



Association of British Credit Unions Limited

Financial Conduct Authority
12 Endeavour Square
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30th July 2020

Branch and ATM closures or conversions: guidance consultation for firms from FCA
ABCUL Response to guidance consultation

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loans facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and / or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at 42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with 290 credit unions active in mainland Great Britain today, and have around 1.4 million members and £1.75 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Response to consultation

We limit our comments to the proposed guidance to the closure of branch services.

Having consulted with our membership, ABCUL would like to raise concerns over the proposed guidance including the lack of proportionality for small deposit-takers, such as credit unions. We understand the objective of the measures announced in the consultation is designed to ensure consumers and SME's who require access to cash and cash-related services continue to access them or are notified of potential branch closures. We also understand the need set out in the guidance to make sure those in vulnerable circumstances have a suitable alternative to cash services.

Credit unions through their financial inclusion mission are often particularly exposed to having vulnerable consumers within their membership due to the correlation and relationship between vulnerability and financial exclusion. Credit Unions are generally small firms with limited resources operating a straight forward savings and loans business model. Most credit unions either operate a

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single office or through a small network of branches. With this in mind we would like to raise the following concerns:

– **Notification of branch closures: a minimum notification period of 12 weeks before any closure, section 2.25.**

Many credit union branches are based within local authority or other private premises where the decision to close the building, withdraw office space or restrict access is out with the credit union's control. These cost-saving arrangements are often instrumental in credit unions maintaining this physical access point but at the same time can result in it being impossible to provide consumers notification of the branch closure as per the 12 week notification period.

In the small number of cases where credit unions have had to close branches and reduce their physical presence these are driven by a need to stem intolerable losses which threaten the existence of the credit union rather than by a desire to improve operational efficiency and net income..

– **Analysis and summary reporting.**

Credit union branches have much lower levels of staffing and resources, than in banks and building societies with many credit union branches or 'collection points' are operated by a very small number staff and volunteers. This is another reason it is difficult to provide the 12 week notice period of a branch closing and also restricts their ability to provide the robust analysis and summary as detailed in section 2 of the proposed guidance.

We would welcome further clarity on how the guidance would be applied to volunteer collection points that may need to be withdrawn going forward as a result of the coronavirus pandemic due to the unavailability of these – usually older – volunteers. This also raises the question of notification requirements of temporary branch closures due to the pandemic, where no timescale of when the branch will be fully functional is available.

Many credit unions have had to scale down their operations due to the pandemic but have made alternative arrangements in the absence of any guidance. Credit Unions have a long history of supporting their members in times of need. From our current analysis credit unions are continuing to support their members' requests and have implemented targeted interventions to a wide range of members. They have adapted quickly and engaged with new suppliers and third parties, for example, the Post Office to provide access to cash services for their customers. Credit unions have been implementing their own risk mitigation strategies and have their members' best interests at the forefront of their business.

As you will know, credit unions are co-operatives and have a democratic structure and are controlled by the very customers that come into the branch. This has always acted as a safeguard to physical services and drives credit unions to providing what the members who use the credit union want over other considerations. Contrary to the well-documented systematic withdrawal of physical access points in other sectors, credit unions are expanding their reach where possible, and moving towards more accessible and central locations.

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The concerns and sector dynamics detailed above highlight the need for proportionality to be applied to credit union sector. We understand the FCA's concern in ensuring services are still accessible to all customers especially the vulnerable, but this must be of a proportionate level given the resources available to the credit unions in comparison to the banking sector. We therefore request that credit unions be exempt from the proposed guidance requirements.

We would be happy to discuss any of this response further should you wish to.

Yours sincerely,

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