

Economy, Infrastructure and Skills Committee
National Assembly for Wales
Pierhead Street
Cardiff
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Economy Infrastructure and Skills Committee – Access to Banking

We appreciate the opportunity to respond to this discussion paper. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 266 credit unions which choose to be a member of a trade association, 71% choose to be a member of ABCUL. There are around 300 credit unions registered in Great Britain.

At 31 December 2018, 18 credit unions in Wales were providing financial services to 79,412 people, including almost 14,000 junior depositors. The Welsh credit union sector held £49 million in assets with more than £26 million out on loan to members and £40 million in deposits.

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.

Credit unions' work to provide inclusive financial services has been valued by successive Governments. They provide a valuable social role in providing affordable credit to those otherwise excluded from mainstream credit, a secure and regulated place to save and encourage people into a savings habit, often for the first time. Welsh Government has supported and invested in credit unions to expand this role.

Access to Banking

The Credit Unions Act 1979 lays in statute 4 core objectives for credit unions which support financial inclusion and education i.e.:

- The promotion of thrift among members;
- The creation of sources of credit for the benefit of members at a fair and reasonable rate of interest;
- The use and control of their members' savings for their mutual benefit; and
- The training and education of members' in the wise use of money and in the management of their financial affairs.

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Credit unions are also regulated for prudential matters of financial soundness by the Prudential Regulation Authority and for conduct and consumer matters by the Financial Conduct Authority. All deposits held by credit unions are protected up to £85,000 by the Financial Services Compensation Scheme and all credit union members have recourse to the Financial Ombudsman Service where they wish to complain about a credit union's conduct.

Credit unions have played a strong role in offering affordable alternatives to payday lenders and high-cost rent to own providers whilst offering loans and white goods schemes to low-income demographics. Over the past decade credit unions have doubled their membership in Wales and have almost tripled their share balances.

Credit unions in Wales, to an even greater extent than the average UK credit union, serve the underserved. They operate in local communities and offer vital face to face services in an increasingly digital world where the number of bank branches is falling rapidly; they have formed partnerships with housing associations, debt advice services, prisons, schools, and charities to work together to serve the financially excluded.

Whilst credit unions do offer some limited transactional services, a community bank for Wales could augment the work of credit unions by offering a fully-fledged current account service. Credit unions support members to access a full range of banking services and would to seek to work collaboratively with a community bank for Wales. However, a community bank that offered savings and lending products may duplicate and be in direct competition with credit union's own bread-and-butter services to the financially excluded.

ABCUL therefore urges that the impact and potential for a community bank to effectively collaborate with credit unions in Wales to be seriously considered as the proposals develop.

We would be happy to discuss this feedback or provide further details should that be required.

Yours sincerely,



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