

David Cheesman & Lucina Puls
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

14 January 2020

Dear David and Lucinda

Financial Conduct Authority – CP 19/30 – Regulated fees and levies policy proposals for 2019-20

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 262 credit unions which choose to be a member of a trade association, 70% choose to be a member of ABCUL. There are currently 298 credit unions registered in Great Britain.

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.

As of June 2019, credit unions in Great Britain were providing financial services to over 1.4 million people using credit unions, including over 130,000 junior depositors. The sector held more than £1.7 billion in assets with £1 billion out on loan to members and £1.4 billion in deposits.

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. Successive Governments have legislated and invested in credit unions to expand this role.

Response to consultation

Administration charge for paper invoicing

ABCUL has always supported the FCA's efforts in modernising their systems and the methods by which they send and receive information from all firms. This has produced the benefits of improving efficiency and the tracking of correspondence whilst reducing costs for all parties.

ABCUL responded to this proposal after it was initially proposed in 2017, and whilst we agreed with the of the benefits of online invoicing put forward by the FCA we argued that smaller firms and resource-constrained firms such as some credit unions may be disproportionately impacted if left paying an ever increasing bill as the number of firms using paper invoicing dwindles.

ABCUL Association of British Credit Unions Limited
Holyoake House, Hanover Street, Manchester M60 0AS
Tel 0161 832 3694 Fax 0161 832 3706
Email info@abcul.org Website www.abcul.coop

We appreciate that the FCA has delayed this proposal by a couple of fee cycles and has settled on a charge at the lower end of the spectrum. However, the FCA appears to have achieved a significant drop in paper invoicing without introducing an administration fee and we wonder whether this trend would not continue without the introduction of the administration charge. Whilst we acknowledge that the cost of such a service does not scale linearly it appears that the FCA has made good progress towards reducing the overall costs of paper invoicing.

Whatever the outcome of this consultation, ABCUL will continue to encourage its members to switch to electronic reporting and invoicing for the clear and obvious benefits over paper.

Debt Advice Levies for the Money and Pensions Service and devolved authorities

ABCUL had consistently and strongly argued that contributions towards debt advice levies should be based on a 'polluter-pays' model. This was largely motivated by a system in which many high-cost and payday lenders which were wilfully irresponsible in causing and exacerbating consumer problem debt did not contribute towards debt advice.

This obvious unfairness was recently addressed when a proportion of the debt advice levy was allocated to the consumer credit block. In addition FCA introduced a concession which exempted credit unions from paying debt advice levies on the first £2 million of their lending. This was a welcome concession for the credit union sector which is uniquely exposed financial exclusion and plays a role in line with the statutory objects of the credit unions act to promote thrift and provide credit at reasonable rates to those people whose options are often limited.

We are happy to engage further as the proposals take shape, and in particular we are keen to ensure that the recent progress made to better balance the distribution of debt advice levies is not left behind in a move to a new model.

We would be very happy to discuss any of this response further should you wish to.

Yours sincerely,

Daniel Arrowsmith
Policy and Regulatory Compliance Officer