

Introduction to Stirling Credit Union

A BRIEF OVERVIEW

JULY 2021

Potential areas for discussion

1. What's different about a Credit Union?
2. A well-kept secret!
3. Why Credit Unions matter

What's different about us?

A Credit Union is a financial cooperatives (a “mutual”)

1. Offers ethical, community-based financial services

2. Promotes good money management

Primarily by encouraging members to save (it's a core principle).

3. Provides loans at fair and reasonable interest rates

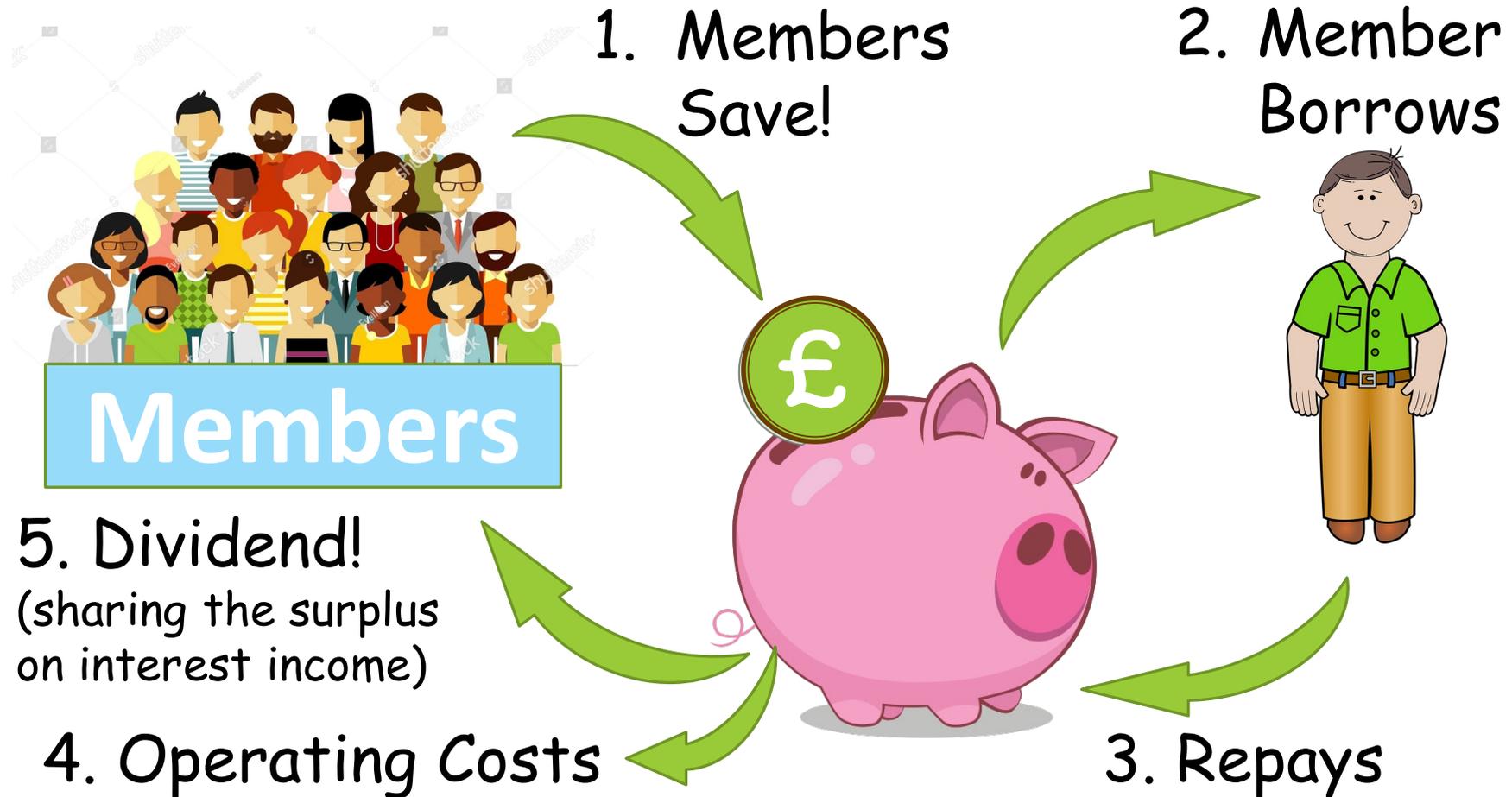
Interest rates are capped by the FCA at a maximum of 3% per month. Most CUs offer rates significantly below this cap.

4. Provides access to services for the financially excluded

5. Is local, human and personal:

- Credit unions are **run by and for the benefit of members**
- There are no “owners” or share-holders
- Member-elected boards are unpaid

The credit union model is simple: members share income generated from lending to each other



Although the model is simple, members' savings are protected and credit unions are regulated (increasingly so)



- Regulated and closely monitored by the FCA and PRA
- Individual savings protected up to £85,000 (FSCS)
- Trade bodies (e.g. ABCUL, UKCU) represent CUs at a national level
- **Increasing regulation is driving consolidation (in favour of larger, better-run CUs) and the removal of smaller, sometimes poorly-managed CUs**

The Financial Conduct Authority (FCA) also defines each credit union's "Common Bond", which defines the basis for membership

The Common Bond is intended to create the sense of "community" and local accountability.

Based on

- a **common employer** (e.g. NHS employees), AND/OR
- a **geographical area**, where people live or work (e.g. Stirling CU's Common Bond, shown here), AND/OR
- **ONS job codes** (e.g. people working in hospitality)

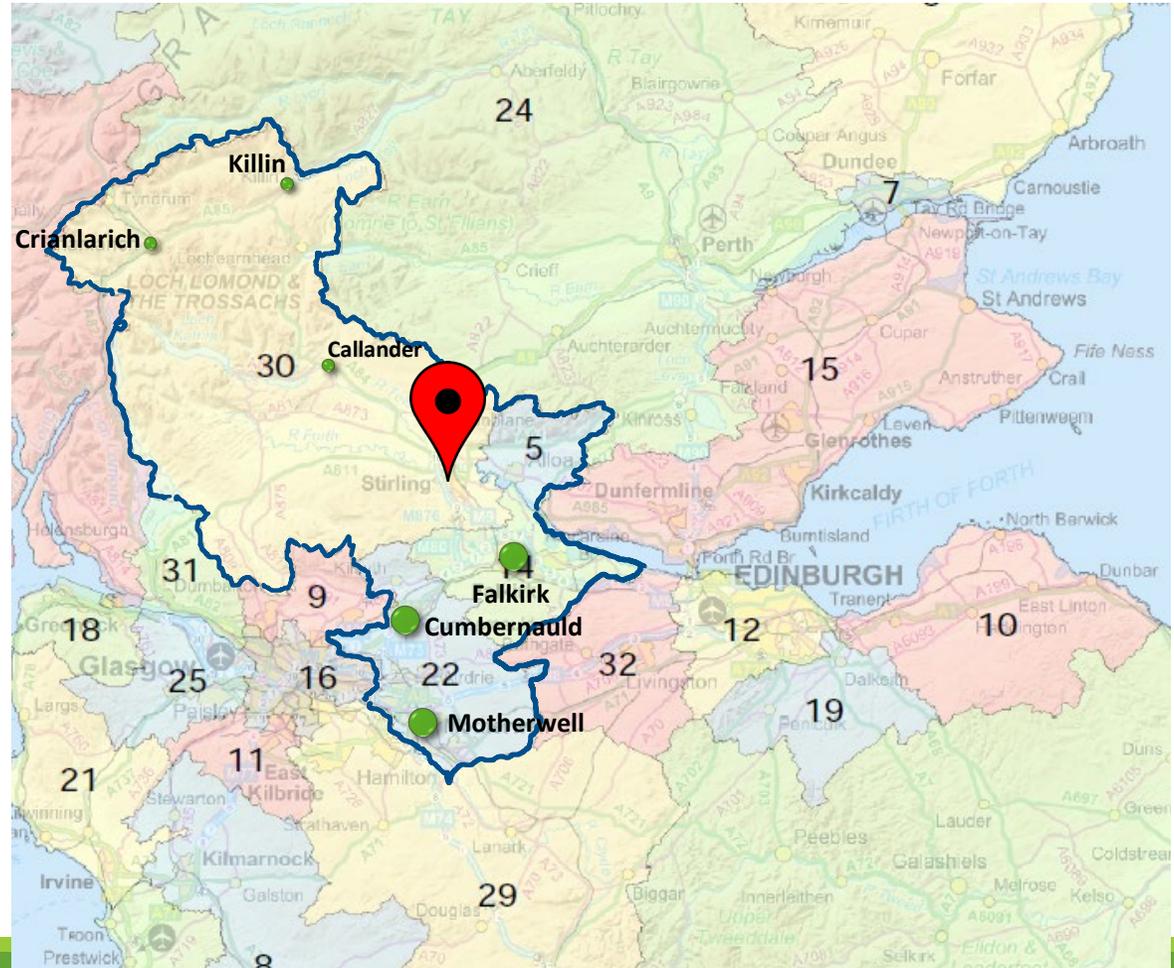


Stirling Credit Union serves a large geographical area

Our “Common Bond” currently includes **anyone who lives or works in:**

- Stirling
- Clackmannan
- Falkirk
- North Lanarkshire

A “catchment” of around 1m people

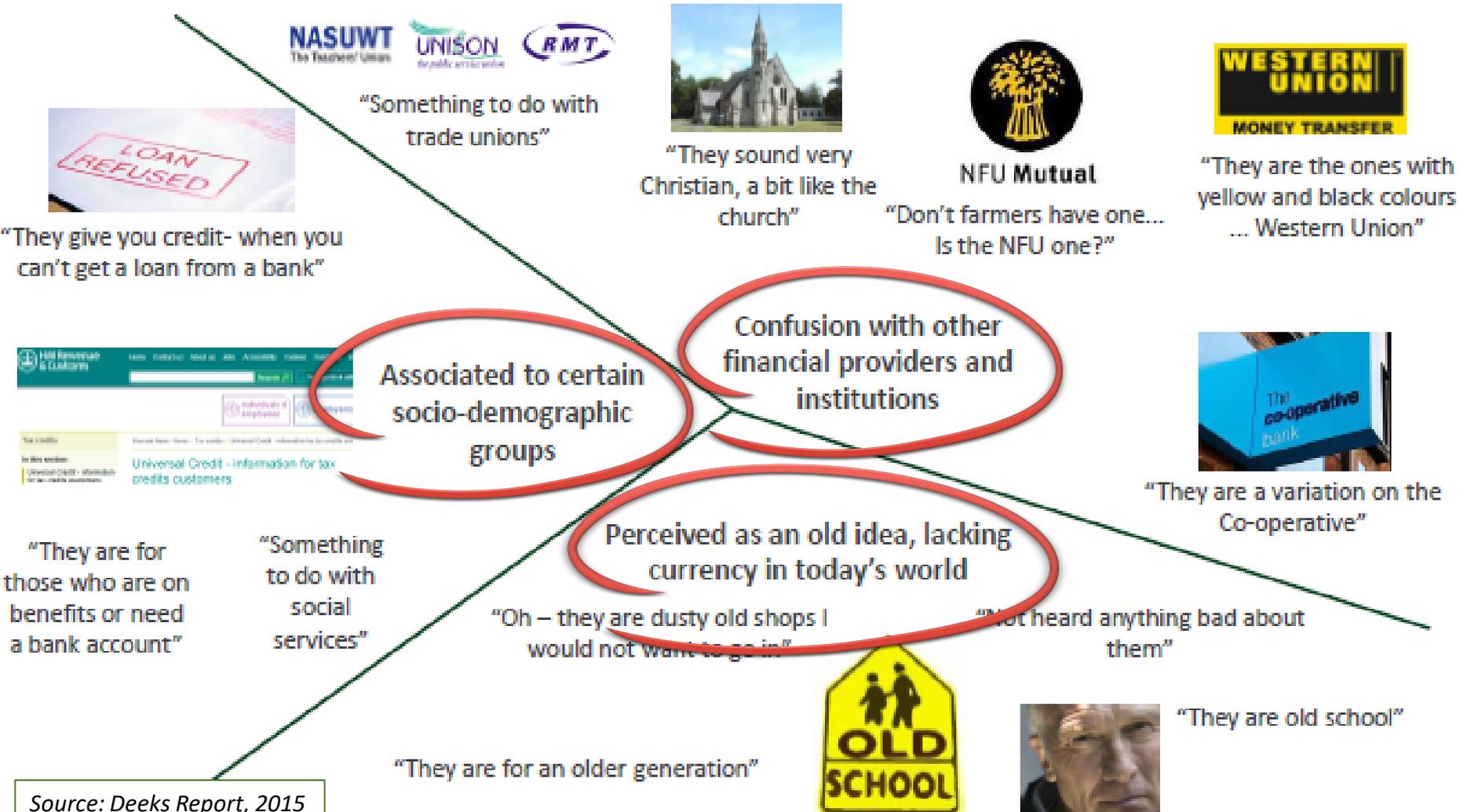


Having implemented a dramatic proposition & service transformation during 2019-20, we are poised for growth!

1. New Loan Products
2. New Lending Policy (incl. a new “Join and Borrow” offering for non-members)
3. New responsive web site (our “Public Site”)
4. New Members’ Area (our “Secure Site”)
5. New WebApp for mobile devices
6. New Online Applications Processing (including automated processing)
7. New payment by debit card (powered by Barclaycard): telephone & online
8. Enhanced Security, incl. **Cyber Essentials** accreditation
9. New Automated 3rd Party Online Services:
 - e-Signatures (rPost) for agreements
 - eIDV and Credit Report (TransUnion)
 - Secure tracked email (rPost)
 - Secure SMS (Esendex)
 - Postcode validation and address lookup (Allies)
 - Email and telephone number validation (Allies)
10. New support for staff remote/home working
11. New & revised forms, user guides & procedures

A well-kept secret

Unfortunately, even if people know about CUs (and public awareness in the UK is low), misconceptions abound!!



We recently engaged a **digital marketing agency** and commenced an ambitious social media and email marketing pilot!

Source: Deeks Report, 2015

Despite the misconceptions and lack of awareness, encouraged by both UK and regional governments, membership is growing

1.4m UK members

- 240 credit unions across England, Scotland and Wales
- £1.95 billion total assets
- £1 billion in loans

Source: ABCUL, September 2020



UK credit unions are part of a global movement involving 118 countries, with 270 million members

The UK has some catching-up to do: elsewhere credit unions are big. **Really Big!**

- § 65% population of the Caribbean (3.4m members)
- § 55% population of the USA (118m members)
- § 43% population of Canada (10.5m members)
- § 26% population of Australia (4.2m members)

Source: WOCCU Statistical Report, 2018

Why credit unions matter

Shocking statistics 1:

Many households in the UK are “living on the edge” – just one payday from financial crisis:

11.5 million adults (or 22% of the adult population) have less than £100 in savings

Source: “Building the financial capability of UK adults”, 2018 Survey, MAS

Shocking statistics 1:

With little or no savings, when the need arises, people resort to sources of credit

9 million adults (or 17% of the adult population) borrow money to buy food or pay their bills

Source: "Building the financial capability of UK adults", 2018 Survey, MAS

This is just one reason credit card debt is rising and so-called "payday lenders" are thriving

Credit unions are able to offer loans at reasonable and fair rates

- Unlike banks and building societies, credit unions are usually able to offer **small loans for short periods** (e.g. £50, or £100 for three months).
- Credit unions are usually able to lend to those who otherwise, declined by mainstream banks, might be driven into the arms of payday lenders.
- People with “damaged” credit scores and histories can re-build them through their credit union.

This is why UK and national governments are actively supporting the growth of credit unions

“Credit unions offer an alternative to vulnerable people who have few safe options to get cash when they need it most. They are the antidote to predatory loan sharks or high-interest lenders”

Minister for Welfare Reform,
David Freud, 2015

Shocking statistics 2:

The low level of savings across the UK population is not just about income

- **20% of adults who borrow money to buy food or pay their bills have a household income in excess of £50k**
- **20% of working-age adults with less than £100 in savings have a household income of £30,000 or more**

Source: "Building the financial capability of UK adults", 2018 Survey, MAS



Research suggests people need to re-discover the “saving habit”

However, a change in behaviour can be expected only when people **believe** they can save and **experience** the benefits:

“Simply teaching skills and imparting knowledge won’t encourage people to save unless we can also win hearts and minds; that is encourage them to think about future savings goals and to believe that they are achievable”

Money Advice Service

- *Building the financial capability of UK adults*
- *2018 Survey*

Credit unions are helping to build “the saving habit”

- 1. Members must commit to save regularly** (even just a few pounds per month):
 - Pay-in cash or transfer from a bank account (e.g. by **Standing Order**)
 - Join a **payroll deduction** scheme, which many CUs run in partnership with local employers
 - Join a **Junior Savings** club, which many CUs run in partnership with local schools
- 2. “Save as you borrow” encourages saving, even whilst borrowing**
 - A savings element is built into the loan repayment
 - “Pledged” savings are released back to the member when the loan is repaid – which often feels like a personal reward for repaying the loan.

Independent research found **67% of CU borrowers develop a new savings habit** as a benefit of the “save as you borrow” model followed by credit unions

The research included people who said they had believed it “impossible” to put money aside



*Example monetary amounts are for illustration purposes only



Come and join us!

Visit our website to download an application form (<https://www.stirlingcreditunion.co.uk/vacancies>) or email chair@stirlingcreditunion.co.uk