

A Brief History of the Credit Union Movement.

What is a credit union?

A credit union is a financial co-operative owned and run by its members, that offers an accessible saving facility and low interest loans to its members.

What is the Mission of Credit Unions?

A Mission Statement.

*“The purpose of the (Speke Community) Credit Union is
to encourage saving
to provide affordable low interest loans to its members
and to promote a healthy community by providing:
quality, ethical service
in a friendly and confidential manner
to the broader community
regardless of status.”*

The Venerable Bob Metcalf, archdeacon of Liverpool.

Credit Unions a Worldwide Movement Playing a Significant role in Rebuilding Local Economies

‘The growth and expansion of the African Credit union movement in 1991 is linked correlatively with the entire Africa’s economic output in the last few years.’ ACCOSA 1991 Annual Report.

The Origins of Co-operatives.

Although the roots of co-operative credit are obscure it is clear that the breakdown of feudalism freed European farmers from their traditional obligations to feudal overlords and gave them individual ownership of land. However, their entry into what had become an individualistic, capitalist economy placed them in a situation where money and credit were increasingly significant. Similarly, in the towns of Europe, the industrial revolution brought a significant change in the situation of small shopkeepers and skilled artisans, as they lost the protection afforded to them by their guilds and they were faced with growing competition and the need for larger amounts of capital. Co-operation of all types can therefore be seen as an attempt by *'farmers, craftsmen and other small producers to improve their positions in a nonfeudal, modern capitalistic society.'* (Irish League of Credit Unions).

It is also clear that the industrial revolution brought other significant changes in communities as people moved from the countryside to the developing towns to seek work. The old patterns of community were breaking down, so new forms of community co-operation had to be developed - co-operatives – were an attempt to restore a spirit of community both in the towns and in the countryside.¹

However, in other parts of the world most notably pre-colonial Africa a tradition of *'interdependence existed among independent individuals'* co-operation and mutual support was central to the cultural life of the people, who had already instigated a system of mutual co-operation and support (Khehla Lukhele, 1990)

The founding fathers of co-operatives.

The two most notable co-operative experiments in England both arose out of concern associated with the poor living conditions of the workers that developed as a result of the Industrial Revolution.

Robert Owen is considered to be one of the founding father of co-operative ideas. Owen presented his philosophy in four essays that he published between 1813 and 1816 under the collective title of *'A New View of Society, Essays on the Formation of Character'*. These essays became the reference the points in the development of his ideas for self-sufficient communities, ideas that he developed in more detail in his 1812 publication *'Report to the County of Lanark'*.

Owens ideas of co-operation and self-sustaining communities, in which owners agreed to limit their returns on invested capital, and to use whatever profits were accrued for the benefit of the whole community, were well received in England, Ireland and America - where he subsequently went to work for a period of time. However his practical ability in developing self-sustaining projects in these countries were not very successful and all failed. Despite this, the projects left a mark that became part of the bedrock of co-operative organization and culture in the developed world.

¹ See appendix 1 *'No paper boots at the village co-op'*.

On his return to England Owen became the chair of the early British Co-operative Congresses in the 1830s, and brought advanced ideas to the movement that related to professional personnel and general management practices, as well as visionary ideas that related to child development, housing and urban planning.

By the 1830s and 40s Owens ideas regarding co-operation had spread throughout Britain. William King (1768 to 1865) a doctor was sympathetic to Owens arguments about the living conditions of the workers, and how that the poverty experienced by the workers on a daily basis impacted negatively on their lives. However, Kings approach to developing co-operative ideas was slightly different to Owen, King considered that the best way to establish self-sufficient communities was to accumulate capital through surpluses gained by shop-keeping, and that the capital should be used to establish self-sufficient communities. Kings emphasis on the *'gradual accumulation of savings and the steady build up of assets with the long term aim of community on the land was the inspiration for the Rochdale Pioneers'* (Davis, 199. p2.5).

Co-operative ideas were not only developing in Britain, in France Charles Fourier (1772 to 1837) was developing similar theories to those of Owen. In Germany co-operative ideas were being developed albeit with an agricultural rather than an industrial focus.

The most notable example and founding fathers of the co-operative movement as we know it today were the Rochdale Pioneers. These were the workers who organised the *'Rochdale Society of Equitable Pioneers'*. Each member of the society subscribed on a regular basis to stores a small amount of money payable in weekly, in order to buy goods at less than retail costs, and which were then sold to members at less than retail costs. Members were paid 5% interest on their shares and were entitled to a proportionate division of the Society's savings or profits at the end of the year. The Rochdale principles of co-operation included open membership to all; democratic control of the Society, with each member having only one vote, regardless of the number of shares owned; a limited interest on share capital; and the return to members of the co-operative profits in proportion to their patronage (Irish League of Credit Unions). The principles of co-operative working laid out by the Rochdale Pioneers have profoundly influenced the co-operative movement to this day.

Credit Societies in Europe - 1852 to 1864

Whilst people in Britain and France were developing wholesale and retail co-operatives, in Germany agricultural and credit co-operatives were being developed. It was in Germany that the polemic division that has characterised the credit movement has its roots. Two men Herman Schulze-Delitzsch and Frederick Wilhelm Raiffesen were responsible for creating the first credit unions in Germany in 1852 and 1864.

Herman Schulze-Delitzsch (1808 to 1883), was born into a well-to-do family in the village of Delitzsch on 29th August 1808, and founded his first co-operative society in 1850. He organised a Loan Association with an initial capital of \$140.00, contributed by a group of friends. The Loan Association was distinguished from *"charitable"* loan associations, by the fact that borrowers had to *"join"* the association and had to contribute 5 cents per month to its capital. Loans granted by the Schulze-Delitzsch associations were for productive purposes. No loan, Schulze emphasised, should have the appearance of *'charity or a gift'*. Most importantly, loans should be based on the character of the borrower rather than on the borrower's collateral or chattel mortgages. Loans

would be endorsed by two members of the association and would run for a period of three months. A basic principle of the Schulze association was that membership was open to “*worthy seekers after credit, not limited to any one occupation or social class...*” Associations that adopted these principles became known as a People’s Bank, a kind of savings bank managed by its depositors.

Schulze-Delitzch stressed democratic control of the People’s Banks, investing supreme authority in the general meeting of the entire membership which followed the practice of one vote for one member regardless of their shareholding. In order to educate members into their responsibilities to the bank, Schulze-Delitzch insisted that all members participated in the routine affairs of the organisation. Therefore all members took responsibility for signing passbooks and promissory notes. However, from the beginning of the association subordinate committees were set up to manage particular aspects of the association, with the general committee being elected at the annual meeting, which consisted of the President, the Treasurer, the Secretary and nine members.

Friedrich Wilhelm Raiffesen

Friedrich Wilhelm Raiffesen was born on March 30th 1818, at Hamm in the Rhine Province. His father, a minister and mayor of the village, died an alcoholic when Friedrich was eleven years old. His mother, a devout Lutheran, imparted a strong sense of piety in her son.

Raiffesen organised his first union in 1849 and his second in 1854. The first union, set up by Raiffesen, when mayor of Heddesdorf, was called the ‘*Heldesdorfer Welfare Organisation*’ revealed Raiffesen’s interest in Christian charity and welfare work. The second union, called the ‘*Flammersfield Society*’, promoted the care and education of destitute children, hired “shirkers” and former criminals, and built libraries. It was in this second society that Raiffesen adopted the principle that *profits were not to be distributed to investors until a reserve fund was established*. In addition, the capital was inalienable and if the society were to be dissolved, the capital would be distributed for the benefit of the poor. The Hedesdorf Society was followed by two more welfare organisations in 1862 and 1868, but it was not until 1874 that the Raiffesen model of welfare became known outside the immediate vicinity of the Rhine Province.

There were fundamental differences between the Raiffesen and Schulze-Delitzch models of loan societies. Raiffesen based his model of credit unions on the principle of brotherly love and Christianity whilst Schulze-Delitzch’s credit unions were mainly concerned with promoting economic self-sufficiency. The two founders also took a different approach in recruiting membership to their organisations: Schulze concentrating on urban workers and shopkeepers, Raiffesen concentrating on helping farmers. Schulze also believed that membership should come from a large, economically varied area but Raiffesen preferred to restrict membership to a small district, preferably a parish.

The Raiffesen credit unions grew slowly and rapid expansion did not take place until 1880. At the time of Raiffesen’s death in 1888 there were 425 Raiffesen Credit Unions in Germany. Even before the rapid increase of the credit union movement, Raiffesen was facing the problems of creating regional and national organisations to bind the credit unions together so that they could promote their common purpose, provide a forum for the exchange of useful information, supply legal and legislative advice and facilitate central banking services. The unions had no strong

financial backing and all suffered periodically from a lack or a surplus of funds. In 1872 Raiffesen organised his first central association, the Rhein Agricultural Union Bank, to serve as a central banking institution and to oversee and local control credit unions.

The Raiffesen co-operative societies grew much more quickly than those of Schulze-Delitzch and in greater numbers. The Raiffesen credit unions emphasised their founders Christian values and principles whilst the Schulze-Delitzch unions stressed entirely the principles of good business practice and self-help. However, the work of both German co-operators made its impact not only in Germany but also in the rest of Europe. There was a direct connection between the developments of financial credit in Germany and those in Italy. It was Luigi Luzzati, who at the age of twenty-three, wrote a book on the subject of credit unions following a visit to Germany in 1864, and continued to expound his ideas as Professor of Political Economy at the University of Padua. In 1866 Luzzati opened his first co-operative bank in Milan.

Co-operative banking institutions soon made their appearance in other European countries. Austrians organised their first Schulze-Delitzch society in 1858 and by 1913 there were 3,599 associations. The first Raiffesen society was founded in 1866, with the number increasing to 8,000 by 1912. Farmers in France also experimented with co-operative credit societies.

However, co-operative credit made little headway in England where the Rochdale principles originated, although the ideas and principles were quickly taken up in the United States and as early as 1864, in New York, German craftsmen organised a citywide organisation called the Arbeiter-Bund. Other types of unions in the U.S.A. concentrated on shorter working hours, higher wages, or political activity. However, the leaders of the Arbeiter-Bund, were according to the Irish League of Credit Unions, devoted followers of the principles of Schulze-Delitzch and sought to establish a bank, hospital, home building societies and producers' co-operatives all based on the Schulze-Delitzch principles of self-help. They bought potatoes, tea, sugar and coffee at cost and sold them to members at below retail prices and also provided members with a \$200 death benefit. However, with the advent of Marxism, the enthusiasm for Schulze-Delitzch co-operatives was soon supplanted with "*growing enthusiasm for the eight-hour day and European Marxism*" (Irish League of Credit Unions).

The Development of Credit Unions in North America

Alphonsus Desjardin organised the first credit union in North America. Desjardin was born in the town of Levi in the province of Quebec in Canada, in November 1854. After obtaining a degree in his hometown, Desjardin embarked on a newspaper career. It was as a journalist that he became interested in usury in his role as parliamentary reporter of parliament where frequent mention was made of the subject. Desjardin organised the credit union movement in his hometown, Levi, in 1900. He called the credit union 'La Caisse Populaire de Levi'. Desjardin adopted the Italian system in respect of his credit union insofar that: *'the character of the borrower achieved security for the loans. Loans were granted only for emergency and productive purposes'*. In 1909 Desjardin founded the first credit union in the U.S.A. in Manchester, New Hampshire. His co-operative banks were not to be considered regular financial institutions but to be an "*expression in the field of a high social ideal*" Irish League of Credit Unions.

In 1909, Mr. Pierre Jay, Commissioner of Banks of Massachusetts, whilst recognising the value of employee saving and loan associations, many of which were rapidly developing amongst local companies, recognised the need for legislation to support and regulate the associations. Jay decided to sponsor the legislation and invited Desjardin and Edward Filene,² to participate in the preparation of such legislation for credit unions.

Filene, was a wealthy Boston merchant who was first introduced to credit unions in India in 1907. It was by his influence that the first State Credit Union Act was able to secure passage through the Massachusetts Legislature in April 1909. By 1934 the movement had gained sufficient status to organise a national association. On August 11th of that year a group of fifty-two leaders from twenty-two states met in Colorado and organised the Credit Union Association. At its first meeting, the Credit Union National Association (C.U.N.A.) appointed Edward Filene as its President and selected Madison, Wisconsin as its headquarters. The objects of the association was to obtain the approval of credit union laws in the different states, to organise credit unions as models, to increase the number of credit unions and to generally support the credit union movement. The pioneer leaders of the newly formed C.U.N.A., voted at its first meeting, to create the credit union movement's own life assurance society as a means of meeting the credit unions' need for adequate low-cost borrowers protection. This was the birth of the C.U.N.A. Mutual Insurance Company.

The Development of Credit Unions in Ireland

In the early part of the century 'Horace Plunkett and George Russell' used the Faiffeisen model to set up '*agricultural credit societies*' or '*village*'. By the middle of the 1950s only 176 of these societies had survived out of the original 310. Most were operating on a very small scale, had a legacy of bad debts and were so disorganised that they were not able to meet their legal obligations to make annual returns (Douthwaite 1996). However, living conditions in Ireland during the 1950's were very extremely poor for many Irish people, unemployment and emigration were high, on the whole people did not have access to easily affordable credit or mortgages, and were continually harassed by illegal money lender and financial institutions.

Three visionary people were the driving force behind the Irish credit union movement, Nora Herlihy, from Ballydesmond, a schoolteacher based in Dublin, Seamus MacEoin, from Kilkenny, a Civil Servant, working in Dublin, and Sean Forde, an employee of Peter Kennedy Bakers in Dublin. The three met at University College Dublin, where they all were studying as students on the first adult education course to be set up in Ireland. On their graduation the three decided to set up the 'Dublin Central Co-operative Society Limited'. The aim of the society was to '*encourage workers to become involved in the setting up of productive industrial co-operatives by providing capital*', Irish League of Credit Unions. The group also set up the Co-operative Investment Bank to support the industrial cooperatives, however, the bank had to cease to operate because of lack of support. However, this did not deter the group and enthusiasm for cooperatives continued to grow and the National Co-operative Council was set up with Seamus MacEoin as a founder member. Nora Herlihy and Sean Forde were also members of the national body.

² Known as the father of the United States Credit Union Movement.

The council set up a committee to undertake research into financial cooperatives. This was called the 'Credit Union Extension Service' and was made up of Nora, Seamus, Sean, and Murial Graham of the Irish Womens Association. Nora made contact with the Credit Union national Association (CUNA) and studied in great detail the credit union movement. The special committee came to the conclusion that credit unions would benefit people in Ireland and were worth pursuing. Nora's home became the campaign office for the credit union movement. The group of four met regularly to study all aspects of credit union operations with Nora acting as tutor.

Despite skepticism about their ideas the four committee members, and despite their concern regarding the financial services legislation in operation at that time, continued to develop the credit union idea. Enlisting support from General Costello, General Manager of the Irish Sugar Company, who advised the group not to become a pressure group or to demonstrate against moneylenders or hire purchase companies but to 'sell' the idea to local people and to encourage them to become involved at a grass-roots level. Representative members from the worldwide credit union movement visited Ireland and encouraged the group to continue to develop credit unions and made long term promote their ideas, and arranged for one of the American visitors to have a radio interview. The fee from that interview was donated to the movement and was used to purchase a trophy to be competed for annually – now none as the Credit Union Cup. The Irish credit union movement started off without any funds relying solely on volunteers. The cost of developing the movement were met in the main by committee members and in the main by Nora, socials and other events were run to raise funds for stamps etc.

Following a meeting in Dublin Nora so impresses to sisters that with a group of neighbours the Donmore Credit Union was formed in 1958. Also, around this time the Dun Laoghaire Co-operative Society formed a credit union. Irish women were creating an interest in credit unions in their localities, following a presentation given by Sean Forde to the Irish country Womens Association, on the philosophy of credit unions. The Donore Credit Union drew up rules based on the Industrial and Provident Act as there were no formal rules at this time and the credit unions had no legal status of which the founding volunteers were very conscious.

Subsequently credit unions were established in Clones, Ballyphephane, and the Civil service. With the support of CUNA Mutual and the World Expansion Services, the credit union movement in Ireland began to become significant financial provider in Ireland.

The Credit Union League of Ireland was formed on 7th February 1960 with the encouragement of George Murphy from Chicago. It consisted of four credit unions with the founding members of the movement becoming the first officers. In 1964 the formation of Chapters of credit unions took place an expansion that the American credit unions found essential to their development. Chapters were based on geographical areas and formed the forum for member credit unions to exchange ideas, experience and knowledge. The Chapters in Ireland today play a fundamental role in the education and training of credit unions. In Ireland today there are 25 Chapters ranging from 9 to 35 credit unions.

During the 1960s the League developed the model rules for credit unions and appointed the first Field Officer, Michael O'Doherty. In December 1965 the first stage of the Credit Union Bill was introduced to Parliament. In March 1996 the Credit Union Bill was introduced to the Dail.

It is clear from the debates of the period that all of the deputy's were well disposed to the Credit Union movement. Nora and Seamus MacEoin were the a guiding lights of the development of credit union legislation during the next 13 years serving on the Credit Union Advisory Committee with Nora as Chairperson during those years. During this period the credit union movement were able to negotiate entry of CUNA Mutual Loan Protection Insurances into Ireland subject to the premium being paid into an Irish bank for the payment of claims.

The Irish League moved into its own premises in 1967, 22 Fredrick Street, Dublin. In 1969 legislation was agreed for credit unions operating in Northern Ireland, this legislation has now been superseded by the Credit Union Northern Ireland Order 1985. The Irish credit Unions have been very successful in combating legislation that could negatively impact on credit unions by acting through the league collectively and by presenting a united front to the government. Media campaigns have been carefully orchestrated and controlled and members solidarity has prevented adverse legislation being passed. In 1972 the name of the League was changed to, 'The Irish League of credit Union' to underline the fact that the consisted of affiliated individual credit unions

Credit unions in Ireland have quietly become central to the economic regeneration of their communities. For example, Blessington Credit Union in County Wicklow spent £90,000 in developing a derelict courthouse the '*architectural centerpiece of the town*', to provide credit union offices and offices for general rent. In 1992 the credit union invested a further £84,000 to develop a five-unit enterprise unit at the back of the premises.

Sixteen people set up Tallow Credit Union in County Waterford in 1968, the credit union bought premises in 1975 costing £4,000 with a loan from Kanturk Credit Union, and this was paid back within three months. Once the credit union was sufficiently viable a manager was appointed to organise the credit union on a day-to-day basis. This has allowed the Board of Directors to concentrate on directing the policy of the credit union. Unemployment in the town during this period was on the increase and of great concern to the Directors of the credit union, therefore, the Directors developed a social economic policy to address local issues of unemployment and training. This resulted in the '*Tallow Enterprise Centre*' that provides training for local people, crèche facilities, a playschool, and various business units. The centre also provides exhibition space and adult education classes. By 1995 the credit union employed a full-time staff of four, had almost 3,000 members, and savings of three million pounds (Douthwaite, 1996).

The growth of credit unions in Ireland has been one of clearly sustained development over the past thirty years on 30th June 1996, Irish credit unions collectively owned and controlled members savings totaling £2 billion Irish pounds and employ a total of 3,250 staff. The jobs range from managers, administrator, credit controllers, computer operators, clerical staff to tellers and cashiers. It is also important to note that the training for these jobs has in the main been developed '*in-house, and may be considered to be specialist*' Heffernan & Gorman 1996.

Heffernan & Gorman believe that the success and strengthen of the Irish Credit union movement is based on four main elements '*autonomy, equality, mutuality, and volunteerism*'. And Nora Herlihy's disciplined approach to the development of credit unions, '**No study no credit union**'. Heffernan and Gorman argue that such is the strength of the philosophy that underpins the Irish Credit Union movement that it now has become part of the culture of the country and one of the shared values of the people.

The Development of Credit Unions in main land Britain.

According Leeds City Credit Union, *'credit unions represent a modern reflection of the long tradition of mutual aid within working class communities'* (1998). Informal arrangements of reciprocal working and sharing of resources are well documented and part of the folk history of most working class families and still are part of the pattern of working class life today. The informal Partner system of the Afro-Caribbean Communities and the Tontines and Mendodges were widespread before and up to post war period. The systems worked by people coming together, usually women, and making regular payments to form a common pool of money. The money would then be given to one member of the group, with everyone taking turns to receive the money. The systems encouraged people to save regularly and to build up larger sums of money for use at later date. Similar systems worked in factories and other places of employment.

The first credit unions was set up under the Companies Act, in Wimbledon, Highgate in London, and Hove in Sussex the impetus for these credit unions came from immigrants from the West Indies.

Recognizing the need for a national profile the first three credit unions set up the National Federation of Credit Unions. The first President was E Sammons and the secretary was M Connellan. Both these officers retired in 1985 and were followed by Joe Yewdall and N J Barron, Joe Yewdall had moved to the National Federation of Credit Unions following policy disagreements with the Association of British Credit Unions. The Association of British Credit Union was formerly the Credit Union League of Great Britain, (CULGB) which was formed on 19th July 1975 adopting its own constitution and model rules. Len Nuttall was appointed Chief Executive, of CUBG and acted as marketing and Development Officer. In 1979 Jim Dearlove and Peter Bussy were employed as regional workers. The League had their model rules accepted on 29th September 1979, and the first credit union to be registered under them was Len Nuttall's own credit union Skelmersdale in Lancashire. By the end of 1980, the league had 50 credit unions registered using the model rules.

The numbers of credit unions grew from 27 in 1974 to 40 in 1977, much of this development corresponded with the increase of immigration of people from the Caribbean where credit unions are very popular, (National Consumer Council, 1994). At this time there was no great demand for credit unions from the majority of the population. However, political interest in credit unions grew as indigenous unemployment increased and credit unions began to be viewed in political circles as a means of addressing poverty. In 1971, the Crowther committee concluded that there was a case for encouraging the development of credit unions and the National Consumer Council, and John Roper MP tabled a private members bill in 1972 in support of credit unions.

However, the lack of a clear legal structure was an obstacle to the development of British credit unions. Prior to the 1979 Act credit unions had three legal options for registration as organizations, they could; -

- Register with the Registry of Friendly Societies under the Industrial and Provident Act. The Act was designed to regulate small co-operative ventures, but it prohibited

lending 'except on the security of real or personal property'. Members were unable to borrow above their own savings unless another member could be found to act as a guarantor of their loan. The level of borrowing was limited to the number of guarantors that could be found to put their own savings at risk and forego taking out a loan themselves.

- Set up as a limited company, this presented fewer controls to ensure the safety of members savings but greater management expenses as permanent officials had to be found who would be liable for the debt of the company. The registration fees were large in relation to the turnover of the co-operatives and the requirements were incompatible with a voluntary managed association
- Credit Unions could remain unincorporated. However, this left the group in a legal limbo, unable to be sued or to sue and without a legal framework.

Prior to the 1979 credit Union act there were: -

- 10 Credit Unions registered as companies.
- 4 registered under the 1965 Act
- 20 unregistered societies.

The Credit Union Act received the Royal Assent in 1979. This was the last act of the last Labour government. The current review of the Act is one of the first actions to be undertaken by the new Labour government elected in May 1996.

Once the 1979 Act had been passed groups could no longer call themselves a credit union unless they were registered with the Registry of Friendly Societies. To qualify for registration involved demonstrating an appropriate 'common bond' and an acceptable set of rules. The registry was empowered to monitor credit unions, and required the submission of an Annual Return from each union. It could and still can appoint an inspector to investigate the affairs of a credit union or suspend it from accepting savings or making loans. It can cancel a credit unions registration or wind it up its operation by court order.

According to a speech given by Oliver Clutton-Brook of the Registry of Friendly Societies in September 1996, following the Royal Assent of the Act the Registry was '*inundated with applications to register*'. The first credit union was registered on 10th December 1979, with one more prior to the end of the year and a further 55 in 1980, of the total 57, 43 were located in England, 1 in Wales and 13 in Scotland. However, very quickly the registry slowed down the registration of credit unions, as the Registrars became increasingly aware that the volunteers had in general more enthusiasm than skill in managing credit unions. Therefore, between 1981 and 1985 only 31 new credit unions were registered in the whole of Great Britain.

Problems also began to emerge with the common bonds as large area credit unions began to register with a wide membership, this it has been argued led to an increased risk of defaults on loans. Smaller credit unions found it difficult to pay the registration fees and a dividend to their members. Community based credit unions also found it hard to meet the professional standards expected by the registry.

- These difficulties led the registry to introduce additional monitoring requirements, these included: -
- The quarterly return – the registry’s credit union early warning system for unions in difficulties.
- A requirement to provide sufficient documented information prior to registration to satisfy the registrar that basic management systems and controls were in place and that officers were sufficiently capable of running the credit union, had undertaken an adequate training course, and had a succession policy for officers in place.

The registry was also concerned to establish the reality of the common bond, it would appear that some common bonds did not have a genuine cohesiveness, and the registry were concerned that without this the credit union would be at risk. However, it is important to note that the common bond requirement is not necessary in other countries, for example Australia, and is in fact a result of Britain taking American legislation as the basis for the 1979 Act. When the legislation in the USA was drafted the common bond was a requirement insisted upon by the banks which viewed credit unions as a potential threat.

Clutton-Brook in his speech gives some revealing insights into the difficulties that the registry experienced in monitoring credit unions. One investigation revealed that all of the Officers had ‘quit’, when the Registry finally located the Secretary he revealed that he was unable to produce any books of account as they had all been destroyed in a fire which had miraculously, been confined to one corner of his living room. It was some time before the Registry’s confidence was restored sufficiently to allow the flow of registrations to begin again. It is interesting to note that this increase in registration occurred simultaneously with the appointment of Credit Union Development Workers, the first of whom was employed in 1987 to work in the Wirral.³

During the late 1980s political support for credit unions grew and came to be seen by local authorities as a means of ‘*regenerating local economies, community development and as a means of the poor helping themselves*’, (Thomas and Balloch, 1994). The first credit union development agency was set up in Birmingham in 1987, and other authorities began to employ development workers encouraged by ABCUL who at that time could not meet the demand for training and development, currently 50 local authorities support credit union development in one form or another. However, this has worked for and against credit unions in Britain, as the National Consumer Council reports, credit union volunteers can become over dependant on development workers, and ‘*fail to develop the necessary commitment expertise and sense of responsibility*’ to manage their credit union properly. Funding and support is usually time limited, although collectively over 2.5 million pounds per year is currently being spent by local government and charitable foundations on developing credit unions. The majority of this funding being concentrated in areas of perceived disadvantage, and this, according to The National Consumer Council, has helped to ‘*stigmatise credit unions as solely catering for the poor*’, (1996, p13). The report also identified the danger of the ‘*top down approach*’ that has been taken by local authorities, recognizing that such an approach does not always create genuine community interest

³ Development Workers formed the National Association of Credit Union Development Workers in 1992 to be the voice of credit union workers in Britain.

in credit unions or a genuine common bond thus making it difficult to establish a credit union. The report therefore recommends that community credit unions are based on an already established group such as a church, residents groups or other well established organization. It is interesting to note the largest 25 credit unions listed are all based on such organizations, being work-based, trade based, associational based, or church-based, and that the community credit unions listed grew out of a strong independent spirit of community.⁴

Dalmuir Credit Union

Twenty one years ago Rose Dorman heard about credit unions at a women's group held in Scotland liking what she heard she went about setting up a credit union for people living in Dalmuir. Rose's idea was met with disbelief, but Rose did not let people discourage her.

“They said credit unions would never last because people couldn't trust strangers to pay the money back. I believe strongly, however, that if my extended family could lend money to each other and get paid back, why couldn't people in a community or work place do the same”.

With that attitude Rose went on to become a founding member of the Dalmuir Credit Union, currently the largest in Great Britain with 3,500 members. She served as secretary and treasurer on the Board of Directors and is now the Chairperson. She has also held all three of these position at the regional level for the Strathclyde Chapter in Scotland.

Rose also sits on the Association of British Credit Unions Ltd. Supervisory Committee and is the Associations representative for the World Council of Credit Unions.

Dalmuir Credit Union is now celebrating its 21st year and has loaned more than £20 million, it is the largest community organization of its kind in Britain

The current status of British credit unions is 645 registered credit unions 98%, of which are affiliated to the Association of British Credit Unions Ltd.

Currently there are 645 registered credit unions in Britain, and since deregulation of the 1979 Act in September 1996, more are registering with a larger area, for example Exeter City Credit Union. However, it is clear that in the main the development of credit unions in Britain has grown from a different perspective to that of credit unions in the rest of the world. One it could be argued of, institutionalized alleviators of poverty, rather than that of social economic development and service to members, and this has been detrimental to their development.

The Association of British Credit Unions Ltd. believes that the time has now come for credit unions in mainland Britain to become a viable financial option for everyone living or working in the country. For community credit unions to develop as a dynamic and vital element in local economies in a true co-operation between the people, employers, central and local government.

⁴ See appendix 2 largest 25 credit unions.

Group Exercise

- 1 Co-operatives and in particular credit unions have developed a legal structure over the past 200 years. What are the key factors that have contributed to the development of the legal framework for credit unions in Britain?
- 2 The founding men and women of the co-operative movement and of credit unions had a vision and belief in key values. What are the key values of the credit union movement and how do they fit into today's society.
- 2 The role of leadership in the development of credit unions is key to the development of strong local credit union and a national movement. Discuss as a group, the role of leadership in your credit union, the role of national leadership, and who or what should be taking on the role of leadership nationally.

Appendix

- 1 No paper boots at the village co-op.
- 2 The 25 Largest Credit Unions in Britain.

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