

FCA – Fees Policy Statement – 17/15
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London, E14 5HS

04 September 2017

Dear Peter,

Policy Statement 17/15

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 323 credit unions which choose to be a member of a trade association, approximately 65% 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 30 September 2016, credit unions in Great Britain were providing financial services to 1,274,961 people using credit unions, including 134,206 junior depositors. The sector held more than £1.45 billion in assets with more than £788 million out on loan to members and £1.23 billion 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. Loans made under the fund saved recipients between £119 million and £135 million in interest payments that otherwise would have been made to high-cost lenders. The DWP has contracted ABCUL to lead a consortium of credit unions under the Credit Union Expansion Project, which is investing up to £38 million in the sector and aims to make significant steps towards sustainability.

Response to consultation – credit union debt advice levy concession

In 2013, the FCA proposed a number of concessions for credit unions societies as firms with social objectives, recognising their value for low income and financially excluded consumers. In CP 13/14 the FCA said that it would make “appropriate concessions for credit union in respect of the debt advice levy”. This was later confirmed in CP 14/07 which stated:

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

“In CP13/14 we said we would make appropriate concessions for credit unions in respect of the debt advice levy. What we propose is that credit unions will operate on a tiered system so that smaller firms whose unsecured debt is less than £250,000 will not have to contribute while those with unsecured debt of over £250,000 will pay on the value of unsecured debt above this threshold. This will be at the same rate as all other firms in that fee-block.”

ABCUL supported² minimising the debt advice levies on credit unions due to their work in actively providing support to those in financial difficulty and who become over-indebted and expressed the view that the levy should take into account the impact firms had on debt advice funding with credit unions representing a negligible proportion of debt advice cases. The FCA’s policy statement 14/11 confirmed that it would proceed with the debt advice levy as proposed, however, this policy intention was not pulled through into the rules resulting in credit unions not receiving the benefits of the agreed concession. This was despite subsequent annual fees consultations making reference to the concession such as CP 17/12 which states:

“We will continue to make appropriate concessions for credit unions regarding the debt advice levy by operating a tiered system so that smaller firms with unsecured debt less than £250,000 will not have to contribute. Those with unsecured debt of over £250,000 will pay on the value of unsecured debt above this threshold. This will be the same rate as paid by all other firms in that fee-block.”

We are pleased that in response to ABCUL spotting a discrepancy the FCA has quickly investigated and recognised its error in not implementing its policy intention in respect of the debt advice levy concession. We support the FCA’s proposal to refund the amount that credit unions have been overcharged as a result of not benefitting from the concession since 14/15 and to apply this concession going forward. However, we take issue with the proposed wording and effect of the draft rule which states:

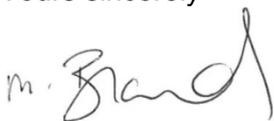
“If the size of the tariff base for a credit union is calculated in accordance with Part 3 A and B of this Annex is less than £250,000 no fee is payable”

Whilst ABCUL agrees that the 2014 policy means that those credit unions with less than £250,000 unsecured debt would not contribute to the debt advice levy it also clearly applies a concession to credit unions with over £250,000 unsecured debt in stating that “those with unsecured debt of over £250,000 will pay on the value of unsecured debt *above* this threshold”. The rule as currently worded does not apply a discount to credit unions with over £250,000 unsecured debt and only goes part-way to implementing the concession contained in CP 14/11 which has been repeated in several subsequent policy papers.

ABCUL proposes that the rule is amended to exempt credit unions from paying levies on the first £250,000 of secured debt, and where a credit union has more than £250,000 of unsecured debt it should only pay on the value of unsecured debt above this threshold at the same rate as other firms in the same fee-block. In addition, we feel that any amount refunded to credit unions in respect of previous fees paid should be calculated on the same basis.

We would be happy to provide any further information should you require it.

Yours sincerely



Matt Bland – Head of Policy & Compliance

² <http://www.abcul.coop/media-and-research/consultations/fca-fees-policy-2013-14>