

Public Financial Guidance: consultation team
HM Treasury
1 Horse Guard's Road
London SW1A 2HQ

22 December 2015

Dear sir / madam

HMT – Public Financial Guidance: consultation – response from ABCUL

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 329 credit unions which choose to be a member of a trade association, approximately 68% 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 June 2015, credit unions in Great Britain were providing financial services to 1,365,780 people, including 130,659 junior savers. The sector held more than £1.32 billion in assets with more than £720 million out on loan to members and £1.13 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 will invest up to £38 million in the sector and aims to make significant steps towards sustainability.

Response to the consultation

Credit unions are active in the fields of financial inclusion, financial education, budgeting support and the provision of generic money advice. As such, credit unions have a particular insight into the needs of particular sections of society and some of the gaps in the provision of financial guidance and advice that currently exist.

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

From consultation with our members, we would make the following points in response to the consultation:

- Lower income consumers have a need for financial support, generic money guidance and help with basic financial skills such as budgeting and dealing with debts. The provision of this support is very patchy at present with agencies such as credit unions providing it in an ad hoc and informal way and without a great deal of co-ordination or support from above. We value the role of Money Advice Service at the national level in providing relevant resources and guidance via online and telephone channels but this is not effectively co-ordinated with local agencies working on this agenda and more could be achieved if it were.
- Credit unions would like to see Money Advice Service play a stronger role in co-ordinating, facilitating and directly resourcing the provision of generic money guidance and support by agencies such as credit unions in the community and at the local level. Credit unions currently offer these services free-of-charge in pursuit of their statutory object of “promoting thrift and the wise use of money” but the activity implies a cost to their limited resources.
- Our members agree that the Money Advice Service’s role in co-ordinating and funding debt advice is an invaluable contribution to ensuring that those who are in need of debt advice can get the support that they need. However, we are concerned that the funding model for debt advice is not reflective of the real sources of debt problems as it is intended to be. Currently FCA operates on a funding model which partly attributes costs on the basis of the proportion of the lending market and partly on the basis of levels of bad debt. However, currently consumer credit lenders do not contribute and nor do other sources of debt problems such as utilities and other priority debts whose prominence among the over indebted has increased in recent years according to the research of Money Advice Trust, StepChange Debt Charity and Citizens Advice. We believe a review of the funding of these services is overdue given that credit unions continue to pay while many more culpable lenders contribute nothing.
- Our members also have concerns at the funding of Pensions Wise which, once again, makes assumptions based on credit unions’ status as deposit-takers which we would suggest are not appropriate since we do not think that credit unions are likely to benefit from the new pensions freedoms in the way that the FCA’s funding structure assumes. It is unlikely that credit unions, in the vast majority of cases, will benefit directly from in flow of deposits as a result of pensions freedom in the way that other financial firms who are not required to contribute will benefit.

We would be happy to provide any clarification or extra information that may be required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'm. Bland', written in a cursive style.

Matt Bland
Policy Manager