

Cross Party Group on Credit Unions

Minutes of the virtual meeting held on Thursday 10th December 2020

Present

Angela Constance MSP (Convener)	Dawn Vear (UKCU)
Claudia Beamish MSP (Convener)	Nancy MacGillivray (West Lothian CU)
Johann Lamont MSP (Scottish Parliament)	David Ross (Glasgow CU)
Natalie McQuade (ABCUL)	Robert Kelly (ABCUL)
Jonathan Slinger (Blackburn, Seafield and District CU)	Dermot O'Neill (SLCU)
Thomas McVay (SCVO CU)	Alice Connelly (Wishaw CU)
Bill Hudson (ACE CU Services)	Rose Mavin (Wishaw CU)
Frances McCann (Scotwest CU)	Julie Bruce (Discovery CU)
Cathy Greig (Vale of Leven CU)	Theresa McLaughlin (Baillieston CU)
Julie Reddin (Mosshill CU)	Lorraine Corrins (Baillieston CU)
Gordon Stewart (Stirling CU)	Sean McGarvey (Clackmannanshire CU)
Chinyere Adeniyi-Alade (Grampian CU)	

Apologies

Sandra Neill (Scot Govt)
Angus MacDonald MSP (Scottish Parliament)
George Nedley (Scottish Police CU)

Introduction

Angela Constance MSP, Convenor, welcomed everyone to the meeting.

Claudia Beamish MSP, Convenor, welcomed the group opened the meeting, and thanked everyone for taking the time to attend the meeting. Claudia noted her keenness to continue to work with the sector and her intent to stand as co-convenor for the rest of the Parliamentary term if elected. She also noted her apologies as she would have to leave the meeting early as she had another standing agenda item to attend.

Updated on actions from the previous meeting

- Natalie McQuade, ABCUL noted the minutes from the previous meeting had been circulated and approved by email.
- It was also noted that there were no further actions from the previous meeting

General discussion items

Covid-19 impact on the Scottish Credit Union Sector

- It was noted that due to the pandemic some credit unions have been utilising electronic signatures for loan agreements. However due to the restrictions on The Book of Councils and Session (BCS) credit unions are unable to recover debts where a digital signature has been obtained for the loan.

- The concern was raised that this has been an ongoing issue for credit unions for many years and that the issue needs to be addressed.
- The cost implications to the credit union and the individual were also highlighted – if pursuing a debt through court action the debtor would pay the costs incurred in process, if the loan is registered through the Register of Scotland the cost is £10.00.
- One credit union noted they have changed their underwriting process only allow a digital signature for secured lending and to assess the online applications and if approved they will then send out a loan agreement to be signed and returned allowing the loan to still be registered for the BCS if required at a later date.
- Robert Kelly, ABCUL, then noted the challenge that credit unions face and the previous discussions that have taken place at the CPG, but noted that the BCS is not open to any other financial service organisation so it could be argued credit unions currently have a competitive advantage at the moment by being able to utilise this process for the price. ABCUL are not suggesting we take any competitive advantage away from any other financial institution, however having spoken with the relevant authorities at Scottish Government there has been no appetite shown for the BCS to be part of the digitalisation process at this stage. ABCUL has recommended to their members that a move to accepting digital signatures has to be factored into their business model choice and risk analysis as it comes with implications. It was highlighted that credit unions have access to this service which other financial services do not currently have access to and the potential implications of raising the inclusion of accepting digital signatures could in theory be counterproductive and could result in some negative implications.
- One credit union noted their disappointment to hear this and that there seems to be an unwillingness from key people to move on the development of this process.
- Angela Constance recommended a discussion paper collating the issues being experienced by the CPG members and advantages and disadvantages pursuing the inclusion of digital signatures to the BCS.
- ABCUL as secretariat agreed to take this as an action and to liaise with the other trade bodies and credit unions to collate this discussion paper for the CGP and anyone wishing to contribute to please contact ABCUL.

Sustainability

- Natalie McQuade, ABCUL, highlighted the Bank of England's Quarterly statistics that were published in October 2020 covered the period of April to June 2020. In Scotland there was a rise in credit union membership of 1,438, lending figures had taken a significant drop during this quarter.
- It was also noted the ongoing collaboration work the trade associations have been involved in to ensure that the sector in Scotland is being heard as one voice to many stakeholders. Including the Scottish Government in relation to their Programme for Government being led by Carnegie UK, where they have set out 12 emerging proposals in relation to exploring the options to affordable credit in Scotland. One of the priorities is to establish the requirement for a credit union wind down fund for mergers or closures.
- ABCUL shared their concerns around the wording of this proposal and feels it sends the wrong message to people and could lead to further reputational damage for the sector.
- One credit union shared that it is dependent on the credit unions location and common bond that will determine the impact Covid has had on them. They experienced a high level of withdrawals at the start of the pandemic but have since seen a higher increase in deposits with a reduction in lending due to the lockdown restrictions being in place affecting the credit unions income and ratios negatively.

- It was noted that all agenda items are interlinked and connected, and going forward the biggest part of sustainability will be what promotion and development there is within the sector, and that this should be focusing on the positive elements of our sector and working collaboratively.
- Dermot O’Neill, SLCU, noted that Covid has changed the sustainability position for credit unions and that it has made it more acute rather than making it an issue in the first place. Dermot highlighted the short term needs around the impact of Covid, and also the medium-term threats identified including governance inadequacies which he highlighted as being a bigger threat than the short term financial impacts. The SLCU has identified 5 key areas that they would like to do collective work on and are as follows –
 1. Effective Promotion of the Sector
 2. Access to Credit Unions – Physical or virtual access, digitilisation of products or services.
 3. Continued Relevance – What credit unions are and what credit union members need them to be.
 4. Risk Awareness – Encouraging assessment, mitigation, monitoring, adaption and managing risk.
 5. Capable and Competent Personnel – The ability to successfully accomplish the other issues is underpinned by good governance.

Dermot highlighted that SLCU would like to see developed a volunteering toolkit available for all credit unions to access, and accredited learning opportunities and development of a modern apprenticeship scheme. He also highlighted that it is not that credit unions as a sector are not sustainable and good practice can be seen across the country, however there are instances where some credit unions are not sustainable in the long term. SLCU efforts around sustainability is to avoid further failures within the sector, and how the sector can mitigate the consequences of further credit unions failing.

Support from Scottish Government in 2020

Remaining funds from the £10m Credit Union Investment Fund

- It was noted that applications for the additional £500,000 allocation opened in October 2020. The question was raised about whether any CUs had applied for the additional funding. From CUs present no one had applied for the additional funds.

Priorities for 2021

- ABCUL raised that they would like to see the promotion of credit unions through Community Wealth Building as a priority for 2021.
- SLCU raised they would like to see the adaptation of a volunteering toolkit made available to all credit union in Scotland, engagement with an accredited learning opportunity e.g. Chartered Bank, adaptation of a modern apprenticeship type scheme, and the adaptation of a Governance Toolkit.
- Angela Constance highlighted the importance of the investment in people approach that SLCU outlined. It was also highlighted that for a modern apprenticeship in Scotland it must be linked to a job. Angela also agreed that the sector should have a high ask for investment in the training of volunteers.
- Robert Kelly, ABCUL, noted his support to the SLCU priorities. He also raised the question as to what will happen to the remaining £7.5million in the CU Resilience Fund and when will the sector get clarity on the proposal for the remaining funds. He also raised concerns that Scottish Government decided to channel comments around their Programme for Government through Carnegie UK rather than coming directly to the sector directly and

confirmed the sector have requested a meeting with Scottish Government officials. It was also highlighted that the Scottish Government pledged to have a CU sector strategy in place by the end of this Parliamentary term. It was also noted that Fair4All Finance has been mentioned in playing a role within Scotland, which raised the question of where their funding would come from and if this could impact any of the CU sectors existing pledges from Scottish Government. ABCUL reiterated their support for the promotional campaigns that had been discussed in the meeting but ensuring different business models are included and potential member expectations are managed.

- Dermot O’Neill, SLCU noted his support for Roberts comments and noted that the sector works better together now than ever before. Highlighting the active collaboration that has taken place over the past 18 months.
- Support was also noted from one of the credit unions in attendance.
- Bill Hudson, ACE CU Services, noted his agreement that the collaborative approach has allowed the sector to be in a stronger position.
- David Ross, Glasgow CU, agreed with the concerns raised in relation to the involvement of Carnegie UK and Fair4All Finance. David also highlighted that maybe the Scottish Government has looked at other organisations who have previously collaborated and made more progress than the previously achieved by the CU sector. It was highlighted that there was a need for the sector to communicate clearly with Scottish Government and other stakeholders that the sector is more collaborative than ever before.
- Angela Constance agreed that highlighting the questions around the CU Resilience Fund (CURF), and that the sector could take this opportunity to reassert its position in the sector. It was recommended a letter to be drafted, and signed jointly by the Co-Convenors of the group, to invite the Cabinet Secretary to the next meeting of the CGP to discuss the plans going forward for the remaining CURF, an update on the CU Strategy, and for the CU sector to highlight their collaborative approach and willingness to engage with Scottish Government directly.
- The CPG Strategy Meeting has been scheduled for the 2nd of February 2021 for the group to plan the year a head’s priorities and meeting dates, more details to follow.
- There was no other competent business, and the meeting was brought to a close.