

Call for Evidence: British Credit Unions at 50

Evidence from – The Highland Council

The Highland Council welcomes the opportunity to provide evidence on the future of Credit Unions. These are significant bodies and can play an important role within communities. We would hope that this approach from the UK Government will help to strengthen and support credit unions to enable them to play an even greater role for communities in the future.

What can the Government do to encourage wider knowledge and understanding of credit unions?

There is an overall lack of understanding about the purpose and functions of a credit union. Credit unions appear to lack credibility with many individuals not perceiving them as a service for them. This appears to have been reinforced by the continual promotion of credit unions as the 'poor mans bank'. If credit unions are to survive they require customers from across the financial spectrum. The principles, ethos and services provided by a credit union are available and relevant to the whole population. It is critical that the Government therefore addresses the perceptions surrounding credit unions in order to effectively promote and support credit unions for the future.

There is no doubt that credit unions can provide a viable alternative to payday lenders and other similar high-interest companies. That this is not their sole purpose, nor should be their sole audience, is outlined above. As our advice providers remind us, payday loans continue to be a problem for individuals and can result in high levels of unsecured debt. Consideration should perhaps be given to limiting, if possible, the volume of payday loan advertising available. If this could be countered by an alternative campaign to promote the role and purpose of credit unions – in general and *not* just as an alternative to payday lending – this could have a dual impact in positively promoting credit unions whilst reducing the reliance of payday loans.

What can the Government do to help credit unions grow, ensuring there is still responsible lending?

Government support to introduce a Credit Union Current Account would greatly aid the industry. For credit unions to be a viable alternative to mainstream banking, they need to be able to offer transactional bank accounts. The product available to date has not been particularly successful and is no longer available to new credit unions

wishing to offer this facility. For credit unions to be successful, they need to appeal to all sectors of the market and therefore transactional banking is critical.

In addition, support to develop 'jam jar' or budgeting accounts would be helpful. With the introduction of Universal Credit, products to assist and support individuals to manage their money are important and linking these to a credit union which promotes savings is desirable. These accounts at times incur a charge, therefore it would be helpful for the Government to consider subsidising these to promote a culture of responsible budgeting and money management.

There is an overall challenge faced by credit unions that are competing with the instant loan agreements offered by many high interest lenders. It remains questionable whether these lenders are credit checking applicants as rigorously as credit unions are required to do so. It is therefore queried whether there is any way for the Government to assist in underwriting certain loans to enable credit unions to process loans more swiftly.

In conclusion, a key question for the future of credit unions is whether the time has come to consider whether the term *Credit Union* is still appropriate in the current climate or has the time come to consider rebranding of this service? Credit unions in general are no longer the small, localised, volunteer run provision they once were. Volunteers remain at the heart of the service but credit unions are now professional financial organisations and perhaps the time has come for the terminology around these organisations to change in order to reflect the changing times and instil confidence in the 'credit union' brand.