

Cross-Party Group on Credit Unions

Minutes of the meeting held Wednesday 1 May 2019
Committee Room 1, Scottish Parliament

Present

Ruth Maguire MSP (Convener)	Scottish Parliament
Claudia Beamish MSP (Deputy Convener)	Scottish Parliament
Johann Lamont MSP	Scottish Parliament
Kenneth Pentland	Scottish Government
Karen Hurst	Association of British Credit Unions Ltd
Chinyere Adeniyi-Alade	Grampian Credit Union
Trisha Butler	Drumchapel Community Credit Union
Rose Mavin	Wishaw Credit Union
Alice Connelly	Wishaw Credit Union
Karen Hunter	Church of Scotland
Beth Welsh	Pioneer Mutual Credit Union
John McClay	West Lothian Credit Union
Marcela Hashim	Prudential Regulation Authority
Declan McGaggly	CU Apps
Jack Allison	CU Apps
Alan Gray	First Scottish Universities Credit Union
David Ross	Glasgow Credit Union
Lawrie Morgan Klein	Stepchange Debt Charity
Emma McBride	Swarm
Andy Wright	1 st Class Credit Union
Robert Kelly	ABCUL
Nancy MacGillivray	ACE Credit Union Services
Margaret Stewart	Drumchapel Community Credit Union
Paul Morris	Glasgow City Council
Joe Ochei	Grampian Credit Union
Elaine Rae	NHS Credit Union
Ruth Dorman	NHS Credit Union
Austin Dorrian	Scottish Police Credit Union
Tom McVay	SCVO Credit Union
Andrew Duncan	Soar
Eva Luckhiram	Soar
Laura Hillhouse	Soar
Flora Mackin	Transport Credit Union
John Mackin	Transport Credit Union
Ian McGowan	West Lothian Credit Union

Apologies

Angus MacDonald MSP	Scottish Parliament
Jackie Baillie MSP	Scottish Parliament
Diane Dunn	Renfrewshire Council
Angela Hampson	Drumchapel Community Credit Union
Ann Robertson	1 st Alliance Ayrshire Credit Union
Carol McHarg	1 st Alliance Ayrshire Credit Union
Cathy Greig	Vale of Leven Credit Union/UKCU
Neil Moore	Lloyds Banking Group
Charles Meehan	Dalmuir Credit Union
Liz Degning	NHS Credit Union
Steven Cunningham	Alexander Sloan

Introduction

Ruth Maguire MSP, Convener, welcomed the group to the meeting and noted her colleague Johann Lamont MSP was joining the meeting, and Claudia Beamish MSP would hopefully attend (Claudia arrived shortly afterwards).

It was noted that the minutes of the last meeting had been circulated and approved shortly after the previous meeting and any changes implemented.

Update on insolvency

Karen Hurst, of ABCUL, provided an update on the issues relating to Protected Trust Deeds, which was the topic of a meeting of the group in 2018. Since that meeting:

- ABCUL had launched a call for evidence to gather more evidence from CUs outwith and within ABCUL's membership on practices of concern.
- The Scottish Government launched a consultation on rule changes, which closed in April. ABCUL have replied to this, and encouraged others to do so.
- A roundtable event took place in March with a number of stakeholders and credit unions to discuss some of the issues. As a result of this, a joint letter has been sent to the Minister, Jamie Hepburn, to seek a full review.
- Moving forward, ABCUL hopes the whole sector will continue to work together to strengthen our voice on this matter.
- One attendee welcomed the continuity in this being discussed at the group, and noted that it would be helpful if 'Matters Arising' was included on future agendas.

Fintech in Credit Unions

Ruth Maguire introduced the first speaker, Andrew Duncan of Soar, a technology firm that has developed bespoke technology in partnership with credit unions, to speak about his work in fintech.

- Andrew spoke about the recent trends in fintech, including the fact that the phrase now being used is often 'techfin' – which refers to technology firms now moving into financial services. This demonstrates how things are changing in the finance world.
- He outlined the work Soar is doing with some credit unions, which is focused on improved engagement with their members, and frictionless transactions.
- Andrew Rabbit spoke on behalf of Incuto, who are working with a number of credit unions, with a focus on 4 main areas: member engagement, back office efficiency, banking & payments, financial education.
- He noted the importance of technology in 'nudging' people into improving financial education, for example, by allowing them to monitor how much they spend on coffee daily.
- He also discussed the potential for credit unions to do more in this space through collaboration.
- Finally, Paul McFarlane of Glasgow Credit Union spoke about the 5 year plan to replace their entire IT programme – they are currently three years into this.

- The plan was prompted by the previous system – one which is used by a number of credit unions – no longer being suitable for the internet world. It also reflected the credit union’s desire to compete with the technology offerings of mainstream financial services.
- The changes have seen the credit union move to 18 different servers, and mean members have 24/7 access to their accounts.
- Increasing awareness of cyber security was also huge factor in their thinking and, as a result, the credit union has recently created a new role of Chief Technology Officer. It is important that CUs do not ‘outsource’ security of their data.
- Moving forward, the credit union are adjusting to a new mobile app and website, fully replacing the existing backend system. It is estimated that the complete programme will have cost in the region of £1million.

Following the three presentations, there was an opportunity for questions, and an open discussion about the issues. This covered the following points:

- Whether the level of investment made by Glasgow Credit Union was realistically affordable for most other credit unions, and the fact that it would need to be proportionate. It was noted that there may be potential on collaboration on some areas of that investment, as the current back end system used by a number of credit unions, though not unsafe, had lacked investment over a long period of time which had left it ‘tired’.
- There was a question about how credit unions could make use of technology to improve efficiency, whilst also ensuring the ethical treatment of members is a priority. It was also noted that it would be useful to know how the Scottish Government could support this work, if at all.
- In response, Andrew Rabbit noted that it is important that financial inclusion does not become about faceless technology, and the efficiencies technology allowed meant that those who needed it had access to personal support. It was also noted that it could help better understand why people make use of pay day lenders.
- One credit union manager noted that it would be helpful for the sector to ‘share the pain’ of investment in this sort of technology, given the lack of funds (particularly in smaller credit unions) to make comparable investments. Andrew Duncan, Soar, pointed out that in many instances the work has been done in developing new products for the sector.
- Glasgow Credit Union pointed out that not all credit unions would need, for example, to invest in 18 servers. However, there are always security implications that need to be considered.
- One attendee noted that the Scottish Government could help credit unions invest in new technologies – most do not require the size of investment that Glasgow Credit Union has had to make. It was also noted that the collaboration within the sector in order to improve its buying power.
- There were some comments about the role ethical technology can play in assisting people manage Universal Credit.
- There was a question about how technology might be used to assist both individuals and lenders when they got into financial difficulty. The fintech representatives noted that new technologies allow for more scrutiny of finances, so may enable earlier discussions when someone is in difficulty, and enable them to be signposted towards help sooner. It was also noted that individuals often do not want to talk about money problems, so may be more responsive to, for example, text prompts.
- Another credit union was keen to know how the sector can move this forward, and how credit unions can start on the journey of transformation.
- Robert Kelly, on behalf of ABCUL, outlined plans for a series of town hall events which will look at the future priorities of the sector. Technology will almost certainly be part of those discussions. He also referenced the Credit Union Expansion Project, which had not gone to plan. However, he welcomed the efforts being made by credit unions such as

Glasgow, and outlined two lessons that had come from the CUEP: the need for collaboration, and the need for the sector to speak to, and be relevant to, its members. Finally, he highlighted the work of Credit Union Service Organisations (CUSOs) in other parts of the work, which were organisations defined and created by credit unions to increase buying power. This is something the sector should explore (though it is important the sector owns the process).

- There were comments about what drives individuals to pay day lenders – either ignorance or desperation, the lack of understanding of APR, the frustrating role of local authorities when it comes to Council tax debt, and the fact that credit checks are not reliable records of an individual's financial situation.
- There was further discussion about the potential for collaboration between credit unions, with the larger credit unions in particular having more scope to work together on this. Glasgow Credit Union representative noted there were a number of ways in which the sector could better collaborate – for example, in the sharing of data. Currently the sector is losing ground to banks on that.
- There were questions for the speakers about the how technology and automation impacts manual processes, particularly for those who might fail a automated process, but who the credit union would still want to serve. Glasgow Credit Union noted that it manually reviewed 35% of loan applications.
- Claudia Beamish MSP, Deputy Convener, enquired as to how this discussion might be taken forward. It was suggested that we write to the relevant to Minister to make them aware of the discussion, and follow up on this at a future meeting. (*Action: Secretariat to action this*).

As there was no other competent business the meeting was brought to a close. Details of future meetings will be circulated.