

Ben Biggs
PRA Fees Consultation
Office of Deputy CEO of PRA
Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

12 May 2015

Dear Ben,

Regulatory Fees and Levies - Rates: 2015/16

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.¹

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

Firstly, on behalf of our members we wish to express our strong support for the continued proportionate regime for the smallest credit unions through the retention of the special minimum fee structure. Credit unions operate under a uniquely-low interest rate cap of 3% per month, and as

¹ Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

a sector are deeply involved in offering fair and affordable financial services to those unable to access such services elsewhere. As a young and developing sector operating under tight margins and serving the financially excluded, and at a significantly smaller scale than their competitors, small credit unions are disproportionately impacted by regulatory costs and we are grateful that the PRA has shown proportionality in this case.

Secondly, we also strongly support the fee premium paid by the largest and most systemically important banks in the deposit-taking class. These firms receive much in the way of additional oversight and scrutiny from the regulator; therefore it is fair and proportionate that these firms continue to pay higher fees in accordance with the additional risks they pose and the financial costs that therefore arise from regulating them as systemically-important financial institutions. This also has the effect of reducing the burden on smaller financial firms who require less attention and can be resolved with little to no impact on the soundness of the rest of the sector.

Thirdly, whilst we are broadly satisfied with the PRA's proportionate approach to the fee structure we must express some concern at the increasing ongoing costs of the PRA and their effect on fees. We acknowledge the vital regulatory work the PRA undertakes; however, the proposed cost of ongoing regulatory activity for the PRA has increased 22% since 2013. If costs continue to rise at this pace, the PRA fees levied will place a significant financial burden on to the firms it regulates. We hope that in future years we can support more modest fee increases from our maturing regulatory body.

We would be glad to provide any further information or clarification as to our position should the FCA require this. Please feel free to contact us should you have any questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'm. Bland', with a stylized, cursive flourish extending upwards and to the right.

Matt Bland
Policy Manager – ABCUL