Fair4All Finance
3rd Floor
16-18 Middlesex Street London
London
E17EX

30th January 2026

To Whom It May Concern,

Priorities for Additional Dormant Assets Funding

ABCUL welcomes the opportunity to respond to this consultation on priorities for additional Dormant Assets funding and strongly supports Fair4All Finance's role in advancing financial inclusion and resilience across the UK. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around half of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies that provide financial services – primarily savings and loan 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 loan 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 over 215 credit unions active in Great Britain today with more than 1.5 million members and £2.7 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Consultation Response

Our response reflects the experience of credit unions, which are trusted, community-based providers working daily with people facing financial exclusion, problem debt and income volatility. While credit unions already deliver meaningful impact, structural barriers continue to limit the scale of what the sector can achieve.

Improving financial inclusion requires a coherent, evidence-based framework for understanding who is being served, who is being left out, and where systemic barriers persist. Currently, the demographic and financial vulnerability data across the inclusive finance sector is fragmented, inconsistent, and often hard for credit unions and community lenders to collect. This is due to resource constraints and the risk of eroding trust among communities that are cautious about profiling.

A key message in our response is the need for stronger evidence, data and shared infrastructure to support effective financial inclusion. Investment in consistent, system-wide approaches to data, particularly on demographics, vulnerability and lived experience, would significantly strengthen policy development and programme design. Fair4All Finance is well placed to convene and lead this work in a way that is proportionate and accessible for community finance providers.

International practices show the value of structured demographic monitoring, whether through regulatory reporting (as seen in Australia), community reinvestment (in North America), or specialised analytics platforms that enhance mission-driven lenders' understanding of their impact. There is clear potential for Fair4All Finance to invest in a similar UK-focused solution that addresses current gaps in financial inclusion data. Throughout our responses, we stress that achieving meaningful impact for financially vulnerable groups depends on three key principles:

1. **Evidence and lived experience must guide policy and program design.**

Understanding inequities at their source, especially for groups facing overlapping vulnerabilities, is essential for creating solutions that are fair, accessible, and effective.

2. **Credit unions have a proven community role but need supportive infrastructure to scale.**

Whether in financial education, inclusive product design, partnerships with fintech, or delivering innovations such as loan guarantees, round-up savings tools, or auto-enrolment schemes, credit unions can reach individuals that mainstream providers don't reach. We also see clear opportunities to expand the role of credit unions in insurance, access to banking and payments infrastructure, and savings, particularly through the reform of Help to Save. However, this requires investment in systems, risk-sharing mechanisms, and strategic collaboration.

3. **Structural barriers, regulatory, financial, technical, or cultural, must be addressed if inclusive products and services are to reach those most in need.**

This includes the high upfront costs of digital access, gaps in the regulation of the insolvency sector, mistrust and stigma within the benefits system, and the disproportionate operational burden placed on credit unions.

In summary, we believe that Fair4All Finance has a central role to play in convening partners, providing targeted investment, and enabling innovation that strengthens the capacity of credit unions. A sector that is digitally capable, data-informed, and supported by proportionate regulation and risk-sharing approaches will be better equipped to build financial resilience and inclusion across the UK.

We would welcome continued engagement with Fair4All Finance as these priorities are developed further.

Consultation Questions:

1.Research and knowledge gaps

1.1 What data or knowledge gaps in financial inclusion would targeted research funding help close?

We believe there is an opportunity to establish a consistent agreed framework for demographic data capture to support financial inclusion efforts. An agreed-upon framework is needed to support consistent methods for tracking data across the system. F4AF in its convening and policy influencing role could lead a process to develop such a framework ensuring it is designed in a way that is accessible for credit unions and other community lenders. Participation in such a scheme might give access to valuable data such as demographics, household income, and other metrics.

Existing geodemographic segmentation tools such as Acorn, provide credit unions with data to help them understand and deliver products and services that meet the needs of target communities. It would also highlight areas and demographics that are being underserved within their common bond.

The expectation on credit unions to capture and monitor this data is challenging for many credit unions due to pressures on resource. Another barrier to data collection is the distrust that it can create within the communities we are seeking to support due to the perception of discrimination and suspicion around profiling.   A third-party solution which did not depend upon data capture from members would address these concerns while creating more consistent insights.

We note that in Australia, credit unions are required to monitor their member demographics primarily through internal data analysis based on their common bond and regularly report this to the Australian Prudential Regulation Authority. In North America as part of the Community Reinvestment Act (CRA) banks are required to capture demographic information of their customers to ensure they are meeting the needs of their communities, including low- and moderate-income neighbourhoods. In the US, mission driven organisations, like credit unions can apply for Community Development Finance Institution (CDFI) certification in order to participate in CDFI fund programmes.

Institutions like Inclusiv offer a financial inclusion data analytics platform which allows credit unions to measure, evaluate and broaden the scope of their inclusive lending activities allowing the credit unions to review programme compliance and provide data analytics to better serve their members and further their community impact. Fair 4 All Finance could invest in a similar platform in order bridge gaps in financial inclusion demographic data in the UK.

2. Benefiting financially vulnerable groups

2.1 What should we consider to ensure equity, diversity and inclusion are at the heart of how we invest, develop policy and programmes?

Efforts to address equity, diversity and inclusion should always be grounded in evidence and lived experience. Understanding where inequalities are being perpetuated at source will provide wider understanding and clarity on how long-term change can be implemented when developing policy and programmes.

Organisations such as Equity in Finance provide trusted advice and guidance in ensuing that efforts to effectively and sensitively support EDI objectives within programmes are successful.

Fair 4 All Finance could fund further targeted research into problems of EDI with respect to mainstream credit products, such as credit cards, to better understand how their design, pricing, and usage can lead to financial harm for specific groups. Generating robust evidence on issues like high-cost borrowing, persistent debt, and complex terms would equip community finance providers with practical insights to design out these pitfalls. This research would support the development of fairer, more transparent credit products that meet people's needs without exacerbating vulnerability, ultimately strengthening the capacity of the community finance sector to deliver safer and more sustainable financial solutions.

2.2 Are there particular financially vulnerable groups or certain life transitions we should prioritise to have the greatest impact on financial resilience, and why?

We have indicated certain groups often who face overlapping barriers to increasing their financial resilience and should be prioritised to have the greatest impact on financial resilience. It is important to note that this is not an exhaustive list of financially vulnerable groups in need of prioritisation.

- People Experiencing Problem Debt
    - Prioritise through access to financial education and promoting access to affordable and sustainable forms of credit such as credit unions, credit unions are able to support people experiencing problem debt through structured consolidation loans, for example.

- Prisoners and Prison Leavers
    - Prison Leavers often face challenges in accessing financial services due to their irregular status. They are often in need of support to deposit funds arising from life event such as pensions or inheritances. A number of credit unions are already providing deposit accounts for prisoners where there are provision gaps.

- People without standard forms of ID or fixed address
    - Migrants, refugees, and people without standard forms of ID or no fixed address are often locked out of financial services and face additional barriers to participation. There are some emerging fintech solutions to this kind of ID poverty working with credit unions.

- Care leavers
    - Care leavers are more susceptible to being financially disadvantaged. Without the right guidance they are at greater risk of falling into debt, homelessness, and financial exclusion.

2.3 What successful local initiatives could be scaled sustainably to build and improve financial resilience?

Credit unions have long been trusted providers of financial education, firmly rooted in their communities. People feel confident approaching their local credit union for guidance on managing their finances, knowing they will receive support in a non-judgmental, understanding, and welcoming environment. Scaling the capacity of credit unions to provide financial education to their local community, delivered at branches, online and through community organisations would reap benefits. Additionally, support for credit unions to provide more structured and regulated financial advice where there is appetite could have a significantly positive effect on building and improving financial resilience.

Inter–credit union partnerships and Credit Union Service Organisations (CUSOs), such as the SoundPound Group in Greater Manchester (a collaboration between 14 credit unions) enable credit unions to innovate through gaining economies of scale and reach a wider community. The Sound Pound Group has, for instance, allowed a collaboration with Transport for Greater Manchester with the Annual Bee Network Ticket Loan, which helps reduce the poverty premium by supporting people who cannot afford the upfront cost of an Annual Bee Network ticket. The loan allows members to spread the cost into smaller, manageable weekly payments, making travel more accessible and affordable.

This local initiative, and others like it, have significant potential for replication in other city regions with devolved administrations and elected Metro Mayors. This approach offers a tried-and-trusted pathway for strengthening collaboration, expanding reach, and driving sustainable growth across the credit union sector.

3. Supporting Innovation

3.1 What types of support (eg funding, partnerships, technical expertise) should we consider to accelerate innovation in financial products and services for people in financially vulnerable circumstances?

An expansion of bad debt guarantees for credit unions and other lenders seeking to expand their lending to those otherwise excluded due to poor credit histories has great potential to deliver meaningful growth of lending.

Fair4All Finance's pilot of the No Interest Loan Scheme (NILS) demonstrates this potential. PWC's interim evaluation report showed that 78% of NILS loans were performing[1] despite being outside the risk appetite of the lenders without the provision of guarantees. There are real opportunities to expand this approach and support credit unions and other lenders to test and refine their risk appetite and credit decisioning approaches.

Reducing the risk for credit unions when lending to people in financially vulnerable circumstances would significantly expand their capacity to serve financially underserved communities. At present, mainstream banks are often unwilling to lend to higher-risk individuals, widening the exclusion gap. Scaling or Introducing a loan guarantee scheme to support credit unions would meaningfully de-risk lending activity in this space. By absorbing a portion of potential losses, such a scheme would support credit unions in offering a broader

[1] PWC NILS Interim Report

range of affordable financial products and services to people in financially vulnerable circumstances.

Another opportunity could be explored with greater links between financial inclusion innovations and the FCA Sandbox, helping inclusive finance initiatives move from concept to delivery while remaining consumer-focused and compliant. The recently-announced Co-operative Development Unit at the FCA provides new opportunities to develop this approach with a particular focus on credit union innovation. This could provide opportunity to scale innovative financial products and service.

ABCUL strongly welcomes the £30 million credit union transformation fund, and notes that this will be consulted on separately. This will provide another opportunity to identify and develop the support needed for the sector, including access to funding, partnership opportunities, and technical expertise.

However, it is important to note that in the decade when credit unions last doubled in size, between 2002 and 2012, more than £80mn was invested in the expansion of the sector's lending via the Financial Inclusion Growth Fund. While of course the allocated transformation fund is very welcome, it is arguable that a doubling in scale might require a greater quantum of investment than is currently available.

3.2 What lessons from other sectors could help us support and design inclusive financial products and services with others?

Co-designing financial products ensures they are built with the people who will use them, not imposed on them. Involving users directly embeds accessibility into the design process from the outset, making products more intuitive, fair and inclusive. A notable example of other sectors helping with inclusive processes is the NHS's Lived Experience Advisory Panels (LEAPs), this includes Patient, Public and carer involvement (PPI) drawing on people with real lived experience which informs future research, LEAPs are utilised by NHS Foundation Trusts all across the country[2]. A similar framework to support inclusive design of financial products could prove particularly effective.

3.3 What barriers could we address to enable innovative firms (eg fintech) from serving financially excluded markets?

The upfront costs for fintech to serve financially excluded markets is a significant barrier that could be addressed. This is also compounded with the risks that many fintechs would be exposed to due to the structural nature of serving financially excluded markets, such as irregular income, higher financial vulnerability, or a limited credit history.

Many fintechs seek to develop innovative solutions for problems of financial exclusion in partnership with credit unions as delivery partners and there is a real opportunity to catalyse this kind of partnership working between fintech and credit unions to deliver better outcomes overall.

[2] Use your experience to shape our research :: Sussex Partnership NHS Foundation Trust

3.4 Income maximisation tools (benefit calculators) help identify missing benefits and grants but individuals still face complex processes and barriers.

b What barriers - digital, psychological or regulatory—need to be addressed, and what practical steps could we support to help convert an individual's awareness of benefits eligibility to their receipt of funds?

Wider adoption and integration of income-maximisation tools within loan application journeys would help convert an individual's awareness of potential benefit entitlements into actual uptake. Embedding a benefits checker directly into the loan process reduces friction by removing the need for applicants to search independently for additional support or income-boosting opportunities.

ABCUL supports Fair4All Finance's view that several barriers must be addressed to ensure that awareness of benefit eligibility results in people receiving the support they are entitled to. Strengthening integration between credit unions and fintech providers would make it significantly easier for members to identify and claim missing income.

Despite this, psychological barriers will remain. Many claimants experience being scrutinised and challenged by the DWP, leading to many fearful of claiming benefits that they are entitled to. Recent research by turn2us has highlighted the stigma, scrutiny and unfair suspicion that many claimants experience when applying for benefits that they are entitled to. In the case of PIP assessment, for example, 64% of current claimants felt that the benefits system was trying to catch them out.[3] In order to address this, we need to work with DWP on their culture and approach to benefit claimants which does not currently breed trust and understanding.

Work to integrate benefits calculators with DWP application processes would be a welcome step in streamlining processes as the administrative opacity of claiming journeys is another key barrier to claiming. This could also be addressed by working with DWP to better explain entitlements and the application process to those within the target audience who often have additional needs, such as English being a second language or learning disabilities.

4. Access to Insurance

4.1 Where else should Fair4All Finance consider focusing to reduce the protection gap?

There is clear merit in credit unions expanding their insurance offering to reach people who most need protection. Recent research involving Fair4All Finance found that the membership profile of many community credit unions is likely to include individuals currently in the protection gap[4]. Enabling credit unions to offer additional products such as insurance could therefore help address this unmet need, as these community credit unions already serve the demographics most likely to benefit from accessible, affordable cover. Credit unions are well placed to help reduce the protection gap because of their trusted role within communities. Research highlights several strengths that make them effective in this space: they have a

[3] Experiences of the UK social security system | Turn2us
[4] Understanding the role credit unions can play in tackling the protection gap

strong understanding of member needs, existing insurance products could be adapted and distributed through their channels, and their members are often underserved by mainstream insurers.

5.Problem debt – new approaches

5.1 Would a cash transfer scheme or debt jubilee concept be an effective way to address problem debt, and how could this work in practice?

Whilst there may be merit in exploring a cash transfer scheme or debt jubilee, it would be necessary to explore how such a mechanism could disproportionately affect social lenders, such as credit unions. A debt jubilee could act as a systemic economic reset relieving households and individuals and we support the principle but it could threaten the stability of social lenders if not carefully designed.

5.2 What other new or innovative approaches to dealing with problem debt should we consider?

From a regulatory perspective, reform is essential in the for-profit insolvency market. Because for-profit insolvency firms themselves are not currently subject to firm-level, indepennt regulation, gaps in oversight allow commercially driven providers to operate without adequate accountability. This has contributed to unsuitable advice being given to people in problem debt, as firms may prioritise products that maximise profit rather than solutions that genuinely support long-term financial recovery. The incentives within this market are therefore skewed towards commercial gain, rather than the creation of sustainable, appropriate debt-resolution pathways that help individuals move out of problem debt. We are strongly in favour of the creation of an independent regulatory framework and oversight regime for the insolvency industry given the very significant detriment poorly-advised insolvency arrangements have the potential to cause.

6.Access to Banking, Digital Inclusion and Payments

6.1 Should Fair4All Finance play a role in improving access to cash and banking services? If so, what approaches would be most effective?

Credit unions wishing to play more of a role in banking raise the question of costs and the disadvantage that is placed on small providers such as credit union with regards to this. There could be support by F4AF to help reduce costs for credit unions and small lenders including CDFIs to get access to banking and payment services as upfront costs for these services are largely out of reach for many credit unions and small lenders.

Most credit unions currently rely on sponsor banks or third-party providers which adds cost dependency and operational risk and can restrict the range or flexibility of services. For many credit unions, legacy systems or reliance on shared platforms limit their ability to offer online banking, real time payments or open-banking enabled services.

7. Savings

7.1 What innovations could we support to increase savings for those with low or volatile incomes?

'Help to Save'

The Help to Save model has not had significant uptake in respect to the eligible population. We believe this is largely a result of its operational model. Opening the Help to Save Model to a Multi-Provider model, including credit unions, would significantly support an increase in product take up and thereby boost savings for those with low or volatile incomes. The customers that Help to Save is intended to support coincide closely with the demographics that credit union's serve – this is highlighted by ABCUL's Community Development Credit Union Whitepaper. ABCUL's data research utilising CACI's Acorn segmentation groups revealed that over 68% of the 92,000 members who saved with the eight pathfinder credit unions are all within the two lowest Acorn Groups ''Stretched Society'' and '' Low Income Living''.[5]

We recognise that a national provider would be needed to support a multi-provider model for Help to Save delivery but provided one can be found, credit union delivery would significantly boost take up.   There is strong appetite among our members to provide the product based on recent surveys.

Micro Savings and Round Up through a Credit Union account

[5] CDCU Whitepaper

Support could be provided to help credit unions offer "round-up" savings features through their debit cards. Clockwise Credit Union already provides a strong example: members using their Clockwise current account debit card can opt into a "Round Up" feature, where everyday purchases are rounded up to the nearest pound and the difference is automatically transferred into savings. For instance, a £1.79 coffee purchase is rounded to £2.00, with 21p added to the member's savings pot.

This type of micro-saving is already common among challenger banks and large financial institutions and has proven effective in helping people build savings gradually and effortlessly. Extending support through Fair4All Finance to help more credit unions adopt this functionality could make a meaningful difference for people on low or volatile incomes. For many members, committing to fixed monthly savings is often unrealistic due to income instability. Round-up tools, by contrast, enable savings to grow in small, manageable increments that require no active decision-making, helping members to build financial resilience over time.

7.2 How can we best support credit unions and others to deliver savings auto-enrolment solutions?

In order for credit unions to deliver savings auto-enrolment solutions at scale, a multifaceted approach is essential. Internally, credit unions will need the capacity and capability to operate auto-enrolment savings schemes at scale. This includes support for operational preparedness, investment in back-office systems, and stronger digital infrastructure.

Externally, success will depend on expanding partnerships with businesses, local authorities, and other organisations, giving employees a simple route to save directly from their payroll into their credit union. Although payroll savings uptake remains low under the current framework, it has significant potential to grow through incentivisation, improved employer engagement, and wider public awareness of the benefits of payroll-linked saving.

Linking with auto enrolment in payroll savings, a clear legislative framework on savings auto-enrolment would provide greater clarity for both payroll partners, and credit unions to provide these schemes.

Please contact us at advocacy@abcul.org if you have any questions about our response to your consultation.

Kind regards,

Natalie McQuade

Natalie McQuade
Head of Advocacy and Regulatory Affairs
ABCUL