

FAMR – Guidance Consultation – GC17/4
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

22 May 2017

Dear FAMR team,

FAMR – GC 17/4 – Implementation part 1: Non-advised sales

We appreciate the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 323 credit unions which choose to be a member of a trade association, approximately 65% choose to be a member of ABCUL.

Credit unions are not-for-profit, financial co-operatives owned and controlled by their members. They provide safe savings and affordable loans. Some credit unions offer more sophisticated products such as current accounts, ISAs and mortgages.

At 30 September 2016, credit unions in Great Britain were providing financial services to 1,274,961 people using credit unions, including 134,206 junior depositors. The sector held more than £1.45 billion in assets with more than £788 million out on loan to members and £1.23 billion in deposits.¹

Credit unions work to provide inclusive financial services has been valued by successive Governments. Credit unions' participation in the Growth Fund from 2006 – 2011 saw over 400,000 affordable loans made with funding from the Financial Inclusion Fund. Loans made under the fund saved recipients between £119 million and £135 million in interest payments that otherwise would have been made to high-cost lenders. The DWP has contracted ABCUL to lead a consortium of credit unions under the Credit Union Expansion Project, which is investing up to £38 million in the sector and aims to make significant steps towards sustainability.

Response to the consultation

Credit unions often provide financial products and services – primarily savings and loans – to those at the margins of the financial system and at risk of financial exclusion. These people often seek support and guidance from their credit union to aid them in understanding and managing their financial affairs. This is consistent with the fourth object of a credit union as defined by the Credit Unions Act, namely, “the training and education of members in the wise use of money and the

¹ Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

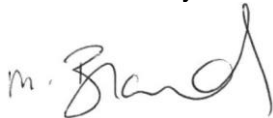
management of their financial affairs”.

In practice, this generally involves credit unions providing budgetary guidance and support to members to help them assess the affordability of a loan from a credit union or in tandem with a loan application to the credit union which might be part of providing a longer-term route out of indebtedness, through consolidation of debts and reducing interest payments. These are straightforward and matter of fact issues of spending within your means, the balance between paying down debts and placing deposits in a simple savings account (i.e. non-investment products) and the importance of certain priority debts such as rent, tax and utilities.

While the guidance goes some way to reassuring our membership that these commonplace practices would not be considered regulated advice requiring specific authorisation, we would like the FCA to go further in its clarification of this point. We would contend that advice ought not to capture non-complex financial matters of this everyday kind and that the provision of further examples in the guidance would be welcome in order to clarify this distinction.

We would be delighted to provide any further information should you require it.

Yours sincerely

A handwritten signature in black ink, appearing to read "m. Bland". The signature is written in a cursive, slightly slanted style.

Matt Bland – Head of Policy & Compliance