



Association of British Credit Unions Limited

Governance and Professionalism Policy
Strategy & Competition
Financial Conduct Authority
12 Endeavour Square
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To whom it may concern

Financial Conduct Authority – Building Operational Resilience: Impact tolerances for important business services and feedback to DP18/04

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 are co-operative societies who provide financial services – primarily savings and loans facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

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 280 credit unions active in mainland Great Britain today, and have 1.4 million members and £1.8 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Response to consultation

We are writing on behalf of our members to support the scope of the proposals which exempts credit unions from these requirements. Our response to the initial discussion paper on operational resilience stressed that any new requirements would have to be applied proportionately and sensitively to avoid directing credit unions to overvaluing certain aspects of the new requirements such as tolerance levels to the detriment of others. This also applies across different areas of the

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regulatory landscape and smaller firms have the unenviable challenge in balancing their limited resources against the ever-increasing gamut of regulatory requirements.

Many credit unions still lag the wider financial services sector in terms of their digital offering and have real challenges in meeting consumers' evolving expectations around speed and 24-7 availability of their services and support. What might be considered a significant period of downtime for larger firms, would be the usual break between opening hours for many of our smaller members. On the other hand, those credit unions that are seeking to grow and improve their services have a real competition incentive to ensure that these are reliable and that they build upon regulatory discourse and learn from the failures of larger firms. As a trade body we facilitate but are also witness to increasing interest and dialogue within the sector around key issues such as business continuity, cyber security and mitigating the risks of outsourcing and system migration.

Whilst we feel that on balance that credit unions shouldn't be subject to a suite of formalised requirements, we completely support the proposals and believe that credit unions can benefit from a more resilient financial system through their indirect access to payment systems and as SME customers to firms subject to these requirements.

We recognise that the onset of the coronavirus pandemic which led to the significant extension of this consultation has tested firms' resilience enormously. Credit unions have adapted to the crisis with many rapidly digitalising their services and redeploying their workforce to meet the needs of their membership. Credit unions have been largely successful in dealing with the fallout of the pandemic from a systems perspective which are generally much less sophisticated and have less interdependencies compared to other firms. Where credit unions have needed to reduce opening hours and branch services due to resource or personnel issues a continuity of access to cash to the vulnerable was prioritised.

The greatest threat to many credit unions' services has always been existential and will be accentuated by a prolonged period of unfavourable trading conditions and increasing levels of arrears. Consequently, we would urge FCA more than ever at this time to apply proportionality whilst introducing new requirements and maintain the current scope of these proposals.

We would be happy to provide further information following this response should you wish us to.

Yours sincerely,

Daniel Arrowsmith
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