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quiet

Credit Unions  
are seen as the  
'poor man's bank.'  
Yet they do not  
reach the poorest.

**How can we change this?**

Research project funded through  
the Welsh Assembly Government's New Ideas Fund



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## **Summary of Research**

The North Wales Credit Union's base in Caernarfon is funded to work with an increased number of people in Gwynedd and Môn who are considered financially excluded whilst charged with becoming financially sustainable, so that grant support may be reduced. This at a time of recession and an identified increase in credit union bad debts and loan delinquency generally. An impetus to increase both savers and borrowers stretches capacity to the limit.

Within this context, this research identifies a model for increasing the number of low income members within one specific community in Caernarfon, North West Wales. The model has been tested out with residents, community groups and agencies. It offers a template that can be adapted for other communities and groups. The model will be piloted over the next eighteen months.

This project confirms many of the findings within recent research publications and concludes that if the credit union is to compete with traditional high interest doorstep lenders they must prioritise the following features:-



Flexibility, Accessibility, Convenience, Social benefits

Often the research raises more questions than it answers particularly in terms of the capacity of credit unions to cope with the increased workload required to fulfil this labour intensive approach.

There are no magic quick fixes. Reaching low income communities includes providing small, unsecured loans, a quick decision making process, delivered as nearby as possible by people who are familiar, trustworthy, supportive and professional.

Labour intensive with high costs, it may not be a favoured approach as credit unions seek to become a sustainable financial service and prioritise such things as payroll deduction and the management of bad debts.

A sustainable financial service requires a high number of savers, high number of loans and people paying their loans back - customers assessed against affordability. Interest paid is used to cover running costs. With an interest rate cap at 2%, this means surplus is low and staff capacity will take longer to increase and it also means that higher risk customers will be turned down as higher interest rates cannot be charged to cover this risk. Some customers will have little option but to turn to doorstep lenders and having being turned down once may not want to risk a second approach in the future.

There appears no appetite to increase the rate cap in this corner of Wales as it is what makes the credit union distinct and is an extension of its ethical ethos and practice.

Either we accept the limitations of the credit union movement to reach the most financially excluded and work with palatable complementary services who charge the lowest rates e.g. Moneyline Cymru (Community Development Finance Institution) at around 47% typical APR or the work is adequately funded to cover both the time required and the risk of bad debts.

In the wake of the 2007-08 banking crisis, the now widespread cynicism and distaste the industry generates and the resulting high level financial support, it would appear unjust not to provide similar levels of continued support to an ethical, affordable, local, mutual financial service.

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## Why did we do the research?

Credit unions are financial mutuals and they provide savings and loans at affordable rates to those who share a common bond such as locality, workplace, occupation, political affinity or other form of association. Credit unions are organised and run by members and any surplus is used for the benefit of members. There are 22 geographical credit unions covering the whole of Wales as well as others based within different occupations such as North Wales Police Authority and political parties such as Plaid Cymru.

The credit union movement in Wales has grown significantly over the last ten years and has received eight years of sustained investment through European funding, the Welsh Assembly Government and local authorities. Credit unions now serve every town throughout Wales and all citizens can join a credit union (*Cardiff Institute for Co-operative Studies, 2009*).

Political commitment to credit unions is evident in Wales. The Labour -Plaid Cymru Government were committed to a 'fair and just society' (p26, 2007). Specifically in terms of financial inclusion this means establishing a network of credit unions throughout Wales, increasing their capacity, ability to offer more services and increased access to a broader range of people (p29, 2007).

This is developed within the 'Taking Everyone into Account' document that provides a financial inclusion strategy for Wales and credit unions are seen as instrumental in supporting one of the core themes of access to affordable credit and loans and play a key role in fulfilling the vision of 'a well functioning, accessible and comprehensive financial system for all Welsh citizens, including those who are marginalised from society' (p8, 2009).

In its review of the credit union movement in Wales in 2009, the Welsh Assembly Government acknowledges that membership of credit unions remains low at 1.82% of the population compared to 50% in Ireland. There is a strong commitment to serve low-income communities and tackle financial exclusion and a need to 'develop flexible and responsible approaches to lending that enable members to access the loans they want and need at a price they can afford' (*Executive Summary, 2009*).

Jones in his 2002 study 'Access to credit on a low income' suggested that many low income consumers were not using credit unions. Collard and Kempson (2005) note that the commercial credit sources most often used by households with no full-time wage earner were home credit and mail order catalogues. 'But their most common source of borrowing was interest-free Social Fund Budgeting Loans. Most people in these circumstances could not raise between £200-300 in a crisis without borrowing, or save £500 for a special purpose. They were also more likely to have an impaired credit history than households with a full-time wage earner.' (Summary, 2005)

For those that use home credit, it is thought that as many as four out of ten use more than one company at a time (*Kempson, Whyley, Ellison and Jones, 2009*).

Rowlingson (1994) and Dayson (1999) found that for many consumers on low incomes, moneylenders are not an unappealing option for a range of different reasons.



Culturally and historically they have been part of working class communities' experiences of financial services for a long time. They offer flexible products – small, short-term unsecured loans. Their service is convenient, on the door step, and accessible, loans are easily accessed immediately. They also meet more social needs for regular interaction and collectors are often viewed as friends.

When under immediate financial pressure and faced with an instant solution, the disadvantages of alternative money lending such as the high cost, the temptation and the emotional pressure to borrow and the risk of being trapped in a cycle of indebtedness are not a priority concern.

*Jones (2002)* even discovered that there was a reluctance to give up home credit, a reliance on collectors meant that many want to keep their options open because so few other opportunities exist. Further the close relationship between customers and their agent and the high levels of satisfaction with existing lenders are barriers to changing financial practice (*Kempson, Whyley, Ellison and Jones, 2009*).

Culturally, historically, practically and psychologically, alternative doorstep money lenders are often routine choice in low income communities and also often not unappealing options. Simultaneously, the Welsh Assembly Government views credit unions as a means of realising financial inclusion.

Whilst credit unions are criticised for their image as a 'poor man's bank', they are, in most cases, not the 'poorest man's bank', that is, they do not reach the most financially excluded (Jones, 2002). Ironically, this image 'has hindered development of the movement as a whole' (*Goth, McKillop and Ferguson, 2006*).

The question is how do we change this and ensure that credit unions are the routine and appealing option to those who are currently the most financially excluded.

The research aims to identify ways in which the credit union can become a routine and appealing option for all residents living in a specific low income community in North West Wales.



## What can we learn from other research around the same subject?

### Who is financially excluded?

Those at highest risk are:-

- On Low Incomes
- Claiming means-tested benefits
- Single non-pensioners
- From Pakistani and Bangladeshi communities
- In rented accommodation
- Or have left school before the age of sixteen
- Living in Scotland, Wales or Greater London
- Living in one of the fifty most deprived local authorities in England and Wales

(Kempson and Whyley, 1999)

Kempson and Whyley (1999) identify the factors that inhibit use of mainstream financial services as the lack of a secure job, having parents who do not use financial services and living in marginalised communities.

### What would low income borrowers like?

Concurring with similar previous research Collard and Kempson (2005) believe that people on low income want to reduce the likelihood of defaulting and this informs and motivates their list of credit needs:

- small, unsecured, fixed-term loans in cash
- quick access to credit without lengthy or intrusive application procedures and a level of certainty they would obtain the money
- affordable weekly payments with no hidden or extra charges and this being more important than total credit cost
- automatic repayment arrangements such as deduction from benefit or home visits by a collector
- opportunities for making late payments or rescheduling loans without incurring extra charges when temporary financial problems occur

Charges for early payment of loans was not a concern nor was the name of the company providing the service. More important was a familiarity with the lender and a personal recommendation or introduction to the service.

In their 2001 research, Collard, Kempson and Whyley through consulting with low income groups found that it was an aspiration for people to save, but often there was a need to borrow.

There was an interest in schemes that linked saving to borrowing with access to low cost loans, but 'they often needed to break the cycle of borrowing from high-cost lenders to be able to start saving' (Collard, Kempson and Whyley, 2001). There was a lot of interest in 'debt buy-out' where a credit union could pay off loans from door-to-door lenders and an interest in accessing financial services and support through a 'one-stop-shop'.

Above all, low income customers want financial services that are 'financially secure, trustworthy and understand their needs' (Kempson and Whyley, 1999).



## Lending to low income customers

*Collard and Kempson (2005)* state that low-income borrowers have a higher risk of defaulting as their circumstances are much more likely to change. The cost of lending to low income customers is high as they prefer weekly cash payments and they borrow small amounts over short periods. Banks and Building Societies are not keen to lend to this group, doorstep lenders pass the high costs on to customers and not-for-profit lenders require subsidies.

They argue that the 'key to lending to low-income borrowers is assessing and managing the risk of default. This means careful recruitment, collecting repayments in ways that minimise the risk of non-payment, and repeat loans to defray set-up costs' (*Collard and Kempson, 2005*). Word-of-mouth recommendation brings the most reliable customers.

*Collard and Kempson (2005)* identify key features in the success of doorstep lenders in assessing and managing risk:-

- face-to-face assessment of potential customers – setting an amount of repayment customers can afford and making a decision whether to lend
- using a small 'trial-run' loan
- monitoring new customers ability to maintain payments over 10-15 weeks
- recording the numbers of missed payments
- recording how many times an agent had to call before successfully collecting the repayment

Face-to-face screening and monitoring of repayments add to lending costs. Home collection as a way of collecting payments, assessing future potential, securing repeat business, selling new products, chasing arrears, rescheduling loans at no additional charge has proven successful for doorstep lenders with the costs included in the higher interest rate charges.

Under the Credit Unions Act 1979, credit unions could not charge interest on loans at a rate exceeding 1% a month (typical APR 12.7%). The Act also gives the HM Treasury the power to amend this cap using secondary legislation. This was amended in 2005 for those credit unions receiving grants through the Department of Work and Pension's Financial Inclusion Growth Fund at a rate exceeding 2% a month (typical APR 26.8%). As a unique selling point, this is a very useful promotional tool nationally. However, it does not allow credit unions to increase its' interest rates to cover those customers who present as a higher risk and may ensure that they are stuck with using doorstep lenders.

According to the Welsh Assembly Government, there is no push amongst the Welsh credit union movement currently to raise the interest rate cap.

There was a study undertaken in 2009 that sought to test out the commercial feasibility of a not-for-profit home credit service (*Kempson, Whyley, Ellison and Jones, 2009*). They adapted the business model and operating experience used by commercial providers to a social model and estimated break-even in ten years. They concluded that even on a not-for-profit basis to make a service financially sustainable the cost of home credit would be high. With an £18 million subsidy over ten years, the APR on an average 56-week £288 loan would be 123% (compared with 183% commercially), bringing customer savings of £50.



With a £90 million subsidy over ten years, the APR could be reduced to 100% increasing savings to £72 per loan. They note that existing third sector lenders had limited appetite for delivering the service and a stand-alone provider would seem to offer the best delivery option.

### **Strategic solutions to low cost credit**

Collard and Kempson (2005) argue that affordable credit for low-income households could be achieved through a range of methods:-

- extending the Social Fund
- reducing the cost of commercial credit
- automated loan repayments - through direct deductions from benefits as with the Social Fund or an improved direct debit system which would trigger payments on receipt of wages or benefits into a bank or building society account, mimicking direct deduction at source
- credit unions have a role to play if they are professionally run and larger
- regional, community-based loan schemes run in partnership with banks

### **Credit unions as part of the solution**

Milton (2008) agrees that credit unions and third sector lenders are part of the solution in tackling financial exclusion, but as they cannot lend to the highest risk customers, the role of the Social Fund should be monitored and addressed by the Department of Work and Pensions. Milton also believes that for credit unions and other financial services to be effective, they should consult with those who are financially excluded as they plan their services to ensure that their needs are understood and met and that all information to customers is clear, simple and understandable.

Time, travel, outreach offices, number of collection points, training costs are increased for rural credit unions and could impact on viability in the long-term and may require additional subsidy (*Barker, 1995*).

For credit unions to be viable in the long-term, it is important that they attract a cross-section of people from local communities, not just those who are on low income and financially excluded (*Goth, McKillop and Ferguson, 2006, Cardiff Institute for Co-operative Studies, 2009*).

Membership growth is seen as key to financial viability as is increasing lending and developing flexible and responsible approaches to lending that enable members to get loans they want and need at a price they can afford (Cardiff Institute for Co-operative Studies, 2009). The 2009 Review acknowledges the tension between the credit union movement's role to promote financial inclusion and its need to modernise and professionalise and ensure a quality, personalised, community-based financial service. The levels of loan delinquency and bad debts also appear to be rising in recent years and this may have a greater impact in Wales as it struggles to come out of the recession.

The Review sees critical success factors for the credit union movement as:-

- high levels of trust between credit unions and communities
- high level of membership relative to the common bond
- focus on lending as well as taking deposits
- goal focussed approach policy developments
- professional and entrepreneurial attitudes among credit union managers
- support from local authority



Partnership working with a range of agencies is critical to growth and the mainstreaming of credit unions over the next ten years as will be sound governance and effective strong management, greater efficiency and the sharing of resources between credit unions and the promotion of a unified Welsh credit union identity.

The Review makes a series of recommendations for the Welsh Assembly Government, the credit union movement, support organisations, local authorities, housing associations and other organisations. For examples of the recommendations see Appendix A.

One of the most recent studies in Britain on credit unions was undertaken by Roehampton University in London. The research offers a number of useful insights:

- ⌚ Credit unions have received significant funding in recent years to increase both capacity and reach. The DWP's Growth Fund reaches its projected end in 2011
- ⌚ It is questionable whether credit unions that primarily provide loans to those who are financially excluded can become sustainable without significant external support
- ⌚ On the whole, profitability of the movement has declined in recent years
- ⌚ Loan delinquencies are an increasing problem - the average problem rising from 2-4% over a five year period 2003-2008 with some credit unions making provision of 20% and more of their total loan books in 2008. Rising bad debt may indicate a declining number of credit unions in the future.
- ⌚ Credit unions have gone through a merger phase in recent years in the UK and we can expect a further consolidation period
- ⌚ In the wake of the 2007-2008 banking crisis, there is a renewed interest in the role of mutuals in the financial world, and five of the larger credit unions now have loan books larger than the smallest building society - Century in Edinburgh. These are largely characterised by occupation and employment rather than a financial inclusion focus
- ⌚ The development of the credit union movement in the UK has been policy and regulatory driven

The report recommends that:-

- ⌚ Financial sustainability will need external support over the next decade if it is to be achieved
- ⌚ Sharing back-office services promoted by ABCUL may help to contain costs in a limited means
- ⌚ There should be a discussion within the movement about removing the interest rate cap
- ⌚ More timely financial data is needed to manage the risks facing the sector, acknowledging the changed reporting arrangements the regulator is intending to introduce in the future will aid this

'Fundamentally, the local provision of affordable finance to what is a relatively high-risk client base is a high-cost operation and, at its broadest, the future capacity of credit unions to continue to expand their financial inclusion work will be seriously challenged by the prospect of a more uncertain operating environment in the next decade' (*Hope, p5*).



## Where did we do the research?

The research was based in the Peblig ward of Caernarfon, Gwynedd, North West Wales. It is a Communities First ward - the 82nd poorest area in Wales according to the Welsh Index of Multiple Deprivation 2008.

Peblig is a large estate of around 1000 dwellings, population 2,300. It is a working class estate with a high percentage of welsh speakers and a higher than average number of children and young people. Resources include a community centre and a community house, two churches, a new community primary school soon to be opened, the county criminal court and a children's care home are both also situated on the ward. At the edge of Caernarfon, it is within walking distance of the town centre and is well served by bus routes.

Peblig has 7.8% claiming Job Seekers Allowance, compared to 3.8% nationally (Great Britain). This figure has been consistent for decades. 41% of claimants are aged 18-24, compared to 28% nationally. There is twice the national average claiming incapacity benefit at 15%. 5.4% of claimants are lone parents, compared to 1.7% nationally and twice the national average of carers. These figures are based on 2010/2011 figures through the Official Labour Market Statistics Office. According to the 2001 Census, 42% of working age adults have no educational qualifications.

The ward has a small Communities First team based at a converted local authority house. The team have developed community responses to a range of different issues over the last few years:

- Youth activities
- Food co-operative
- Mentoring project for 16-25 year olds
- Childcare development
- Welsh language as a route to employment
- Financial and debt management surgery

In an action-research project into debt in the Peblig ward 'Mae'r Fan yn y Stryd', by Sylfaen Cymunedol Cyf in 2009. It was discovered that 80% of those interviewed (455 households) believed debt to be a problem in the ward and respondents felt the most common debts were those related to alternative money lenders particularly Provident Personal Credit.

As part of its response to the issue, a small team of volunteers have received training through the Child Poverty Action Group on Dealing with Debt and are planning to set up surgeries at the community house where they will support residents to begin managing their debts by gathering all the relevant information and supporting them to access specialist debt advice support through organisations such as the Citizens Advice Bureau, the Credit Union, Shelter Cymru and other agencies as appropriate.

The Communities First Team were keen to be part of this research project as a means to begin challenging the dominance of doorstep lenders on the ward and begin to change the culture of traditionally using high interest lenders as routine.

as noted this figure is from the 2001 Census and might change when the 2011 census data is released



## Who did we do the research with?

The research was undertaken with the Llechen Credit Union, set up in 2000, it opened the doors to 41 Pool Street, Caernarfon, its main office, in February 2002. Originally covering the north of Gwynedd, it extended its bond to cover the south of the county and Anglesey in subsequent years, changing its character from town to rural provision and in December 2010 it merged with four other credit unions to form the North Wales Credit Union in January 2011.

The office in Caernarfon covering Anglesey and Gwynedd still has two full-time paid employees and a number of volunteers who run the office and several collection points from Holyhead to Barmouth as well as providing representation on the North Wales Credit Union Management Committee.

Y Llechen at its final AGM on 23 November 2010, the last before the merger, ended with 'an overall position ... much improved' with annual income and turnover up, bad debts had been reduced and it was agreed to pay a dividend of 1.5% to members having not paid a dividend in the previous year (*Y Llechen AGM minutes November 2010*).

Y Llechen has long been concerned by the impact of doorstep lenders in low income communities as witnessed in the section below taken from the Credit Committee Report - October 2009-September 2010 presented at the final Annual General Meeting in November 2010.

'Doorstep lending is a reality and an expensive option (Typical 189.2% APR) used by many people within our common bond area. This is one area where with education and your help (word of mouth) we hope, no intend, to make a difference. One applicant was a member of Y Llechen Credit Union and had withdrawn their own shares to loan to a more needy relative. They had rejected the expensive doorstep lenders as a result of a previous experience. Knowing they themselves did not have enough shares, they had paid a fee of £25 to a company that operate on the internet to research the best loan possibilities in order to borrow a sum of £500. Of all the options suggested, the Provident came back as very expensive (an option the client had earlier considered until the total repayments were calculated for the member). The best option available was the Credit Union the option that was recommended.'

Y Llechen has consistently worked with different Communities First partnerships over the last few years and was keen to see how its practice could be improved or altered to reach those residents that currently did not use their service.

As part of the North Wales Credit Union, it is now the largest in Wales with £4.5 million in assets and 9,750 members.



## How did we do the research?

The small-scale research project was undertaken by Val Williams, a community development worker and researcher with Sylfaen Cymunedol Cyf, a small community development charitable company specialising in training, community-led research and project development.

The study adopted a participative approach throughout with the intention of developing a model to be piloted in the future.

The research included:

- A literature review
- Interviews with ten residents from Peblig who acted as a focus group as the work developed
- Interviews with Y Llechen/North Wales Credit Union and attendance at different meetings e.g. AGM, special AGM, local forum
- Interviews with Communities First and attendance at events such as their dealing with debt training
- Testing out ideas with community groups and agencies
- Developing the model and accompanying templates
- Establishing a task group to pilot the model
- Establishing a means of reporting back when the pilot has been completed

The research took place between October 2010 and April 2011, although the implementation of the model will take place over eighteen months until the summer of 2012.

The researcher as a member of the credit union since 2003 had good links with the organisation. Having been a community worker in the area over the last twenty years she had good relations with many community organisations and statutory agencies in the Caernarfon area and having spent time in the Peblig ward delivering training and undertaking other research had strong association with the community and its members. This aided both access to individuals and the quality of information shared.

This report details the process of developing the model and templates.



## What did we find out?

What commercial home credit providers do well and how the credit union in Caernarfon compares?

<b>Strengths of commercial home credit providers</b>	<b>How the Credit Union in Caernarfon compares</b>
Flexible products – the provision of small amounts of money, unsecured over a short period of time	<p>For years the Credit Union in Caernarfon operated a policy of asking members to save for 13 weeks before requesting a loan for twice the amount of savings at a rate of 12.7% APR.</p> <p>In 2010 this changed and now the policy is to offer instant access loans as long as the member could demonstrate affordability.</p> <p>The instant access loans are generally at a higher rate of 26.8% APR.</p> <p>With a target to loan £36,000 in the first quarter, £101,000 loan value was achieved. Average loan value increased from £750-£1500.</p> <p>This change of policy is not well-known locally and the organisation has the image of a savings service.</p>
Accessible process – un-intrusive process where customers based on what they can manage to pay back each week and decisions are often made there and then	<p>Again since 2010 and the appointment of two new workers – Alastair Wilkinson and Alistair James – the process has improved greatly.</p> <p>With at least four officers trained up as loans officers, decisions are made quicker than when the loans committee system operated.</p> <p>One loan officer can make a decision on a loan up to £500, two up to £1,000 and the two paid officers can add up to £2500 each.</p> <p>There is a loans officer in the north and south of the county?</p> <p>There is a form to fill in that details income and expenditure and when members make first time loan applications, they are interviewed in person.</p> <p>Loan applications are prioritised daily and emergency requests are dealt with first. Opening hours are now consistent Monday to Friday 10-3pm.</p> <p>Time and again when talking to volunteers, they emphasised the need for a more professionalized uniform service.</p> <p>Again this refined process is not well-known locally.</p>
Convenience	<p>There was a collection point in Peblig in the local community centre, Noddfa. However, it was withdrawn a few years ago and as yet has not been replaced.</p>
Social benefits	<p>The lack of a presence on the estate means that the credit union offers no social benefits locally unless residents use the central office in the town; however, as this main administrative office is busy, opportunities for interaction are limited.</p>



## **What did we find out about Peblig and the Credit Union?**

As previously mentioned, there was a collection point at the Noddfa Community Centre every Friday morning for a few years. This was withdrawn a few years ago.

The recent report 'Mae'r Fan yn y Stryd' that considered the issue of debt on the estate identified a need for a credit union collection point on the estate.

Some residents became members of the credit union when the Farepak Company went into liquidation in late 2006 and some lost a lot of savings before Christmas. At the same time, the credit union was offering instant access loans through the Department of Work and Pensions Financial Inclusion Growth Fund. Both events coinciding and the local publicity it created meant an increase in membership of residents from the ward.

Through giving the credit union a list of the postcodes for the ward, we were able to establish the following facts:

Number of resident members: 133 members approximately

Number of residents who have active accounts: 24 approximately

Number of residents who received a loan through the Growth Fund in 2006/2007:  
109 approximately

Number of residents who paid the Growth Fund loan back: 6

Number of residents who did not pay the Growth Fund loan back: 103 approximately

With average loans at around £350 for the Growth Fund, the bad debt is estimated at around £35,000. This is a significant sum.

The low level of active members and high level of collective debt, suggest a significant obstacle to progress and increased use of the service locally.

To begin to resolve the situation, a three-way dialogue between the credit union, community organisations and residents may prove useful.



## What did we find out from residents?

Ten residents were interviewed and they were selected based on:

- Their interest in the research project
- Their previous experience of using doorstep lenders
- Their lack of use/minimal use of credit union facilities

Residents were asked to:

- Explore experiences of doorstep lenders and the community's dependence on them
- Introduce and discuss the philosophy and practice of credit unions
- Explore changes to the credit union's practice that would allow it to reach those who currently or have previously used alternative money lenders
- Mention any other relevant issues
- Consider becoming members of the credit union

Residents	Action
Resident 1	Supported to become a member of the credit union and successfully applied for an instant access loan
Resident 2	Supported to become a member of the credit union, requested a loan to pay off her credit card balance, was offered and accepted a larger loan to include store cards and catalogue debts. A real sense that the credit union were acting 'in the best interest of members' as is their motto
Resident 3	Supported to become a member of the credit union and has begun saving with them
Resident 4	Took an application for the credit union away with her
Resident 5	Was not interested in becoming a member of the credit union as the resident was currently saving for Christmas through her work
Resident 6	Referred to CAB for support with specific debt
Resident 7	Was happy with ability to save regularly through her bank
Resident 8 & 9	Very loyal to the doorstep lender they used, if the collector was to leave, they would consider moving to the credit union
Resident 10	Took an application for the credit union away with her

It is important to note that the three who became members of the credit union were supported to do so - help to fill membership forms in, help with loan application forms, introductory meetings, support to attend at loan application meetings.- resulting in a 12.5% increase in active members.



Below is a summary of responses:

### **Explore experiences of doorstep lenders and the community's dependence on them**

Most people will try the social fund or bank first, family and friends second and if they can't help, they will turn to the door step lenders.

The collectors or agents are often local people and this familiarity makes it hard to say 'no' or to stop using them.

It was felt that generally people don't care about the interest they are paying, they just need the money there and then. When you're skint you have few options. People are desperate.

The doorstep lenders are good at targeting vulnerable people, getting to know them, becoming friends; make them think they couldn't manage without a loan.

For a couple of residents, the high interest rates of a doorstep lender meant that they only took a loan once and never went back.

It was felt that residents take on-going loans from doorstep lenders just in case they won't lend to them in the future when they are in real need.

Also residents are in the habit of giving collectors money weekly and habits can be difficult to break. One resident felt that many residents had applied for an instant access loan with the credit union when they had special funding to do this and many on the estate did not pay this loan back, so now were worried to go back to the credit union for fear of resurrecting the debt.

The collectors are very nice people, one works part-time in another job on the estate, the other lives on the estate.

Collectors also turn up on the same day at the same time every week.

Started to use a doorstep lender in response to a letter sent to them through the post.

Two residents had a close relationship with their doorstep lender collector, she came at the same time on the same day every week and had on occasion paid over them until they got their money later on in the week, they felt they were used to the lender and would be letting the collector down if they moved elsewhere.

### **Introduce and discuss the philosophy and practice of credit unions**

The impression the majority of the residents had was that if you became a member, you had to save for a number of weeks before requesting a loan for double the amount of savings.

Although most had heard of the credit union, some did not know much about it, however, there was an awareness that it was low interest rather than a high interest organisation. Not everyone knew the location of the central office.

Three residents had experience of the credit union through a community debt advice project and felt that one volunteer from the credit union was judging people from the estate, did not listen and was arrogant and rude and this experience put them off becoming members.

### **Explore changes to the credit union's practice that would allow it to reach those who currently or have previously used alternative money lenders**

Give a small loan to new members initially as doorstep lenders do, it being risky to give new members a large loan too quickly, if they can pay a small loan back, then the risk on giving them a larger loan is reduced.

Setting minimum weekly payments would help people manage their money.



Pinch the doorstep lenders client list!

Adopt an advertising campaign that compares prices with doorstep lenders, a price comparison leaflet spelling out the interest rates and what it means on a specific sum of money.

Adopt letter campaigns at specific times of the year e.g. September/October for Christmas.

Have a regular promotional week.

Some companies txt customers to make them offers.

Go door-to-door themselves to raise the profile of the organisation and get to know people from the estate, intensive door-to-door campaign to begin with.

Go door-to-door using local trustworthy agents to collect money.

The office needs to have a higher profile – be bigger, brighter, more inviting.

Offer more flexible products – unsecured loans.

Offer specific products e.g. paying off debts.

All loan applications for new members should be discussed face-to-face.

One doorstep lender does not refuse anyone – adopt a similar policy.

Work closer with JobCentre plus, have a room at the dole office and find a way to set up a mandate, so that money is withdrawn immediately from benefits to the credit union.

Establish a credit union club or collection point at the community house on the estate.

Have friendly, trustworthy people who volunteer and who ‘sing from the same hymn sheet.’

Set up savings clubs at the local primary schools.

Use the Communities First Street Champions to promote credit unions.

Make more use of internet sites that recommend the credit union such as

[www.moneysavingexpert.com](http://www.moneysavingexpert.com) – the well known financial expert Martyn Lewis

### **Mention any other relevant issues**

Many people use voucher companies to save for Christmas, there is no interest on vouchers and it's cool when you get your vouchers.

Some save for Christmas through work and are pleased that the interest is given to charity.

One resident highlighted the range of internet based companies that now provide high interest loans and their practice of texting regularly with different offers. She had built a relationship with an office based administrator who she felt was helping her sort out her payment and debt, but the amount of money she owed after three years was far larger than the original loan and on referral to CAB, the situation was alleviated.



## Credit Union's response to residents' suggestions for changes in practice

After meeting with the residents, their suggestions for changes in practice were put to the credit union and their response was noted. This discussion and negotiation formed the basis of the strategy.

<b>Residents suggestions</b>	<b>Credit Union's response</b>	
Offer more flexible products - unsecured loans	Unsecured instant access loans are already offered in Gwynedd and Môn	✓
Give a small loan to new members initially as doorstep lenders do, it being risky to give new members a large loan too quickly, if they can pay a small loan back, then the risk on giving them a larger loan is reduced.	As long as a person can demonstrate that they can afford to pay a loan back without putting themselves at risk of debt that is what will determine the size of the loan. There are no plans to introduce a policy of giving new members small loans to start with.	✗
Setting minimum weekly payments would help people manage their money	This can be negotiated with each member as they work out what they can afford.	✓
Pinch the doorstep lenders client list!	Possibly not very ethical!	✗
Adopt an advertising campaign that compares prices with doorstep lenders, a price comparison leaflet spelling out the interest rates and what it means on a specific sum of money	A local advertising campaign targeting one specific area is a good idea, we're not certain if we're allowed to compare with other financial service providers, but we can check that out.	✓
Adopt letter campaigns at specific times of the year e.g. September/October for Christmas	Again this is a good idea highlighting specific benefits for members. A letter campaign maybe too expensive in terms of the expected returns, generally, there is a 1% return which is profitable if it's a national campaign, but not on a small scale. However, hand delivering flyers may be very worthwhile	✓
Have a regular promotional week	Again this could work well particularly if local people are part of the week	✓
Some companies text customers to make them offers	Again this may prove to be too expensive unless the returns were very high	✗



<b>Residents suggestions</b>	<b>Credit Union's response</b>	
Go door-to-door themselves to raise the profile of the organisation and get to know people from the estate, intensive door-to-door campaign to begin with	This may be possible as part of the promotional campaigning weeks – not just putting flyers through doors, but also stopping and having a chat with people, especially if local volunteers could make introductions and recommendations	✓
Go door-to-door using local trustworthy agents to collect money	<p>This is unlikely for several reasons:</p> <ul style="list-style-type: none"> <li>🟡 Lack of person power</li> <li>🟡 Health and safety concerns</li> <li>🟡 Would go against the ethos of self-help and empowerment</li> </ul>	✗
The office needs to have a higher profile – be bigger, brighter, more inviting	Currently, we are negotiating a new lease with the local authority and have in recent years received a Welsh Assembly Grant to repair the roof. Whilst recognising that the building is not ideal, we are unlikely to be able to afford a bigger one and have the money to transform and kit it out and keep it running over years, but in the future who knows, it would be the ideal	✗
Offer specific products e.g. paying off debts	We can look again at our promotional material and maybe be a bit more specific in how we sell our services	✓
All loan applications for new members should be discussed face-to-face	We attempt to meet face-to-face with every member when they make their first loan application	✓
One doorstep lender does not refuse anyone – adopt a similar policy	We could not have a policy to not refuse people or to offer everyone a loan if they obviously can't afford to pay a loan back; we are not interested in getting people into debt. We probably refuse around 5% of applications and offer 30% reduced loans. We attempt to offer everyone something, sometimes it may be a referral to another agency such as CAB and invite them to come back when their situation has improved	✗
Work closer with JobCentre plus, have a room at the dole office and find a way to set up a mandate, so that money is withdrawn immediately from benefits to the credit union	<p>We are definitely interested in working closer with Job Centre Plus, particularly as we can now offer current bank accounts and some of their claimants may have problems opening such accounts. It is unlikely that they would offer us space at the Centre. Since December 2006, credit unions, can in certain circumstances, apply to the DWP to have loans repaid to them through deductions from certain benefits, providing certain criteria are satisfied</p> <p>(see <i>Debt Advice Handbook, CPAG, 2010</i>)</p>	✓



<b>Residents suggestions</b>	<b>Credit Union's response</b>	
Establish a credit union club or collection point at the community house on the estate	We would welcome the opportunity to set up a collection point on the estate particularly if we can get local volunteers involved.	✓
Have friendly, trustworthy people who volunteer and who 'sing from the same hymn sheet'	The emphasis on volunteer training and support in the last couple of years is creating a friendly, open, transparent, professional service.	✓
Set up savings clubs at the local primary schools	We have undertaken a pilot project with Gwynedd County Council at Ysgol y Moelwyn, Blaenau Ffestiniog and would be willing work with the primary schools that serve the estate undertake similar work	✓
Use the Communities First Street Champions to promote credit unions	We would welcome the opportunity to work with any effective community initiative and would like to learn more about the Street Champions	✓
Make more use of internet sites that recommend the credit union such as <a href="http://www.moneysavingexpert.com">www.moneysavingexpert.com</a> - the well known financial expert Martyn Lewis	We can advertise that internet sites such as this one promote credit unions as good financial products and services. We can also make sure that other organisations have links to our website. We would be a bit more cautious about using various networking sites as there are risks involved.	✓

This response was fed back to the residents who took part and they then became a sounding board for testing out flyers and various other elements of the strategy. Materials and ideas were constantly revised and reviewed in response.



## Solutions – the strategy

Simply the strategy of encouraging those residents on Peblig who do not currently use the credit union and who may be using doorstep lenders to use this local financial service will have to compete in terms of flexible product, accessible process, convenience and provision of social benefit using some of the ideas recommended by the residents that are acceptable to the organisation.

In summary, it is based around the following actions:-

	<b>Actions</b>
Flexible products	These flexible products are already in practice, however, this is not well known – a promotional campaign on the ward will attempt to rectify this.
Accessible process	Although not an instant process, within the promotional campaign there is a need to emphasise that the process is both a lot quicker and in the best interest of members.
Convenience	Collection point on the estate using local volunteers  Two promotional campaigns a year using flyers with specific messages and offers and giving out merchandise such as fridge magnets, key rings, trolley tokens, badges etc. Using local volunteers and credit union staff/volunteers to knock on doors and talk to residents about what's on offer  Working with agencies who are already on the doorstep and asking their staff to firstly become members themselves and actively use the service and secondly to inform their clients/customers of the service
Social benefits	As above.

For an action plan see Appendix B.

For examples of templates see the attached pdf.

The strategy is based on the principles of:

-  Being open, transparent and honest
-  Trust and respect
-  On-going support to access services

The strategy was then tested out with community groups and agencies that work on the ward before setting up a task group to action plan and implement the next 12-18 months.



## Consequences

Inevitably there are consequences of this approach as we try to enable more tenants and residents to become members:-

<b>Consequence</b>	<b>Detail</b>
Capacity	This approach is intensive in terms of time as it requires detailed preparation of agencies, time to set up and support a collection point, time to undertake the promotional campaigns and time to cope with the increase in membership and requests for loans.
Cost	Annually it is estimated that the cost of setting up and supporting a collection point is £3,000 plus rent if required. Currently for the North Wales Credit Union, new collection points are not a priority. Collection points in rural areas have added travel and time costs. Annual promotional campaigns - once/twice a year requires a healthy advertising budget.
Savers	If there is an increase in loans, there will be a need to increase the amount of savings held. Suggestions include:- <ul style="list-style-type: none"> <li>⌚ Working with organisations such as the Rotary, Lions etc as they have worked with other credit unions to increase their savings.</li> <li>⌚ Encouraging agency staff to become members.</li> <li>⌚ Asking higher profile individuals in/from Wales to become members increasing the savings and the profile.</li> </ul>
Expectation	Because of the credit rate cap, it is difficult for the credit union to give loans to high risk members. Currently the credit union estimates that it rejects 5% of applications and offers reduced loans to 30% of applications. There is therefore a risk of raising expectation and engendering disappointment for individuals and a potentially negative reputation locally.

This highlights the dilemma that credit unions have targeting financial inclusion has high costs and subsidy is not always available; growing the business organically as a financial service for all will take time, but may be more sustainable in the long-term and will eventually grow to be large enough to offer services and products to all sections of the community.



## How did community groups respond?

Community groups interviewed included:-

- Communities First
- Noddfa Community Centre
- Eglwys Noddfa Church
- Christians Against Poverty
- Ysgol Feithrin

They were asked about:-

- Staff membership of the credit union currently
- Referring to the credit union and passing on information to community members as appropriate
- Any relevant community issues that need to be considered as part of the research and strategy development

### **Staff membership of the credit union currently**

Four community workers were members of the credit union. Two were not active members, but re-activated their accounts during the research process.

One community worker was interested in becoming a new member and was keen to encourage co-workers to join as well.

One community worker saved with the credit union on behalf of family members.

### **Referring to the credit union and passing on information to community members as appropriate**

All community workers were referring to the credit union currently except Christians Against Poverty who would only refer people if their intention was to save and not borrow.

The majority were happy to be part of any promotional campaign on the estate that included giving out information, talking to residents and offering additional support to contact the credit union.

The majority were also very supportive of the idea of a new collection point on the estate.

### **Any relevant community issues that need to be considered as part of the research and strategy development**

The demise of Farepak and this coinciding with the offer of instant access loans through the Growth Fund through the credit union was mentioned several times and workers felt that for those community members who had not paid back the loan, this may be an obstacle to them re-activating their accounts for fear of resurrecting the debt. Further it may have left a bad feeling on the estate about the credit union generally.

There is a long tradition on the estate of savings clubs through Eglwys Noddfa, Christmas clubs, voucher schemes etc, and also people are in the habit of using local services such as the food co-op on regular days and times.



The recent report ‘Mae’r Fan yn y Stryd’ that considered the issue of debt on the estate identified a need for a credit union collection point on the estate.

Also from ‘Mae’r Fan yn y Stryd’ is the recommendation to recruit and train volunteers to establish a debt support surgery on the estate preparing people for referral to other agencies such as CAB, credit union etc. It was felt that for the community the debt support surgery and the credit union could work alongside each other well.

Although the credit union office is in the town centre, it was felt that it is not on a natural walking route from the estate to the town and further many do not come into town preferring to use the post office on the estate.

Community workers agreed with the residents that better information was required for residents that spelt out the differences between themselves and doorstep lenders and the advantages of being with the credit union.

Not all community workers were aware of the changes within the credit union over the last twelve months and the newer products and improved service available.

One community worker ran a savings club on behalf of her organisation and has entered into discussion with the credit union to move the account.

A fear was noted that as the credit union had a collection point on the estate successfully for a few years, its removal may have offended some residents and this may be an obstacle in the future. It was also noted that the volunteers who ran the collection point were inconsistent in attendance on occasion and not always ‘professional enough’.

Resurrecting the collection point at Noddfa Community Centre may be difficult as the Centre has now lost its grant for running costs and will have to charge room hire. The room hire is to be set from April 2011 onwards.

When the credit union originally set up the collection point on the estate they had a promotional campaign offering a hamper as a prize.

Most of the organisations were happy to invite the credit union to community open days they intend holding on the estate. Also most were happy to include information about the credit union in any community material e.g. newsletters.

There was an issue for one community worker and other community workers who knew residents who had had an unsatisfactory service from a credit union volunteer and could see that this was a potential obstacle to using the service in the future.



## How did agencies respond?

Agencies interviewed included:-

- Two primary schools
- Two housing associations
- Midwifery team and health visitor team
- Plas Pawb Integrated Children's Centre
- Gwynedd Council Social Services and Housing Director and Divisional Manager
- Genesis Project
- JobCentre Plus

With them, we discussed:-

- Staff membership of the credit union currently and in the future
- Referring to the credit union and passing on information to community members as appropriate
- Any relevant issues that need to be considered as part of the research and strategy development

### **Staff membership of the credit union currently and in the future**

Of the agencies interviewed only one was a current member and actively used her account. She was very enthusiastic about the credit union and had developed her understanding of the service whilst seconded to a community project that had an outreach worker who supported families in the community and dealt with a range of issues including finance. Another worker in a different agency had been a member for a few years, but was upset and offended by a volunteer and withdrew his money.

Of the others we spoke to, the majority had heard of the credit union, couldn't explain what it was in detail, were interested in finding out more about the credit union and consider becoming members themselves. Several positive outcomes came out of these meetings:-

- Five invitations to talk to staff teams and managers meetings
- One invitation to set up staff workshops/surgeries at different area offices advertised through a staff bulletin and supported with a letter from the Chief Executive
- One invitation to a staff conference
- Two invitations to financial inclusion subgroups/focus groups
- Two invitations to input into staff newsletters

One of the organisations above had a payroll deduction system set up, although the staff members were unaware of this. It had been advertised through a note from the employer on payslips. Staff members were unaware of a note from their employer in the payslips. Other organisations were in the process of setting up payroll deduction and some were keen to discuss it further.

### **Referring to the credit union and passing on information to community members as appropriate**

The majority of the organisations understood that as they were already on the doorstep of their users/customers and often had a close trusting relationship with them, they were in a good position to pass on information and were happy to give out information about the credit union to community members when appropriate. One organisation invited the credit union to two fundays for customers.



## **Referring to the credit union and passing on information to community members as appropriate**

The majority of the organisations understood that as they were already on the doorstep of their users/customers and often had a close trusting relationship with them, they were in a good position to pass on information and were happy to give out information about the credit union to community members when appropriate. One organisation invited the credit union to two fundays for customers.

Some staff members felt they would require permission from higher up the organisation to give the information out, but once this had been secured, they would be comfortable to do this. In Appendix C there are template letters to chairs.

One staff member felt that even with permission it would be a problematic issue for several reasons:-

- ⌚ Workload and pressure of work
- ⌚ A holistic approach may put at risk the focus of the primary statutory responsibility of the post
- ⌚ Many organisations ask that their leaflets are given out
- ⌚ Why recommend one financial service over another?

On the whole, giving out information appeared acceptable, whilst active promotion and practical support to use the service, less so.

One organisation was particularly interested in the offer of current bank accounts as up to 8% of their clients at any one time had difficulty opening bank accounts.

Another organisation had tried a novel approach to increase membership of the credit union – giving their customers £10 if they can match it to open an account. They felt that it was partially successful; it was only tried out in one area and saw a small increase in membership.

## **Any relevant issues that need to be considered as part of the research and strategy development**

Many staff members and managers were acutely aware of reductions in state benefits and grants and the low levels of wages locally, coupled with a marked increase in the prices of food, fuel, bills etc and how this could lead people to take out loans with high interest lenders and were keen to find low interest, ethical alternatives.

Managers in particular have to plan and deliver their services holistically and finance and debt issues were increasingly becoming priorities. Statutory provision has to be delivered in a joined up way, different departments, organisations, community and voluntary groups, working together. The links between poverty and debt and disadvantage are well documented and dealing with these issues is becoming difficult to ignore.

It was recognised that the credit union may not be able to help everyone if they can't demonstrate that they can afford to pay back their loan. This still makes a group of people vulnerable to high interest lenders. Two organisations were in discussion with the CDFI Moneyline who charge interest rates of 47% typical APR.

One organisation offered the use of space in two of their area offices for collection points at no charge and was keen to discuss practical ways of supporting the service.



## **Reaching middle income and high profile savers**

Currently we are attempting two different strategies for increasing savings and profile.

The first is to target groups such as the Rotary, Lions, Soroptimists, Round Table, Inner Wheel, professional people who come together to fundraise and assist voluntary activity in their locality. One credit union in the North increased its savings substantially and made significant steps towards financial sustainability through working with one such group in their locality.

As part of the research, we wrote to the Lions in Caernarfon and are attending their meeting on 10 May to discuss the issue further.

Secondly, part of the recommendations in 2009 credit union review in Wales was to develop a national identity for the credit union movement and there have been broad discussions around a promotional campaign based around a well-known Welsh figurehead. Acknowledging that there are risks involved in working with one individual, this research is attempting a different approach.

Through making contact with individuals in different fields – rugby, acting, opera, popular music etc – we are attempting to gain the support of a union of people from one field with the credit union movement generally and ask that they undertake two tasks:-

- Join a credit union in the area they were brought up
- Support other people from the same field to join a credit union in the area that they were brought up

We enclose a template letter in Appendix D and hope that others will use it to encourage well-known individuals with local connections to join.

## **What happens next?**

Having tested out the theory, over the next 12-18 months, the strategy detailed in Appendix B will be implemented in one small community in Peblig in Caernarfon. The strategy will have specific phases:-

- Development/consolidation of products and services
- Setting up a task group to monitor, assess and evaluate the strategy
- Inform the agencies of the service available and encourage membership
- Set up a collection point on the estate
- Undertake two specific leafleting/merchandise campaign on the estate utilising local credit union members
- Recruit middle income and high profile savers
- Evaluate the strategy

Once this process has been completed and the results collated, this information will be forwarded to the WAG's Credit Union Support Team for wider dissemination.



## Conclusion

Did we find a way of making the credit union a routine and appealing option for residents in a low income community?

Yes, probably, a plan if delivered regularly and consistently over the next few years will increase membership in the Peblig ward, Caernarfon

### **Did we discover anything new or innovative?**

Not really, we re-discovered what community workers all over the country know, making changes to behaviour requires time, information, care and support from trusted individuals.

This small-scale research has provided a microcosm of the issues and dilemmas facing credit unions all over Wales as it strives for sustainability whilst fulfilling the financial inclusion agenda.

Consumer Focus Wales believe we have a ‘ticking time-bomb’ in terms of people’s ability to cope financially in the next few months (*Consumer Focus Wales, 2010*).

However, credit unions in Wales now have national coverage. There is a ‘current and widespread dissatisfaction with the banking sector’ and this has prompted an increasing interest in mutual and co-operative financial institutions including credit unions’

(*Cardiff Institute for Co-operative Studies, 2009*). Also there is policy support for the movement with the Welsh Assembly Government setting clear targets in its Credit Union Action Plan – 2010-2013 entitled ‘Raising the Profile’ to-

1. increase credit union market penetration from 1.82% to 6% by 2020, taking the number of adult members from 43,000 to 142,000
2. increase the asset base of Welsh credit unions from £21m to £75 by 2020
3. increase public awareness of credit unions in Wales by September 2013
4. increase the number of active credit union volunteers from 754 in 2009 to 1,000 by March 2013
5. provide support to all Welsh credit unions in receipt of Assembly Government funding to review and deliver against their current three year business plans identifying how and by when sustainability can be achieved – reviews to have taken place by September 2011

These factors creating favourable conditions for the credit union movement to breakthrough in terms of its national profile and its levels of recruitment (*Cardiff Institute for Co-operative Studies, 2009*) with the opportunity to ensure that credit unions are seen as a community banking facility that offers services for all sections of society, losing its ‘poor man’s bank’ tag, but thanks to its growth, reaching low income wards throughout Wales offering an ethical alternative to doorstep lending.



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## Appendix A

Recommendations for the Welsh Assembly Government include:-

Welsh Assembly Government – supporting credit union growth – includes:-

- setting a target for the credit union movement of 6% of the Welsh population in its membership by 2020
- encourage its own staff to be members
- launch a high profile campaign
- promote payroll deduction

Welsh Assembly Government – supporting the promotion of credit unions – includes:-

- support to develop a unified Welsh credit union identity
- fund a high profile campaign
- support Communities First to work with credit unions

Welsh Assembly Government – targeting financial support – includes:-

- continue to regard the financial support of credit unions as a long-term investment
- make capital grants available to improve back office facilities
- prioritise funding support on supporting credit unions' aspirations to grow their membership and range of services

Welsh Assembly Government – supporting good governance and good practice

- provide practical examples of effective credit unions as role models
- investigate accredited training
- support provision of high level training for directors and managers
- support the setting up of an independent, free 'due diligence' service for credit unions that are considering merging
- facilitate liaison meetings with credit unions

Welsh Assembly Government – reaching out to new markets – include:-

- commission further research to explore the impact of working with hard-to-reach and financially excluded communities
- consider the feasibility of establishing a pan-Wales infrastructure
- promote credit unions as part of the schools curriculum

Recommendations for Welsh credit unions include:-

- strategic planning to position their organisations competitively within the marketplace
- recruit and appraise credit union managers on the basis of high level skills in leadership, strategy, business and financial management
- recruit skilled board members and invest in further training
- assess the risks and opportunities with forthcoming legislation
- be mindful of the legal duty to exercise 'due diligence' in reach decisions on important issues such as mergers.
- Seek to reach a minimum capital/asset ratio of 3% as soon as possible
- Address the need to get more of their members' deposits out on loan as a way to generate more income and to move towards financial sustainability



## **Appendix A -2**

Recommendations for Welsh credit unions include:-

- 🟡 Prioritise the introduction of electronic payments cards such as PayPoint, pre-paid debit cards and the Credit Union Current account
- 🟡 Review how to most effectively use the valuable time donated by volunteers
- 🟡 Support the development of a unified Welsh credit union identity

Recommendations for credit union trade and support organisations include:-

- 🟡 Make appropriate levels of accredited training opportunities available
- 🟡 Review the Health Check and link with training needs, gaps, planning, governance etc

Recommendations for Welsh local authorities:-

- 🟡 Set up payroll deduction schemes and actively encourage their employees to become members of a credit union
- 🟡 Encourage staff to become volunteers and Board members, helping marketing sharing premises for collection points
- 🟡 Offer vacant commercial property on preferential terms
- 🟡 Encourage tenants to become members of the credit union

Recommendations for housing associations and other partner organisations:-

- 🟡 Actively encourage tenants to join a credit union, encourage housing officers and other staff to become involved in the running of credit unions as members, volunteers and directors
- 🟡 Provide a facility for members to make payments to the credit union through housing offices and with their rent
- 🟡 Offer shared premises and office facilities to credit unions
- 🟡 Work in partnership with credit unions and Moneyline



# Templates for increasing membership in low income communities

## Appendices B - D

### Appendix B

#### Strategy for increasing members from a specific low income community and increasing the capacity of the Credit Union to cope with additional demand for loans

Implementing the strategy	Actions	Timeline	Cost	Participants
Co-ordinating	Credit Union to:- <ul style="list-style-type: none"><li>· Establish a steering group</li><li>· Identify one geographical area</li></ul>	April - May 2 months	In kind:- Meeting room refreshments Agency staff time	Credit Union Communities First Community groups Residents
Monitoring and Assessment	<ul style="list-style-type: none"><li>· Establish baseline information</li><li>· number of members, savings &amp; loans, bad debts, loan delinquency</li><li>· Reassess baseline information at end</li></ul>	Beginning and End of process	Credit Union staff time	Credit Union and agencies listed above
Evaluation	<ul style="list-style-type: none"><li>· Identify positives about the process</li><li>· Identify improvements to the process</li></ul>	End of process	Facilitator Venue/ refreshments	Credit Union and agencies listed above
Securing investment	<ul style="list-style-type: none"><li>· Identifying agency funds</li><li>· Applying for grants</li><li>· Identifying help in kind</li></ul>	April - Sept 6 months	Officer time	Credit Union and agencies listed above



Appendix B - 2



## **Appendix B-3**

\*Printing/production costs vary:

A4 leaflet folded printed digitally full colour Welsh and English -

Cost is 2000 units = £320 plus VAT

Advantage of digital is the ability to change the text easily

5000 x 4 leaflets printed together - 20,000 total litho, 4 colour process both sides = £749 plus VAT

1000 x 2 leaflets, printed together - 2000 total litho = £248 plus VAT

Premium quality hard enamel badges

1000 @ 46p each plus £45 tooling charge, plus £11.00 carriage & VAT

Soft enamel badges

1000 @ 27 p each plus £45 tooling charge, plus £11.00 carriage & VAT

Printed with epoxy badges

1000 @ 46p each plus £80 set up charge plus £11.00 carriage & VAT

Single sided enamelled trolley token keyring

1000 @ 33p each plus £55 tooling charge plus £11 carriage & VAT

Flat print magnets

1000 @ 50p each plus £80 set up charge, plus £11.00 carriage & VAT



## Appendix B - 3

<b>Consequences of increased low income members</b>	<b>Actions</b>	<b>Timeline</b>	<b>Cost</b>	<b>Notes</b>
Increase demand for short-term unsecured loans	· Recruiting middle income savers targeting groups such as Rotary	Ongoing	Credit Union staff time	Credit Union and agencies listed
Increase demand for short-term unsecured loans	· Recruiting high profile savers	Ongoing	Credit Union staff/volunteer time Develop new leaflet - design translation printing	Credit Union/volunteers



## **Appendix C - Letter to Chair/Chief Executive**

Dear

North Wales Credit Union

As you are aware, credit unions are co-operative mutual organisations owned and controlled by their members. They offer easy ways to save and low cost loans and they also offer current bank accounts across North Wales. Credit unions have a significant role to play in financial inclusion - creating financial services that are open to all at an affordable rate and sign posting to other agencies.

Traditionally seen as the 'poor man's bank', credit unions have targeted low income communities. However, recent research demonstrates that credit unions do not always reach the poorest within our communities and in many areas there are strong links with alternative money lenders who charge high interest rates e.g. 189% and above.

For the Credit Union to compete with alternative money lenders, they must:-

1. Offer flexible products - short-term, unsecured loans of variable amounts
2. Provide an accessible process - a quick decision-making process
3. Offer a convenient service - by being as close to low income communities as possible
4. Provide social benefits - be supported within a relationship of trust, respect and care

The Credit Union in Gwynedd has in the last year refined and developed its service offering flexible products, although this is not currently well known, and a quick decision making process that is 'in the best interest of members'.

Where it requires support is regarding convenience and social benefits. Credit Unions are experienced in setting up community collection points and having local promotional campaigns and this work could be enhanced by working closely with organisations such as ourselves who are already on people's doorsteps and in their homes working from a position of trust and respect and care.

In practice this could mean:-

1. Encourage staff, managers and board members to become credit union members considering setting up and promoting payroll deduction if not already established
2. Promote the Credit Union through referring to the Credit Union as and when appropriate
3. During any local leafleting campaign - distribute them to clients

We would welcome the opportunity to come and discuss this further and to participate in any internal promotional work such as presentations, staff surgeries, team meetings, customer events etc.

We look forward to hearing from you soon and to working with you in the future.

Yours sincerely



## Appendix D

Letter to a well-known person with local connections

Dear

### The Credit Union Challenge

Credit unions are co-operative financial mutual organisations owned and controlled by members for the benefit of the community. Principally people save together and lend to each other providing an ethical alternative in the financial world and are part of worldwide movement of credit unions.

They offer easy ways to save and low cost loans (12.7% - 26.8% typical APR), dividends for members and they also offer current bank accounts across North Wales.

Credit unions have a significant role to play in financial inclusion - creating financial services that are open to all at an affordable rate. For example, a £300 loan with a doorstep lender could cost £513 (typical APR 189%), £300 loan with a credit union could cost £338 (typical APR 26.8%).

Credit unions cover the whole of Wales and to become stronger and sustainable, credit unions require increased savings and a higher profile. We are contacting as many individuals as possible within high profile fields e.g. rugby, acting, comedy, opera, popular music etc to ask that they:

- 🟡 Join a credit union in the area they grew up in and save with them (see attached list)
- 🟡 Support other people from the same field to join a credit union in the area that they grew up in

The vision is to create support for the credit union movement in Wales from other high profile unions.

In order that we may monitor progress, if you take up the challenge, could you let us know on [info@sylfaencymunedol.org](mailto:info@sylfaencymunedol.org)

Thank you very much.

Yours faithfully



## **Credit Unions in Wales**

Contact the credit unions in Wales Helpline on 0800 4960865 or email [financialinclusion@wales.gsi.gov.uk](mailto:financialinclusion@wales.gsi.gov.uk)

### **Merthyr Tydfil Borough Credit Union Ltd.**

19 Park Place

**Merthyr Tydfil**

CF47 0DJ

Telephone: 01685 377888

Email: [delyth@mtbcu.org.uk](mailto:delyth@mtbcu.org.uk)

Website: Merthyr Tydfil Borough Credit Union Ltd. (External link)

### **Dragon Savers Credit Union Ltd.**

107 Bute Street

**Treorchy**

CF42 6AU

Telephone: 01443 777043

Email: [stonemanc@dragonsavers.org](mailto:stonemanc@dragonsavers.org)

Website: Dragon Savers Credit Union Ltd. (External link)

### **All Flintshire Credit Union Ltd.**

27 High Street

**Holywell**

CH8 7TE

Telephone: 01352 715555

Email: [tecwyn@flintshire-creditunion.co.uk](mailto:tecwyn@flintshire-creditunion.co.uk)

### **Loans and Savings Abertawe (LASA) Ltd.**

10 Calvert Terrace

**Swansea**

SA1 6AR

Telephone: 01792 643632

Email: [query@lasacreditunion.org.uk](mailto:query@lasacreditunion.org.uk)

Email: manager@lasacreditunion.org.uk

Website: Loans and Savings Abertawe (LASA) Ltd. (External link)

### **Newport Credit Union Ltd.**

5 Market Arcade

**Newport**

NP20 1FS

Telephone: 01633 214913

Email: [info@newportcreditunion.co.uk](mailto:info@newportcreditunion.co.uk)

Website: Newport Credit Union Ltd. (External link)



**Neath Port Talbot Credit Union Ltd.**

41-43 Windsor Road

Neath

SA11 1NG

Telephone: 01639 632100

Email: [mikeread@nptcu.co.uk](mailto:mikeread@nptcu.co.uk)

Website: Neath Port Talbot Credit Union Ltd. (External link)

**Bridgend Lifesavers Credit Union Ltd.**

The Lifelong Learning Centre

Murfield Close

Sarn

Bridgend

CF32 9SW

Telephone: 01656 729912

Email: [nicola@blscu.co.uk](mailto:nicola@blscu.co.uk)

Website: Bridgend Lifesavers (External link)

**Credcer Credit Union Ltd.**

7 Bridge Street

Grosvenor Hill

Cardigan

SA43 1HY

Telephone: 01239 621408

Email: [admin@credcercreditunion.co.uk](mailto:admin@credcercreditunion.co.uk)

Website: Credcer Credit Union Ltd. (External link)

**Gateway Credit Union Ltd.**

21 Commercial Street

Pontypool

NP4 6JQ

Telephone: 01495 750020

Email: [john@gatewaycu.co.uk](mailto:john@gatewaycu.co.uk)

Website: Gateway Credit Union Ltd. (External link)

**Cardiff Credit Union Ltd.**

County Hall

Atlantic Wharf

Cardiff

CF10 4UW

Telephone: 029 20 872373

Email: [info@cardiffcu.com](mailto:info@cardiffcu.com)

Website: Cardiff Credit Union Ltd. (External link)



**Smart Money Credit Union Ltd.**

Abacus House

44 Windsor Street

**Caerphilly**

CF83 1FW

Telephone: 029 20 883751

Email: [info@smartmoneycreditunion.co.uk](mailto:info@smartmoneycreditunion.co.uk)

Website: Smart Money Credit Union Ltd. (External link)

**Robert Owen (Montgomeryshire) Credit Union Ltd.**

26 Market Street

**Newtown**

SY16 2PD

Telephone: 01686 623741

Email: [romcul@romcul.co.uk](mailto:romcul@romcul.co.uk)

Website: ROMCUL (External site)

**Brecon and District Credit Union Ltd.**

9 Cwrt Avon

15-16 Castle Street

**Brecon**

LD3 9BU

Telephone: 01874 620104

Email: [info@breconanddistrictcreditunion.co.uk](mailto:info@breconanddistrictcreditunion.co.uk)

Website: Brecon and District Credit Union Ltd. (External link)

**Marches Credit Union Ltd.**

The Old Police Station

1 Market Hall Street

**Kington**

Herefordshire

HR5 3DP

Telephone: 01544 231926

Email: [mcukington@kc3.co.uk](mailto:mcukington@kc3.co.uk)

Website: Marches Credit Union Ltd. (External link)

**Haven Credit Union Ltd.**

19 Charles Street

**Milford Haven**

SA73 2AA

Telephone: 01646 694080

Email: [admin@mhcufreeserve.co.uk](mailto:admin@mhcufreeserve.co.uk)

Website: Haven Credit Union Ltd. (External link)



**St. Therese's Credit Union Ltd.**

40 Victoria Road

Port Talbot

SA12 6AD

Telephone: 01639 885752

Email: [peter.reynolds21@btopenworld.com](mailto:peter.reynolds21@btopenworld.com)

**Bargoed Aberbargoed and Gilfach (BAG) Credit Union Ltd.**

47 Commercial Street

Aberbargoed

Caerphilly

CF81 9BT

Telephone: 01443 838605

Email: [bagcredunion@aol.com](mailto:bagcredunion@aol.com)

**Islwyn Community Credit Union Ltd.**

Wesley Road

Blackwood

NP12 1PP

Telephone: 01495 222832

Email: [info@islwyncu.co.uk](mailto:info@islwyncu.co.uk)

Website: Islwyn Community Credit Union Ltd. (External link)

**Red Kite Credit Union Ltd.**

20 Market Street

Builth Wells

LD2 3EA

Telephone: 01982 551000

Email: [enquiry@redkitecreditunion.co.uk](mailto:enquiry@redkitecreditunion.co.uk)

Website: Red Kite Credit Union Ltd. (External link)

**Save Easy (Llanelli and District) Credit Union Ltd.**

6-8 Bridge Street

Llanelli

SA15 3UF

Telephone: 01554 770867

Email: [saveeasy@btopenworld.com](mailto:saveeasy@btopenworld.com)

**Llynfi Valley Credit Union Ltd.**

15a Talbot Street

Maesteg

Bridgend

CF34 9BW

Telephone: 01656 731392

Email: [llynficredit@tiscali.co.uk](mailto:llynficredit@tiscali.co.uk)

Website: Llynfi Valley Credit Union Ltd. (External site)



**North Wales Credit Union - recently amalgamated**

**Website:** [northwalescu.co.uk](http://northwalescu.co.uk)

**Offices include:-**

51 King Street

**Wrexham**

LL11 1LA

Telephone: 01978 266843

Email: [info@wrexhamcu.co.uk](mailto:info@wrexhamcu.co.uk)

Website: Wrexham County Borough Credit Union Ltd. (External link)

144 Conwy Road

Llandudno Junction

**Conwy**

LL31 9ND

Telephone: 01492 580028

Email: [information@llandudnoci.co.uk](mailto:information@llandudnoci.co.uk)

Website: Llandudno and District Credit Union Ltd. (External link)

41 Pool Street

**Caernarfon**

Gwynedd

LL55 2AE

Telephone: 01286 678686

Email: [y-llechen@hotmail.co.uk](mailto:y-llechen@hotmail.co.uk)

Website: Y Llechen Credit Union Ltd. (External link)

17-19 Bodfor Street

**Rhyl**

LL18 1AS

Telephone: 01745 361274

Email: [enquiries@cccu.co.uk](mailto:enquiries@cccu.co.uk)

19 Bridge Street

**Denbigh**

LL16 3LF

Telephone: 01745 817444

Email: [info@caledfryncu.co.uk](mailto:info@caledfryncu.co.uk)

Website: Caledfryn Credit Union Ltd. (External link)

