

Governance and Professionalism
Financial Conduct Authority
12 Endeavour Square
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03 April 2020

Dear Jasdeep & Nicoletta

Financial Conduct Authority – Quarterly Consultation 20/4

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 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

We support the proposals to align the FCA Handbook with the subsequent changes made in the Connect system i.e. the inclusion of the optional title field, nationality field, and the commonly used name field. With reference to the commonly used name field we would like to see the same guidance provided with the notes to completing Form A copied over to the user guide for submitting Directory data.

We also support the proposals to amend the field on the Directory persons form from '[PRA CF] Material Risk Taker' to [PRA CF] Significant Risk Taker or Material Risk Taker'. We first reported

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this issue to the FCA in December as it particularly affected credit union certification functions as credit unions are not subject to the Material Risk Takers Regulation or the Remuneration Code. Instead credit union personnel are brought into the PRA scope of the Certification Regime through the separate definition of 'Significant Risk-Taker'. We note that a number of credit unions delayed or made partial submissions of their Directory data under the FCA advice to delay submission until a workable solution had been agreed upon late February.

We would also like to take the opportunity to feedback on the entire Directory process now the submission phase is over. Whilst we acknowledge that it is incredibly difficult to build a system to receive tens of thousands of individual's data from a diverse financial services sector the overall feedback from our membership was that the process of providing this information was more difficult than it needed to be. At the same time we would also like to acknowledge that providing a 6 month window for firms to provide these details provided the opportunity to address and mitigate many of the issues experienced by firms.

Below we provide a non-exhaustive list of issues faced by our members and potentially other firms in providing this information to you. The patterns that emerged were over-specificity from the system and missed opportunities to make certain areas more intuitive and less reliant on specific parts guidance. It's likely that further testing with a reasonable range of different types of firms that the process could have been improved.

- **Role started date** – No dates before 7 March 2016 could be used. This was later clarified in guidance but for many it was unintuitive to specify an arbitrary date for those who began their role earlier. These dates should have been normalised if required after receipt.
- **Role end date** – This field was inaccessible for those completing the form through the single entry method, but available through the multiple submission method. The single entry method necessitates completing an application before waiting a period of time before the individual is 'available' to later amend which is a time consuming process.
- **Passport Number + Nationality** – Often users would attempt to complete nationality along with the NINO unaware that a validation was preventing progress. It is not clear in guidance or during completing that completing this field means makes passport number mandatory.
- **Date of Birth Field** – Many users reported issues with the default formatting of this field being rejected.
- **Name of .xlsx and final .csv files** – Slight deviations from the specified name for the multiple Add file seem to produce errors.
- **Feedback file** – Seems to be inconsistent in how long it takes to be returned, several reported receiving an email informing them of the file but were not able to find this in Connect.
- **Unexplained system errors** – A number of credit unions reported that multiple attempts of submitting an unaltered file were needed before the file would be accepted.
- **Conflicts with previously provided information** – For many individuals, a number of details may have changed from their held record as names change, passports expire etc. For many it turned into an exercise of working out what previous information was provided rather than providing current and accurate information.

We were glad that the FCA provided ABCUL an opportunity to run through the system before launch which we found very beneficial when supporting our members. We would be very happy to participate in any more hands-on early testing of systems which credit unions will be expected to use in future. As ever, please let us know if you wish to discuss this further.

Yours sincerely,

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