



KEY CONFERENCE

DEVELOPING CREDIT UNIONS

THURSDAY 18 SEPTEMBER 2003

at

Ashcroft International Business School
Anglia Polytechnic University, Chelmsford

CONFERENCE REPORT

- **PURPOSE of the Conference was:**

- To explore the role of credit unions in alleviating problems of poverty and debt, promoting social regeneration and developing micro-businesses.
- To explore the role of organisations: local authorities, community groups, voluntary groups, business, faith groups, grant making trusts, government agencies, housing associations and also individual 'movers and shakers' in the development of credit unions
- To draw organisations together on a geographical basis to promote the development of new credit unions or enhance those in existence.

The Conference considered the following major topics:

- **the role of credit unions today**
- **netCUDA developing 'new' model credit unions**
- **the need for partnerships to form sustainable credit unions – delegates' organisations role in developing credit unions**
- **the way forward**

The Role of credit unions today

There is an increasing need for local/alternative financial services in our communities due to:

- Bank branches and P.O. closures, increasing financial exclusion
- Inadequacy of the 'Social Fund' for those in receipt of Welfare Benefits
- Alarming rise in the level of personal debt

The focus of discussion was on the problems faced by individuals on low incomes/benefits, with adverse credit history, without bank accounts and without access to mainstream credit facilities. Particular reference was made to the very high interest rates charged by 'predatory lenders' and the lack of statutory provision to limit interest rates. Reference was made also to the role of credit unions in providing finance for micro-business development and to the positive contribution credit unions can make to urban and rural regeneration and the development of social capital.

netCUDA developing a 'new' model for credit unions

These credit unions need to become mainstream services used by all sectors of society - what the government terms the '**3rd stream of banking**'. They also function as a plank for social and financial inclusion thus bringing about social cohesion.

The new model builds on Paul Jones model, outlined in his research findings published in 'Sustainable Credit Unions', John Moores University, Liverpool and best practice gaining from other credit unions' experience

The model needs to be:

- sustainable - self sustaining within 3 years (FSA requirement)
- have sufficient capital funding - funding in place to reach sustainability (FSA requirement)
- accessible to everyone, local access through a network of 'collection points', PayPoint, P.Os, Co-operative Society stores, libraries, shared premises (community/Church)
- service a cross section of the population/community – mix of income levels
- effective at replacing high interest doorstep lenders
- be user friendly – open business/regular hours
- be perceived as efficient and attractive organisations:
 - High Street premises
 - professional management
 - run as a business with a social conscience
- well marketed/ responding to demand

The role of **netCUDA** is to promote the development of sustainable new model credit unions. Such credit unions would be attractive across the socio-economic spectrum and would use the latest technology to enable payments and withdrawals to be made from a wide range of access points. The significant role of **netCUDA** would be to support the formation of credit union development groups, to assist with training, capacity building, Financial Services Authority registration and authorisation processes, funding bids, marketing strategy and business planning. See below '**netCUDA services**'.

The need for partnerships to form sustainable credit unions.

It was noted that the conference participants came from a broad range of organisations – regional bodies, statutory organisations, housing associations, business and the voluntary sector. It is essential that partnerships are formed which embraced the full range of organisations represented at the conference.

Regional and sub-regional organisations should recognise the important infrastructure role credit unions could play in regeneration projects.

The business sector should recognise the economic benefits which accrue to areas where borrowers can borrow on low interest rates rather than the very high rates charged by predatory lenders and thus keep money in the local economy. Credit unions also provide a means for providing start up capital and revenue for micro-businesses. Businesses can assist the growth of credit unions by encouraging staff to save with credit unions through payroll deduction schemes.

The statutory sector, and in particular local authorities, should recognise the role credit unions can play in:

- the delivery of community plans
- regeneration projects
- anti-poverty strategies.

They also need to acknowledge the important function they have in bringing together potential partners to form credit union development groups and secure the required start-up capital and revenue support.

Health Trusts should appreciate the relationship between poverty and poor health and the important role credit unions can play in dealing with poverty issues.

Housing associations should be aware of the benefit of credit unions to their tenants:

- encouraging saving
- providing low interest credit (that will not impinge on priority payments, eg. rent)
- bringing money management and advice services

while also playing a role in community development and the creation of social capital.

The voluntary sector (including faith groups) have a vital part to play as they have close contact with communities, including those who would benefit most from membership of credit unions. Also voluntary groups are an important source of the volunteers needed to manage and operate sustainable credit unions.

The way forward

It is important that the various sectors represented at the conference analyse the benefits of credit unions in meeting the objectives and targets they are set.

It is important that there is cross-sector networking to ensure that the benefits of credit unions are considered holistically and that cross-sector partnerships are formed to enable credit unions to be set up, initially by forming credit union development groups. **netCUDA** is well placed to facilitate the development of partnerships and to support them in the process of forming credit unions.

Conclusion

The conference had as its declared aims:

Bringing together representatives from individual sectors and discussing the role they could play in the formation of sustainable credit unions.

Bringing the sectors together on a geographic basis to establish embryonic credit union development groups.

The conference succeeded in raising the profile of **netCUDA** and explaining to a wide audience the value of credit unions. It is envisaged that the contacts and networking at the conference will lead to the formation of broadly based partnerships to take forward the formation of credit union development groups across the region. If you are interested in being a member of such a group please do contact us at **netCUDA** ■

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**COMMUNITY
FUND**
Lottery money making a difference

netCUDA Ltd offer the following services:

- FSA Registration - support with FSA application & docs (Bus Plan, Fin Plan, P & P)
- Facilitate Steering/Management Groups
- Advise on funding, resourcing, support
- *Training for Management Group and Collection Point volunteers
- Assistance with Marketing
- Websites for proposed credit unions
- **Back Office IT & Administration systems
- Awareness raising

The above services are offered free to new credit unions within our funded area: Essex (including the two unitary authorities) and East London. *(Once new funding is obtained for a wider area the services would also be offered free in these areas).* However existing credit unions could be charged for services

NB

* - free services, training is offered for 'Initial' training for management group and Collection Point volunteers.

** - only advice will be given regarding Back Office IT and Administration systems.