



Association of British Credit Unions Limited

Financial Conduct Authority
12 Endeavour Square
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Guidance for firms on the fair treatment of vulnerable customers: 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 broadly welcome the guidance and its aim to help ensure that vulnerability is taken seriously by firms, prioritising the fair treatment of vulnerable customers into the culture, policy, and processes of the business.

As a result of the work credit unions do in relation to financial inclusion they are often particularly exposed to having vulnerable customers within their membership, but aim to ensure that those who do not have many options are not charged a premium to access financial services. As a result of both this philosophy, as well as a statutory interest rate cap under which they operate, credit unions generally work within much tighter margins than commercial firms serving a similar customer base.

We therefore support the guidance being non-binding and being applied proportionately dependent on the size of firm. A small credit union dependent on volunteer support would not, for example, have the resource to have a dedicated vulnerability team to monitor, identify in advance or collate

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analysis on the vulnerable customers. Most credit Unions have strong personal relationships and an in-depth knowledge of their members' vulnerability, which is not recorded in a formal systematic way. Credit unions have continued to support their customers in a variety of ways throughout the pandemic - including adhering to additional rules for consumer credit firms only – to ensure that members were never disadvantaged.

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

Yours sincerely,

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