



Scottish League
of Credit Unions
Engage. Enlighten. Empower.



Economy, Energy and Fair Work Committee
Scottish Parliament
Edinburgh
EH99 1SP

6 January 2020

Dear Committee,

Call for Views: Protected Trust Deeds

This letter is sent on behalf of the Association of British Credit Unions Limited, UK Credit Unions, ACE Credit Union Services, The Scottish League of Credit Unions & the National Credit Union Forum. In total, we represent the over 93% of the credit union sector in Scotland. There are 90 credit unions in Scotland, representing over 414,000 members, and with almost £360 million currently out on loan.

We appreciate the Committee's inquiry into this matter, and would like to use this opportunity to affirm the strength of feeling within the credit union sector about many of the trends we have seen in recent years in relation to the sale of Protected Trust Deeds. In particular, we would like to note our frustrations about:

1. Problematic use of lead generators and poor advertising.
2. Poor advice and mis-selling.
3. Disproportionate and unreasonable fees.
4. A lack of due care taken by those administering the products to ensure all parties enjoy their full legal rights.
5. An ineffective regulatory framework spread across numerous agencies.

The combined effect of these factors is widespread poor outcomes for debtors who are, by definition, already financially vulnerable. In many of the examples we have seen, it is difficult to reach any other conclusion other than that many Protected Trust Deeds are being sold solely on the basis of the financial gain for the firms offering them.

These factors have a disproportionate impact on credit unions due to our mission of inclusion and the provision of affordable credit to the vulnerable and underserved. Those that credit unions seek to support are typically excluded from mainstream credit – since the increasing levels of insolvency have caused banks and others to retrench their credit risk appetite – and with only high cost credit available to them. Credit unions on the contrary seek to extend credit on fair terms to these groups.

Since 2015, aggregate credit union sector data shows that the amount of loans in arrears or written off has grown by 25% in the period to 2018. An increase of this scale is a significant drag on credit unions' ability to sustainably lend to excluded and underserved communities.

If no action is taken to halt the continued growth of Protected Trust Deeds, we have a genuine fear that this will exacerbate exclusion and vulnerability, as ever more mainstream creditors and affordable alternatives like credit unions decide to withdraw their services in order to manage credit risk.

Since the Accountant in Bankruptcy consulted on possible solutions to this problem some time ago, the credit union sector has been supportive of all proposals put forward by the AiB, and also put forward our own. This includes:

- A revised minimum debt level.
- A requirement that the PTDs cannot be protected if payable in 60 months.
- Changes to the fee structure.
- Changes to the voting process.
- The introduction of a general power to refuse protection.
- A ban on 'front loading' fixed and professional fees.
- A legislative requirement that all money advice has to offer all debt solutions.
- AiB approval for advisers offering PTDs.

Though we think its right that all sectors' views are considered, and agree that the AiB needs to understand potential unintended consequences of any measures it plans to take forward, it remains the case that no reforms have been brought due to a lack of consensus within the insolvency profession. We feel strongly that the Scottish Government should be seeking to do the 'right thing', rather than await the approval of those their regulations are seeking to restrict.

We would like to note our thanks to the committee for investigating this matter, and hope that this will be a step in the right direction.


Yours sincerely,



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