

Charlotte Matthews & Ruby Adesuyi  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

6<sup>th</sup> April 2020

Dear Charlotte and Ruby,

**Personal loans and coronavirus: draft guidance for firms from FCA –  
ABCUL Response to short term consultation**

We welcome the opportunity to respond to this short-term 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 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**

ABCUL supports the overall desire of the FCA to provide temporary support arrangements to consumer's up and down the country in the midst of the current coronavirus crisis/pandemic. We understand that the objective of the measures announced in the consultation are designed to cover regulated loan agreements and so we welcomed the clarity received at the end of last week which confirmed that the credit union sector was intended to be out of scope for the temporary measures identified.

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Credit unions have a long history of supporting their members in times of need. From our early analysis of how credit unions are responding in this current crisis we know that forbearance measures have already been implemented up and down the country with targeted interventions to wide range of members. We believe this point is critical in the sense that credit unions should not be subject to any blanket imposition of payment holidays or other forbearance measures – that could be extremely damaging to the common business model approach of the sector across the country. The ability of individual credit unions to devise and implement their own tailored and targeted forbearance measures will be much more effective both to members and to support the sustainability agenda for the sector overall. Credit unions need to be able to implement their own risk mitigation strategies that will have the best interests of members at its core whilst ensuring that a proportion of their existing loan books are performing robustly. This includes a verification process around understanding the impact of the crisis on individual or household finances which will allow a tailored support package to be implemented.

We also recognise that a very small number of credit unions up and down the country are engaged in offering regulated loan products (typically direct supplier payment products) which potentially creates the need for implementing different approaches to supporting members in this time of crisis. Given that credit unions have a long track record of showing compassion and understanding to their member's in times of crisis (the 2008 financial crisis being an excellent example) it would seem entirely reasonable that all credit union loans (non-regulated and regulated which accounts for a tiny proportion overall across the country) are treated in the same fashion and deemed as out-with the scope of these temporary arrangements.

Finally, we believe that clarity of messaging is critical in any final guidance to be issued by the FCA in the days ahead and we would be happy to support any communication announcements required to the sector and how they define their support measures to members all across the country. We are fully confident that members are already being looked after by their credit union and that will continue in the weeks and months ahead.

Please let me know if you require any additional detail or further clarification of the points noted above.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Robert Kelly". The signature is fluid and cursive, with the first name "Robert" and the last name "Kelly" clearly distinguishable.

**Robert Kelly**  
**Chief Executive Officer**