruitment and retention of volunteer board members and senior staff. The revised regime's flexibility also provides for those (typically larger) firms which have a more complex and intricate governance and management structure to apply the regime more fully. This flexibility provides a much superior regime for credit unions.

In this connection, however, we do have a query in respect of the simplified statements of responsibility which the FCA's feedback statement references. Since the PRA has revised upwards its starting threshold for the its simplified regime to £250 million total assets, we wonder whether the FCA's intention is to align its simplified statement of responsibility / responsibility map requirement with this threshold as is suggested might be the case in the feedback statement. This would make sense to us in order to ensure a consistent application of the regime between the two regulators and we hope that the FCA will do so.

In terms of the additional guidance which the consultation provides in draft in respect of the application of the presumption of responsibility we are broadly satisfied that the guidance provides the clarity that credit unions require to understand how the presumption will be applied in practice. We would, however, use this opportunity to stress that we feel that it is very important that the expectations of SMRs under the presumption are proportionate and appropriate to both the circumstances and consequences of the breach and the size, nature and capacity of the firm in question, particularly in view of the more limited scope for consumer detriment posed by smaller firms. For example, where there is an expectation that independent expert advice is sought, consideration should be given to the fact that a smaller firm may have more limited access to resource for such advice but that, if advice is not sought due to such constraints, this may be accommodated due to the more-limited scope for detriment arising from it. We understand that this is implied in various references within the guidance but a more-explicit clarification would be welcome.

Please feel free to contact us should you have any questions or require any further information which we would be happy to provide.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'm. Bland', written in a cursive style.

Matt Bland  
Policy Manager – ABCUL