

Cross-Party Group on Credit Unions

Minutes of the meeting held Wednesday 18 April
Committee Room 6, Scottish Parliament

Present

Ruth Maguire MSP (Convener)	Scottish Parliament
Johann Lamont MSP	Scottish Parliament
Ashley Douglas	Scottish Parliament
Kenneth Pentland	Scottish Government
Will Tyler-Greig	Scottish Government
Karen Hurst	Association of British Credit Unions Ltd
Matt Bland	Association of British Credit Unions Ltd
Roger Marsh	Prudential Regulation Authority
Chinyere Adeniyi-Alade	Grampian Credit Union
Dermot O'Neill	Scottish League of Credit Unions
Diane Dunn	Renfrewshire Council
Trisha Butler	Drumchapel Credit Union
Sofia Dogan	Fife Voluntary Action
Rose Mavin	Wishaw Credit Union
Karen Hunter	Church of Scotland
Beth Welsh	Pioneer Mutual Credit Union
Ann Robertson	1 st Alliance Ayrshire Credit Union
Carol McHarg	1 st Alliance Ayrshire Credit Union
Alex Reid	Accountant in Bankruptcy
Fiona Wilson	Accountant in Bankruptcy
Robert McGinlay	Alexander Sloan Chartered Accountants
Donna Jardine	Baillieston Credit Union
Lorraine Corrins	Baillieston Credit Union
Lynsey Longridge	Baillieston Credit Union
Theresa McLaughlin	Baillieston Credit Union
Jim Suddon	Capital Credit Union
Stewart Ormond	Capital Credit Union
Charles Sim	Churches Mutual Credit Union
Richard McCready	Scottish Co-op Party
Des McGhee	Drumchapel Credit Union
John Hendrie	Kingdom Credit Union
David Hilferty	Money Advice Scotland
Elaine Rae	NHS Credit Union
Liz Degning	NHS Credit Union
Robert Kelly	NHS Credit Union
George Nedley	Scottish Police Credit Union
Kim Stevenson	Scotwest Credit Union
Tamar Lewis	Scotwest Credit Union
Eleri Birkhead	Church of Scotland
Ciara Robinson	Transport Credit Union
Craig Clark	Transport Credit Union
Shirley Thomson	WHEB Credit Union
Flora Mackin	Transport Credit Union
John Mackin	Transport Credit Union
Cathy Greig	Vale of Leven Credit Union
John McClay	West Lothian Credit Union
Joe Murren	White Cart Credit Union
Celia Pollok	Kilsyth & Villages Credit Union
Grace McGinnity	Kilsyth & Villages Credit Union

Apologies

Claudia Beamish MSP

Angus MacDonald MSP

Gerry Docherty, East Kilbride CU

Introduction

Ruth Maguire MSP, Convener, welcomed the group to the meeting, in particular her colleague Johann Lamont MSP, and introduced the speakers.

Update from Scottish Government

Kenny Pentland, of the Scottish Government, provided an update on the proposed credit union awareness campaign:

- A funding bid was submitted before Christmas and funding has now been secured. Information has been gathered from the USA, Accountant in Bankruptcy and local authorities.
- Workshops will be put together for representatives of credit unions to discuss aims and objectives, appropriate channels for delivery. Evidence on other social enterprise campaigns is still being sought.
- It is possible that something could be launched to coincide with International Credit Union Day.

Update on insolvency regulations

Fiona Wilson, Policy Manager at Accountant in Bankruptcy, give an update on what changes have been announced to the Debt Arrangement Scheme (DAS), and what changes the AiB is considering in relation to Protected Trust Deeds (PTDs). An announcement on PTDs is due next month. Both sets of changes are part of a longer term objective to get the right person into the right product.

Robert Kelly, NHS Credit Union spoke about the impact of recent trends in insolvency on his own credit union. He welcomed the AiB's approach to tackling some of the problems they have identified in the current system. He noted that his credit union would be writing off £150K this year as a result of debt solutions. The credit union is always open to helping people who have fallen on hard times, but the increase in PTDs in particular is resulting in the credit union considering re-pricing loans and reconsidering risk appetite, which impacts the whole membership.

He noted that it is important for the credit unions sector to speak out about unusual trends and work together to find a solution.

After both speakers there was an open discussion about the experiences of credit unions of these issues, in which the following points were covered:

- For smaller credit unions margins are even tighter, and the sums being written off are resulting some considering whether they can continue to operate.
- Increasingly credit unions are finding that members are not mentioning to the credit union that there are any difficulties, yet signing up for a PTD promoted by advertising.
- The role of the insolvency sector in driving the increase in PTDs is being underplayed, and it appears that the sector is benefitting financially from it.

- Some credit unions have had experiences of members signing a PTD on the day their loan is transferred to them, so it would be helpful if there were some restrictions on what debts were included in a PTD to restrict this. However, AiB representatives noted concerns about the practicalities of implementing such a restriction.
- PTDs are often being protected with no notification being sent to creditors, which is in breach of legislation. The AiB advised that these cases can be reported to them.
- There were concerns about the high profile advertising undertaken by those promoting PTDs, which is often extremely misleading.
- The AiB representatives noted they were surprised by some of the cases approved by larger creditors, and are exploring why this is. It was put to them by credit union representatives, however, that banks and other larger creditors often deal with potential loss by excluding many people from their services.
- Credit unions suffer a further disadvantage because of the fact that they do not front load interest on loans in the way that banks do, so a higher percentage of their income is written off when a statutory solution is put in place.
- There is a possibility that, with the new provision to allow some people in DAS to access further credit, they will effectively only be able to access credit from high cost sources, given their overall financial situation.
- Many credit unions have found that their members were not aware of the consequences of signing a PTD, and had understood that it was a tool to repay all their debts (often because the sum being repaid is similar to their overall debt, even if it does not reach creditors).
- It was noted by a representative of the money advice sector that the decrease in DAS correlates with the decrease in local authority debt advice funding and, though the proposed changes are to be welcomed, the 2 or 3 firms causing many of the problems need to be tackled. The free money advice sector is picking up the pieces of some of the problems identified at the meeting.
- Many insolvency practitioners are charging £250 an hour, and the bill is being picked up by those who already in financial difficulty.
- A small number of individuals end up with several PTDs, which impacts the credit union's trust in providing credit to those who sign one because of genuine financial difficulty.
- Some DAS cases appear to last an extraordinary amount of time. (The AiB noted that this is usually because there is a condition attached that will mean it is resolved much sooner, and also that one objection to this sort of case would result in the AiB applying a fair and reasonable test to it, which would likely put a stop to it).
- Credit unions often play an important role in consolidating debt and ensuring individuals can repay in manageable – this should not be forgotten.
- Although Insolvency Practitioners have to ensure that individuals are fully aware of their options, it's difficult to prove whether this is happening.
- Bad advice is particularly concerning for those with learning difficulties.
- Informed consent is particularly important for those who are vulnerable, or feel they lack options.

Ruth Maguire noted the important the credit union sector gathering evidence of these issues. The next meeting is booked for 2nd October.