

Business & Economy Unit  
Mayor of London  
City Hall  
The Queen's Walk,  
London SE1 2AA

21 August 2017

Dear Business & Economy Unit,

### **Mayor of London's Good Work Standard – Call for Evidence**

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. In London, ABCUL represents 24 of 28 (or 85%) credit unions in the Greater London area.

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.<sup>1</sup>

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 the consultation**

Credit unions play a crucial role in London's workplaces. Through providing their credit and savings facilities via workplaces and payroll deduction, credit unions can build the financial resilience of workers thus minimising financial distress and the physical and mental health consequences that come with it. Furthermore, reducing financial stresses can enhance workers'

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<sup>1</sup> Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

performance at work through maximising productivity which can be impacted by financial worries. It therefore has a benefit for the bottom line of London's businesses to partner with credit unions.

The lack of workers' financial resilience, the impact of financial worries on worker productivity and the role that employers might potentially play are demonstrated by the following statistics:

- The Money Advice Service estimates that 26 % of working age adults have no savings at all and a further 29% have less than £1,000
- The Chartered Institute of Personnel and Development has published research which found that 1 in 4 workers' performance at work has been impacted by financial stresses
- The Social Market Foundation has found that 46% of employees would appreciate their employer providing access to financial awareness programmes

Credit unions are active in workplaces across the UK and London. There are credit unions serving the passenger transport industry, postal service, police service, airline industry, and National Health Service. This is in addition to community-based credit unions that work with employers in their locality. Very common are partnerships between credit unions and local government and there are a great breadth of other public and private sector employers partnering with community-based credit unions in London: private sector examples from just one London-based credit union include the Guardian Media Group, Linklaters and Veolia Environmental Services.

[Recent research from the Fairbanking Foundation](#) demonstrates the power that credit unions' practices can have for building a savings habit where none existed before. As part of its accreditation process for financial products that drive financial wellbeing, the Foundation commissioned Ipsos MORI to conduct surveys of around 1,500 credit union members across 7 credit unions. In particular this research found that the ubiquitous practice of *Save As You Borrow* (SAYB) – where credit unions ask borrowers to make a small contribution to savings as they repay their loan – resulted in 71% of borrowers becoming regular savers. Only 26% had saved regularly prior to borrowing from the credit union. All seven credit unions received the highest 5 Star Fairbanking Mark for their lending products.

When this is coupled with payroll deduction, the mechanism is particularly powerful. SAYB works by acting with the behavioural biases that people have to make saving a default position and nudge people towards good financial habits. When linked to payroll deduction, which also introduces default through automation, the effects on increasing savings can be truly transformational.

In summary, credit unions are already active in workplaces across the country and the capital. Their practices have proven benefits in terms of providing sources of affordable credit but, crucially, turning the opportunity of a member seeking credit to create a new savings habit. This

has huge benefits for financial resilience since the burden of debt and a lack of savings are the principal sources of financial fragility in the lives of workers. This can then have benefits for the businesses through enhanced worker wellbeing and resultant higher productivity.

The Good Work Standard, therefore, should include partnerships with credit unions as a key way of supporting good work outcomes in the capital. We are keen to work with the Mayor's office to promote credit unions within the Mayor's own sphere of influence. In particular, our transport-based credit unions have long harboured the ambition of working with Transport for London but as yet to no avail. We would be delighted to work with the Mayor to make credit union services available to TfL staff.

Often, while employers recognise the financial vulnerability of their employees and the need to do something to address this, credit unions face obstacles in seeking to establish new partnerships with employers. These generally revolve around cost and a reluctance to become involved in their employees' financial affairs. In reality the cost of administering such schemes is low and implies no awareness on the part of an employer of their employees' financial position. The Mayor's support in tackling some of these common misconceptions would greatly assist the expansion of credit union services in the capital's workplaces.

In the annex, we provide three case studies of London employers that work with credit unions by way of further evidence of the role of credit unions.

We are also interested in discussing the role that the Mayor might play in promoting and otherwise supporting the important role of credit unions for extending financial inclusion in the capital. In particular we think that there may be opportunities to promote awareness and engagement with credit unions through the advertising space on the Transport for London estate.

We would be delighted to provide any further information should you require it and to meet to discuss the matters raised in this submission in more detail.

Yours sincerely

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

Matt Bland – Head of Policy & Compliance

## Annex

### North London Credit Union & Middlesex University Hospital

NLCU and Middlesex University Hospital established a partnership in April 2015. To date it has recruited 80 members of staff from the Hospital as credit union members. These members currently save almost £4,500 each month via their payroll and have outstanding loan balances of c. £200,000.



One member of the credit union, Jane (not her real name), had the following experience: Jane has a well-paying management job, but was struggling to reduce the debt that she'd built up on various store cards, credit cards and catalogues. She heard about the new payroll scheme at her workplace and decided to get help to improve her situation.

Jane wasn't having problems making repayments, but she wasn't anywhere near paying off the original amounts, as the interest she was paying each month was so high. It was really getting her down, as she couldn't see an end in sight and most of her monthly income was going on repaying her debts.

North London Credit Union lent her just over £3000 to repay three of her creditors directly and helped her to plan how she could tackle the rest. As her monthly outgoings are lower, she has been able to repay more on the other debts and to save for emergencies.

"...the best thing was how non-judgemental and professional everyone was. That made you feel less of a failure, as although it is partly circumstances, it's also choices, bad choices, to get in a situation like this and it can happen to anyone. It made me feel I could get back in control."

Of the scheme, Ray Conley, the Hospital's Deputy HR Director, said: "As an organisation building a reputation as an employer of choice in the NHS, we take pride in offering a variety of benefits to meet the needs of our employees. Our partnership with North London Credit Union helps build financial resilience by making it easy for staff to save and access to a source of low-cost credit, should they need it. Our strong connections with the community that we serve are of particular importance to us and our support for our local Credit Union enables them to grow and further support the community in turn."

## London Capital Credit Union & The Fremantle Trust



Credit Union  
the savings & loans co-operative  
**Promoting Saving, Dealing With Debt**

London Capital Credit Union is a leader in the city for employer partnerships with 49 employer partners, 3,142 employees using these schemes and £3.5 million in savings and £2.8 million in loans between them.

One of these employer partners is the Fremantle Trust which is a care provider based in Aylesbury but with over 2,000 employees across North London and the South East. After 18 months, their partnership with London Capital Credit Union has 148 members with £90,000 in savings and loan balances of £102,000.

Sarah Tonley, Fremantle Trust HR Director, said: “It is in the nature of our business that we care for others, and it seems clear that if we help our employees to avoid money problems then they are better placed to care for others and do their job to the best possible level. The care services industry is not known for high levels of pay, and we know that people find it difficult to save and sometimes pay too much when they need to borrow. When the credit union contacted us it made sense to make it easier for all staff to save money by offering the facility to have saving or loan payments deducted from salary.

“Anecdotally we have heard that many have taken advantage of the credit union’s ‘Saver Loan’ scheme to clear other expensive debts, sometimes very expensive! Reducing the cost of borrowing can greatly increase disposable income, so it seems to have been of great benefit to lots of our people. Additionally, it is good to know that all of these people are now saving, so have a little financial safety net for the future. It can be so difficult to save money, so this way of having sums come from salary is proving increasingly popular.

“Clearly money troubles can be very stressful and damaging to home life too. Stressed and unhappy employees are more likely to take time off sick, and more likely to start looking for alternative or extra work. I feel sure that this scheme, as it continues to grow, will reduce absenteeism and staff turnover.”

## **Greenwich & Bexley Credit Union & Greenwich Council**



Greenwich & Bexley Credit Union has been in partnership with the local authority for 20 years having been established in 1997. This partnership is based in the delivery of services to the council's staff but extends to other initiatives to support residents in Greenwich.

Today, there are almost 2,000 members of the credit union from within the council's staff team who have combined savings balances of £1.5 million and £1.3 million in outstanding loans. The credit union estimates that it has lent and had repaid almost £10 million to council employees during the life of the partnership.

One council member of the credit union said: "I work for the Royal Borough of Greenwich Youth Service and I joined the credit union about 5 years ago. In my spare time I'm a music producer and the credit union has helped me to pay for studio equipment, as well as holidays and home improvements. None of that would have been possible without the credit union. They offer unbelievable rates on their loans and it's great never having to worry about saving or paying back a loan when you make payroll deductions. I first heard about the credit union through a work colleague and now I always recommend it. The young people I work with often struggle with money especially when they're becoming independent and starting out in work. The credit union really helps them when they need it most. I think so many more people could benefit from joining a credit union and it would be great if more could be done to encourage them to join."

Denise Hyland, Leader of the Royal Borough of Greenwich Council, said: "The Royal Borough of Greenwich has been in partnership with the Greenwich and Bexley Credit Union for 20 years. This has given all of our staff a golden opportunity to easily and safely save and borrow through payroll deductions. It's very simple to set up an account and they don't have to worry about missing a payment. We advertise the scheme on our intranet and currently almost 1,000 Council employees are members, helping them gain financial security. Working closely with the Greenwich and Bexley Credit Union has also been key to the findings of our Greenwich Fairness Commission which we commissioned to investigate inequality."