Association of British **Credit Unions** Limited

David Cheesman
Financial Conduct Authority
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Canary Wharf
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15 January 2018

Dear David Cheesman

CP 17/38 – Regulated fees and levies: policy propsals for 2018/19

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

Q13: Do you have any comments on our proposed amendments to the methodology collecting the Money Advice Service debt advice levy from 2018/19

We wish to express our full support for the proposal to recover the debt advice levy directly from a new consumer credit lending class (CC3). ABCUL has consistently argued that consumer credit

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

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firms should directly contribute towards the debt advice levy under a 'polluter pays' model but accepts that this has not been possible due to previously insufficient data on their lending. We therefore welcome that the FCA is now in a position to more precisely raise these levies from the appropriate fee-blocks.

We also fully support and appreciate concession on debt advice levies which would apply to the first £2 million of consumer credit lending for those credit unions which engage in relevant consumer credit activities. The proposed concession would result in a greater likelihood of credit unions – which already operate within the tightest of margins in serving the financially excluded under a uniquely low interest rate cap – entering and providing competition in the consumer credit market due to the reduced barrier of regulatory fees.

Q12: Do you have any comments on whether we should in future charge firms which choose not to take advantage of online invoicing

ABCUL welcomes the option and efficiency of online invoicing and generally agrees with the benefits outlined in the consultation. We also believe that the majority of credit unions are likely to be able to transition to online invoicing with reasonable ease. However, a minority of credit unions which find it more difficult to adapt their processes have benefitted from a number of exemptions from electronic reporting, such as is currently the case for the Senior Managers Regime and was previously the case in submitting returns to the PRA.

Whilst we do not expect the number of credit unions to continue with paper-invoices to be high, we do have some concerns that these credit unions which are likely to be small and resource limited may be subject to disproportionately high fees for receiving paper invoices. These fees are already significant for a small credit union and as currently proposed could increase significantly year on year as the number of firms using paper invoicing dwindles. We propose that a suitable cap should be introduced so that small credit unions, which may be some of the last firms to make the transition to online invoicing are not left behind paying excessive costs for a paper invoicing process not originally intended to serve such a small number of firms.

We would be delighted to provide any further information should you require it and to meet to discuss the matters raised in this submission in more detail.

Yours sincerely

M. Bland

Matt Bland – Head of Policy & Compliance