



## Meeting Between Trade Associations, the FCA and the PRA



On the 5<sup>th</sup> July 2023 the FCA and the PRA hosted a meeting with the UK credit union trade bodies

which included ACE, ABCUL, UKCU, the Scottish League of Credit Unions, the Irish League of Credit Unions, the Ulster Federation of Credit Unions and the National Credit Union Forum.

Leading the FCA's presentations on Legislative changes that will be introduced by the Financial Services and Markets Bill 2023, Ian Adderley and Paul Williams talked through the 'Credit Union New Permissions' that will be required by credit unions wanting to take advantage of any of the new optional objects and financial activities. These changes come into force on 29 August 2023. Credit Unions can increase the range of products and services they offer.

The new activities are:

(a) **entering into conditional sale agreements** - as the seller. This allows credit unions to enter into finance agreements with members for the purchase of goods such as cars or white goods, under a conditional sale agreement.

(b) **entering into hire purchase agreements** - as the person from whom goods are bailed or (in Scotland) hired. This allows firms to enter into hire purchase agreements with its members for goods such as cars or white goods.

(c) **insurance distribution activities** - Credit Unions can now apply to offer these services as a primary offering, rather than as an ancillary to existing activities.

### Regulated Activities to apply for:

- Entering into regulated credit agreement as Lender
- Exercising/having right to exercise lender's rights and duties under a regulated credit agreement.
- ✓ Insurance Distribution, which may include:
- ✓ Advising on investments
- ✓ Arranging (bringing about) deals in investments

- ✓ Making arrangements with a view to transactions in investments
- ✓ Assisting in the administration and performance of a contract of insurance

## Consumer Duty Readiness

The FCA expect all credit union boards, to have clear oversight of Consumer Duty implementation plans. By this stage they should have identified any potential gaps or weaknesses in the firm's compliance and developed a plan to remedy this. The Consumer Duty comes into force on 31 July 2023.

### 10 key questions for credit unions to consider:

1. Are you satisfied your products and services are well designed to meet the needs of consumers in the target market, and perform as expected? What testing has been conducted?
2. Do your products or services have features that could risk harm for groups of customers with characteristics of vulnerability? If so, what changes to the design of your products and services are you making?
3. What action have you taken as a result of your fair value assessments, and how are you ensuring this action is effective in improving consumer outcomes?
4. What data, MI and other intelligence are you using to monitor the fair value of your products and services on an ongoing basis?
5. How are you testing the effectiveness of your communications? How are you acting on these results?
6. How do you adapt your communications to meet the needs of customers with characteristics of vulnerability, and how do you know these adaptations are effective?
7. What assessment have you made about whether your customer support is meeting the needs of customers with characteristics of vulnerability? What data, MI and customer feedback is being used to support this assessment?
8. How have you satisfied yourself that the quality and availability of any post-sale



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support you have is as good as your pre-sale support?

9. Do individuals throughout your firm – including those in control and support functions – understand their role and responsibility in delivering the Duty?
10. Have you identified the key risks to your ability to deliver good outcomes to customers and put appropriate mitigants in place?



## BANK OF ENGLAND PRUDENTIAL REGULATION AUTHORITY

### Key points from the latest Bank of England data

- The total value of loans to members increased 4.8% in 2022 Q4, surpassing £2bn, as the average loan value grew by 2.8%, exceeding £1,000 for the first time (£1,015).
- Credit Unions in Scotland reported a loss of £234k in 2022 Q4 for the first time, despite record income (£12.1mn), as total expenditure increased 19.1% quarter-on-quarter to £12.3mn.
- The number of juvenile dispositors fell for the 12th successive quarter, decreasing by -0.31% to 202k, to a level 18.2% lower than the 2017 Q4 peak of 247k.
- The total value of net liabilities in arrears increased by 6.6% to £127mn, driven by a 11.1% increase in England alone to £76mn.

### Most frequently used IT systems used by credit unions.

- Sercle 103
- Progress 75
- Custom 36
- Conaccess 32
- CU Systems 2

## ACE CU SERVICES now a Co-operative Society

At the 2023 Conference ACE members unanimously voted to pass the following motion:

“This SGM agrees that it would be beneficial for ACE Credit Union Services to convert from a Company Limited by Guarantee to a Co-Operative Society”

ACE has been a registered credit union trade association since October 1999 and is currently in its 24<sup>th</sup> year of operation. It was initially set up as a Company Limited by Guarantee by the founder members. The current Board of Directors of ACE having recently reviewed the Memorandum and Articles of the Association and concluded that ACE members would be better served by the Association converting to a Co-operative Society to match the Memorandum and Articles of all ACE members. By incorporating the Co-operative principles ACE will carry on business as a co-operative and carry on any other trade, business or service and in particular to support the development of credit unions and promote and raise awareness of the benefits of credit union membership.

### ACE Annual Conference Chester - 26th - 27th May 2023

This year's ACE Conference was held at the 4\*



DoubleTree by Hilton in Chester. The Conference was well attended and according to completed evaluation forms it was highly rated by delegates

The Friday afternoon was started by Jake Attfield, Senior Programme Manager at Fair4All Finance. During his presentation Jake informed the delegates that Fair4All would be introducing a new Community Finance Resilience Fund to support credit unions and other social Finance providers with their sustainability and how they support customers in vulnerable financial circumstances impacted by the current cost of living crisis. Funding for this project comes from new Dormant Assets funding of £45m of which up to £10m has been earmarked for a Community Finance Resilience Fund.



Photo: Trish Cassidy  
LIAISE Officer (Credit Unions) - National Illegal Money Lending team (England)

Trish Cassidy ended the Friday afternoon



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session by quizzing delegates about that they knew about Illegal Money Lending. Questions asked included: Who prosecutes loan sharks? Most common answer the Police. Actual answer Trading Standards. The highest rate of interest seen by the Stop Loan Sharks team? Ranged from 1,500% APR to 4.5m% APR. Actual answer 4.5m% APR. How long on average does it take an IML victim to report a loan shark? 7 weeks; 6 months or 2.75 years. Actual answer 2.75 years. What is the longest prison sentence given to a loan shark in the UK? Possible answers: 4 years; 5 years or Life. Actual answer: Life.

Both the PRA (Mitchell Kellwood) and the FCA (Sam Bragg) gave presentations on their regulatory expectations of credit union. Mitchell said that the PRA's Supervision Team at the PRA will engage with credit unions;

- That have below 5% capital-to assets ratio
- That repeatedly fail to submit timely and accurate regulatory returns.
- That has insufficient directors, or directors that do not appreciate/discharge the fundamental responsibilities they hold

Mitchell said that if the directors are unable to provide assurance that they will be able to comply with regulatory requirements and its own rules, then the board should consider credible strategies such as wind-up/wind-down and/or transfer of its engagement to another credit union.

Sam Bragg from the FCA spoke of the forthcoming additional services that credit unions will be able to apply to the FCA to undertake through the Financial Services and Markets Act 2023. This will include taking on Hire Purchase agreements and Insurance Distribution. These legislative changes will be optional. Sam also stressed the importance of all credit unions taking action on the new Consumer Duty requirements. Sam said that all credit unions needed to ensure that all products and services were fit for purpose and designed to meet consumers' needs. Consumers must be given the information they need, at the right time, and that it is presented in a way they can understand.

Caroline Domanski MBE, CEO No1 CopperPot Credit



*Photo: Caroline Domanski MBE – (CEO at No1 CopperPot Credit Union)*

Union shared her Consumer Duty experience as CEO of one of the larger credit unions. Consumer Duty applies to all regulated activities under the Financial Services and Market Act 2000 (FSMA) and relevant ancillary activities. As a first step she said that Consumer Duty

was a Board responsibility and advised all credit unions should appoint a Consumer Duty Champion to lead on all Consumer Duty actions. The FCA expects credit unions provide support to members who may get into financial difficulty and seek support in line with the Duty.

*Photo: Conference Delegates*



Conference delegates rated the experience highly, highlighting the quality of the speakers and the informative content of the presentations as well as the three workshops that ended the event on the Saturday. Delegates attending came from ACE members in England, Scotland and Wales. We also had 3 directors from the UKCU trade body who had to cancel their own Conference planned for April 2023. Conference presentations can be viewed on the ACE website [www.acecus.org](http://www.acecus.org)

## Workshop 1 - Combating Fraudulent Activity



*Photo: Workshop led by David Adams – Lindley Adams Chartered Accountants.*





## Workshop 2 - Dealing with Individual Voluntary Arrangements (IVAs) and Trust Deeds



*Photo: Workshop led by Samantha Owen (Finance Manager) – Unify Credit Union and John McClay (Manager) West Lothian Credit Union.*

## Workshop 3 Could you identify a credit union in distress?



*Photo: Workshop led by Dina Devalia Managing Director – Quantuma*

## Hannah Bardell (SNP) hosts Westminster Debate on Credit Unions

Livingston Minister Hannah Bardell has recently led a Westminster Hall debate on the role of credit unions in the Cost of Living crisis. The full debate can be viewed via this link [Credit Unions and the Cost of Living - Hansard - UK Parliament](#)

The debate was held on the 18<sup>th</sup> July 2023 and started by Hannah Bardell saying:

“I start by paying a passionate tribute to West Lothian Credit Union, its chair, Nancy MacGillivray, and her team, who work and fight tirelessly to develop their services and support our local community through that local credit union.” -

### Hannah Bardell (SNP) Livingston

ACE together with W. Lothian Credit Union prepared a briefing paper for the debate. Hannah Bardell went on to say:



“Part of the reason for today’s debate is to raise awareness of credit unions, as well as to recognise the challenges that we and many of our constituents’ face. An estimated 20 million consumers

in the UK are underserved and unable to access credit from high street banks. That is compounded by the number of bank branches that are closing. Everybody across the House has been outraged by the behaviour of some banks, the closing of local branches and the cutting off of so many of our vulnerable and rural communities.”

The 30-minute debate, attracted cross-party support for the excellent work that UK credit unions are currently delivering to communities that have been hit hard by the cost of living crisis.

Andrew Griffith, The Economic Secretary to the Treasury said:

“As the Economic Secretary, I am committed to supporting the credit union sector. From helping people to set aside savings.... Access to affordable, inclusive credit, such as that provided by credit unions, can make a real difference.”

He ended the debate by saying: “We value the work of credit unions. In seeking this debate, the hon. Member for Livingston has built a good level of awareness, and there is consensus that we can and should do more.”



*Photo: Andrew Griffith, MP, Economic Secretary to the Treasury*

## Community Cost of Living Fund



The Community Cost of Living Fund (CoLF)

has been introduced by the National Lottery Community Fund (NLCF) to support organisations in England working with low-income households and individuals. Under the CoLF you can apply for between £10k and £75k. Credit unions will qualify for this Fund if they offer members financial and housing advice like giving people advice because of the increased cost of living. The NLCF have said that they are more likely to fund small and medium sized organisations with an annual turnover of between £10k and £1m. The deadline for applications is the 16<sup>th</sup> October 2023 at 12 noon. [Login - The National Lottery Community Fund \(tnlcommunityfund.org.uk\)](#)