Association of British **Credit Unions** Limited

Peter Cardinali
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Dear Peter

Regulated fees and levies: rates proposals 2014/15

We appreciate the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 393 credit unions which choose to be a member of a trade association, 72% choose to be a member of ABCUL.

Credit unions are not-for-profit, financial co-operatives owned and controlled by their members. They provide safe savings and affordable loans. Some credit unions offer more sophisticated products such as current accounts, ISAs and mortgages.

At 31 December 2013, credit unions in Great Britain were providing financial services to 1,122,461 people, including 126,217 junior savers. The sector held more than £1.1 billion in assets with more than £676 million out on loan to members and £949 million in deposits.[1]

Credit unions work to provide inclusive financial services has been valued by successive Governments. Credit unions' participation in the Growth Fund from 2006 – 2011 saw over 400,000 affordable loans made with funding from the Financial Inclusion Fund. The DWP has contracted ABCUL to lead a consortium of credit unions under the Credit Union Expansion Project, which will invest up to £38 million in the sector and aims to make significant steps towards sustainability.

Response to consultation

On behalf of our member credit unions we would like to use the opportunity of this consultation to express our strong support for the continued proportionate and sensitive treatment of credit unions for the purposes of regulatory fees and levies. Credit unions occupy a unique place in the regulatory structure of the UK's financial services sector: dual-regulated as deposit-takers yet significantly smaller on the whole than their peers. Furthermore, credit unions are actively and deeply involved in providing fair and affordable access to financial services to those that are unable to access such services elsewhere. In this, as detailed above, the sector has been continually supported and encouraged by Government and various others.

[1] Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

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In light of this, we feel that it is entirely appropriate that credit unions should continue to receive lower minimum fees in the case of the very smallest institutions. Similarly, we feel that the fact that even the very largest credit unions pose little or no systemic threat to financial stability is a strong basis upon which to charge a fee premium of the largest deposit takers who receive heightened oversight and scrutiny following the financial crisis and the various banking scandals since then.

We welcome efforts to reduce the overall burden of regulatory fees relative to last year however we do remain concerned that the regulatory structure established in 2013 is likely to consistently cost the industry more to maintain than its predecessor, the FSA. The National Audit Office recently highlighted that fees increased from the FSA by 24% in 2013/14. While we recognise the vital role that the regulatory authorities play in maintaining stability and protecting consumers, we are also acutely aware that the burden of fees, if not controlled, has the potential to weigh down firms' ability to deliver services cost-effectively. In the case of the credit union sector, this can be the difference between providing a service or not. Therefore continued efforts to drive down the fee burden and improve the efficiency and effectiveness of regulation will always receive the support of the credit union sector.

In relation to consumer credit we would also like to express our support for the efforts that FCA has taken to account for the specific needs of credit unions in relation to consumer credit fees as an acknowledgement of the role the sector plays in extending affordable sources of credit. We support entirely the proposal as confirmed in the consultation paper to only require credit unions to pay periodic consumer credit fees where revenue from regulated activity exceeds £250,000. Given that the vast bulk of credit unions' consumer credit activity is unregulated we do not expect this to represent a major difficulty for our members.

We would also like to thank the FCA and Money Advice Service for the thoughtful, proactive and responsive way in which it has dealt with potential burdens arising for credit unions in relation to the debt advice levy. We strongly support the proposal to only require credit unions to contribute in relation to unsecured debt revenue in excess of £250,000. This is a welcome acknowledgement of the role credit unions already play in supporting the same groups that benefit from debt advice provision.

Finally, we would like also to express our strong support for the outcome of the fees review which has taken place over several months. Potential alternative levy structures considered under the review had the potential to see credit unions and other small firms contributing proportionately more than larger firms. We expressed strong opposition to these perverse results of the proposals during the review and we are pleased that the status quo will be retained.

Once again, we are grateful for the opportunity to respond to this consultation. We would be more than happy to discuss any of the points raised above in more detail. Please feel free to contact us.

Yours sincerely,

M Lyonette

Mark Lyonette
Chief Executive – ABCUL