

Cross-Party Group on Credit Unions

Minutes of the meeting held at 5.45pm on Wednesday 25th November 2015 in Committee Room 6, The Scottish Parliament

Present

John Wilson MSP (Convener), Frank McKillop (Secretary), Gordon MacDonald MSP, Matt Bland (ABCUL), Susan Brown (Capital CU), Norman Crawford (Let's Build Credit Unions), Gerry Docherty (East Kilbride CU), Sonia Johnston (Capital CU), Mark Lyonette (ABCUL), Flora Mackin (The Transport CU), John Mackin (The Transport CU), Kenny MacLeod (Scotwest CU), John McClay (West Lothian CU), Charles Meehan (Dalmuir CU), Claire McGrath (University of Glasgow), Eddie Percy (Glasgow CU), Miriam Reynolds (Capital CU), Michael Ross (Young Scot), Stephen Sherriff (East Kilbride CU), Charles Sim (Churches Mutual CU), Alex Spence (Capital CU), Billy Thomson (West Lothian CU), Kathryn Waite (Heriot-Watt University), Paul Walsh (CUNA Mutual), Lindsay Watt (DWP)

Apologies

Anne McTaggart MSP (Deputy Convener), Jackie Baillie MSP, Claudia Beamish MSP, Kezia Dugdale MSP, Mary Fee MSP, Neil Findlay MSP, Patrick Harvie MSP, Hugh Henry MSP, Jim Hume MSP, James Kelly MSP, Johann Lamont MSP, Jenny Marra MSP, Mark McDonald MSP, Mary Scanlon MSP, Drew Smith MSP, Allison Barnes (Money Advice Service), Sharon Bell (StepChange Debt Charity), Nadia Bessos (Scottish Government), Graham Burnside (Shepherd & Wedderburn LLP), Trisha Butler (Drumchapel Community CU), Steven Cunningham (Alexander Sloan), Deirdre Forsyth (SCRT), Bobby Gould (CUNA Mutual), Karen Graham (Renfrewshire Wide CU), Karen Hunter (Church of Scotland), Jim Lally (Education Scotland), Jim Lee (Blantyre & South Lanarkshire CU), George Macdonald (Tay Valley CU), Nancy MacGillivray (ACE), Charlie McLeish (East Kilbride CU), Dr Robbie Mochrie (Heriot-Watt University), David Ogilvie (Ogilvie Independent Housing Consultancy), James Proctor (Co-operatives UK), Donald Thomson (Solway CU), Douglas White (Carnegie UK Trust)

- 1 The Convener welcomed all to the meeting. He noted the sad passing of George Murray, Treasurer of Drumchapel Community Credit Union, who had attended a number of Cross-Party Group meetings and events and given great service to his community over many years.
- 2 Attendance and apologies were noted as above.
- 3 Minutes of the meeting held on 03/06/15 were read, moved as correct by Kenny MacLeod, seconded by Charles Meehan, and agreed. There were no matters arising.
- 4 Mark Lyonette (ABCUL) and Paul Walsh (CUNA Mutual) presented on the theme: *Where next for credit unions?*, followed by extensive discussion. Points made included:
 - Scotland has tremendous potential to develop and lead credit union innovation;
 - “Great” credit unions have a loans-to-assets ratio of over 70%, yet the Scottish average has fallen to around 50% – and for a number of credit unions, the ratio is much lower;
 - By only offering unsecured personal loans, credit unions are only operating in one diminishing space in the broader consumer credit market;
 - Many credit union members would use their credit union for more products – if the credit union offered the products they’re actually looking for;
 - Too many credit unions are offering the same products to the younger generation that they offered to their parents, yet consumer needs and expectations have changed;
 - Some credit unions have a loyal, long-standing membership – but aren’t relevant to anyone else;
 - Member loyalty should be measured by how many products a person takes from their credit union;
 - Scottish credit unions’ memberships are ageing faster than they can recruit new young members;
 - Just over 40% of new Scottish credit union members are aged between 18 and 35;
 - Only 5% of junior savers go on to borrow from their credit union once old enough;

- The credit union movement is yet to crack the conundrum of making schools projects good value for money by converting young savers into adult borrowers;
- American credit unions are this year recruiting the most consumers aged 18-35 since the 1930s. They have successfully presented as an ethical, fair option in the banking landscape;
- Credit unions need to balance their ethical approach to the fact that they need to sell loans to be profitable, and there are a lot of people out there who would benefit from using a credit union for their borrowing;
- There's no point feeling good about charging the same rate to all borrowers if it means lending and profits are tumbling and the credit union can't really serve its community;
- More diverse loan products are key to credit unions' growth and continuing relevance;
- Credit unions enjoy a trust advantage over other providers in terms of values and customer service, but struggle to convert this to a competitive advantage because many consumers ultimately prefer the products offered elsewhere;
- Irish credit unions have collectively spent millions on advertising campaigns which have reinforced consumers' positive view of the sector, but failed to get more people to borrow from a credit union;
- Employer relationships are a key differentiator and give credit unions a competitive advantage – although new disruptive entrants to the financial services market have spotted this and are entering this space;
- More loan applications now originate from mobile devices (smart phones and tablets);
- It's wrong to assume the use of mobile devices for banking is exclusive to young people; older consumers are also doing more and more banking on their smart phones;
- No Scottish credit union is big enough to develop market-leading infrastructure on its own. Co-operation to deliver joint services and better member value is critical;
- "Great" credit unions share platforms and expertise. There are more different platforms in use between Scottish credit unions than in the entire American credit union movement.
- The benefits of co-operation – and the risks involved in staying isolated as competitors harvest credit unions' potential market – make it worth fighting through the various obstacles and barriers that always stand in the way of working together;
- Credit unions should consider opportunities to enter a market where consumers have been treated badly and deliver the product better, such as credit cards;
- Some consumers are simply looking for a good car loan, but will never be regular savers or borrowers or credit union advocates. Is that a bad thing?
- The real challenge of perception is that we need consumers to associate credit unions with a wider range of products. This will be a gradual process, but we need to start somewhere.

The Convener thanked Mark and Paul for their presentations, and all who contributed to a lively discussion.

- 5 There was no AOCB.
- 6 The Convener gave updates on the Scottish Government Credit Union Working Group and the Parliamentary Credit Union Conference:
 - The Working Group is now drafting its report, which is scheduled for publication in February 2016.
 - The special Parliamentary Credit Union Conference is being held on 12/02/16. Every credit union in Scotland will be invited to attend, along with regulators, the financial services sector and other stakeholders. The Presiding Officer, the First Minister and the Business Minister have all been invited to speak, and guest speakers will provide international perspectives from Ireland and North America. 6 workshops will be available on governance, young savers, employer partnerships, mergers, training and new operating models. It was hoped every credit union will make an effort to attend.
- 7 The Group's next meeting will be on 02/03/16. This will be the Group's final meeting in the current Parliamentary term.
- 8 The Convener thanked all for their attendance and closed the meeting.