

# Cross-Party Group on Credit Unions

## Minutes of the meeting held on Wednesday 18<sup>th</sup> January 2012

### Present

John Wilson MSP (Convener), Anne McTaggart MSP (Deputy Convener), Frank McKillop (Secretary), Hugh Henry MSP, Trisha Butler (Drumchapel Community CU), Ray Donnelly (First Scottish University CU), Alison Dowling (Renfrewshire Wide CU), Jim Duffy (Scottish Police CU), Deirdre Forsyth (Scotwest CU), Angela Hampson (Glasgow CU), Jeanette Hardie (Capital CU), Jim Lee (Co-operation & Mutuality Scotland), Iain MacGillivray (West Lothian CU), Nancy MacGillivray (ACE), John Mackin (The Transport CU), Cathy McGrath (Glasgow CU), Carol McHarg (1<sup>st</sup> Alliance (Ayrshire) CU), Tom McVay (SCVO CU), Ian Miller (Co-operation & Mutuality Scotland), Janet Mundy (West Lothian CU Forum), Dermot O'Neill (SLCU), Stewart Ormond (Capital CU), Eddie Percy (Glasgow City Council), Theresa Potter (Office of Anne McTaggart MSP), Joe Reilly (Shettleston & Tollcross CU), Charles Sim (Scotwest CU), Billy Thomson (West Lothian CU), Paul Welsh (Office of John Wilson MSP), Alison Wright (West Lothian CU), Andy Wright (1<sup>st</sup> Class CU)

### In attendance

Fergus Ewing MSP (Minister for Energy, Enterprise & Tourism), Sharon Bell (Accountant in Bankruptcy)

### Apologies

Neil Findlay MSP, Johann Lamont MSP, Margaret McDougal MSP

- 1 The Convener welcomed all to what was the first business meeting of the CPG in the new Parliamentary term. He welcomed the Minister, Fergus Ewing MSP, and thanked him for agreeing to join us to discuss the issue of Protected Trust Deeds (PTDs).
- 2 Attendance and apologies were noted as above.
- 3 Presentations were given by Frank McKillop (ABCUL) and Carol McHarg (1<sup>st</sup> Alliance (Ayrshire) CU) on the impact of PTDs on credit unions and the reforms the credit union movement would like the Scottish Government to consider.

Fergus Ewing MSP outlined the Scottish Government's perspective on the issue and the reforms being considered in the ongoing consultation, including:

- The need to support ethical alternatives to high cost lenders, although recognising the danger that a universal interest rate cap could push vulnerable people towards illegal loan sharks;
- Concern about the fees charged by debt management companies, especially charges such as "introductory fees" which do not appear to cover any actual cost incurred;
- Observing that the AiB's costs to administer bankruptcies are a fraction of those charged by debt management companies;
- The Scottish Government wishes to see people pay their debts wherever possible, not entering PTDs to write them off if that can be avoided;
- The Debt Arrangement Scheme (DAS) should be used in more cases;
- A minimum return to creditors in PTDs should be established if possible;

- PTD Guidance must be followed, and breaches should be reported and acted upon by the AiB;
- A consultation on wider bankruptcy reforms will shortly be launched, with consideration for allowing credit union debts to survive bankruptcy;
- The debt advice/relief process should be part of a “Financial Health Service”;
- The Scottish Government wishes to see Scotland at the fore of the international credit union movement, with a thriving credit union sector.

4 The Convener thanked the speakers and opened discussion of the issues. Points raised included:

- Credit accessed a certain period of time prior to entering a PTD should be excluded from the PTD based on the assumption that the debtor knew they would not repay it – with the option for the debtor to appeal where there was a genuine unforeseen financial shock;
- Concern at the web of relationships between the companies operating and generating profits in the debt management industry;
- AiB should have powers to limit fees, although some may argue this is “state interference” in a voluntary agreement between debtor and trustee. Yet others argued vulnerable debtors are being exploited for profit;
- A PTD is supposed to protect the interests of both the debtor and creditors, yet this balance seems to have been lost. It was argued that most primarily benefit the trustee;
- Wider promotion of credit unions and higher credit union membership could help more Scots avoid over-indebtedness. Support for marketing and access through the Post Office network was suggested;
- The promotion of credit unions in schools is a great opportunity to teach the next generation about responsible saving and borrowing.

5 The Convener thanked all for their contributions to a lively discussion. The Minister made concluding remarks that:

- The meeting had been very useful to him;
- He would speak to the Education Secretary about the promotion of credit unions in schools;
- The Scottish Government supports the work of credit unions;
- Funding has been available through the Enterprise Growth Fund, although he noted comments that credit unions and fund administrators alike may need to better appreciate that credit unions can be supported from that stream;
- Credit unions were encouraged to respond to the PTD consultation.

6 AOCB: It was noted that some larger credit unions have been receiving complaints from agencies taking up PPI mis-selling claims. It was agreed to monitor this issue and consider whether it might be a topic for a future meeting.

The Convener reported that he had been approached by a delegation from wonga.com who wished to demonstrate that their business was providing an important service.

7 The Convener thanked all for their attendance and closed the meeting.