



What is a Credit Union?

Credit Unions are financial co-operatives owned and controlled by their members. They offer savings and great value loans plus they are local, ethical and know what their members want.

Each Credit Union has a "common bond" which determines who can join it. The common bond may be for people living or working in the same area, people working for the same employer or people who belong to the same association, such as a church or trade union. As well as savings and loans, some credit unions also offer other services such as the Credit Union Current Account, which lets members manage their cash through ATM machines and direct debits.

How do credit unions work?

The members of a credit union pool their savings together; these savings then provide a pool of funds from which loans can be made.

So it can attract savings, a credit union pays savers a return on their money (this is known as a dividend). The money rented from members is lent out to other members, who pay interest on the money loaned to them.

From the interest it gets from loans, it must pay its operating expenses and make a profit so it can put some money into reserves and pay a dividend.

All profits from a credit union go towards developing the business or are returned to members; the only shareholders in a credit union are the members who use its services.

Who runs the credit union?

The credit union is managed and controlled by a volunteer Board of Directors. All officers of the credit union are members of the credit union, who are elected by the membership at the Annual General Meeting. All members of the credit union have one vote; regardless of the size of their savings.

Whilst credit unions employ staff to manage the credit union on a day to day basis, control lays firmly within the hands of the members – through their elected representatives – the Board of Directors.

How safe are credit unions?

Savings are protected in a credit union in different ways:

Credit unions are regulated and authorised by the Financial Services Authority. This is the same regulator as banks and building societies and all other providers of financial services in Britain.

A group of members known as the Supervisory Committee checks that the credit union is running safely and is taking care of members' money.

An auditor carries out an annual inspection of the Credit Union's business. The credit union is required by law to maintain an insurance policy (fidelity bond) to protect the credit union against fraud or theft.

Members of credit unions with savings are protected by the Financial Services and Compensation Scheme. The FSCS is a safety net for customers of financial firms – all savers with credit unions have 100% protection from the FSCS for the first £50,000 of their savings. This is the same level of protection that customers of banks and building societies enjoy.

What else is good about credit unions?

- credit unions have lower operating costs and overheads
- profits are returned directly to the members not third party shareholders and therefore remain in the community.
- credit unions provide a friendly and local service.

Want to know more?

For more information about credit unions, or to find out if there is a credit union in your area contact:

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