ACE CREDIT UNION SERVICES

REPORT FROM CONFERENCE 2014 AT NEWPORT MAY 2014

Ace lost money on this year's conference. There were three main reasons for this, which included the number of credit unions attending the conference was greatly reduced to about 30; several credit unions in Wales and the south west of England decided to reduce costs by going home at the end of each day and returning the following days; we held an extra session on the Sunday about the future of the credit union movement which was free to all those who wished to attend.

The evaluation sheets showed that the conference itself was rated very highly with most of the credit unions marking speakers as excellent or good. There were some complaints about the food and that the conference room was stuffy, but praise for the staff at the Hilton, who were very friendly and helpful.

Charles Roe from the FCA

Charles arrived on the Friday evening and joined us for the evening meal. His presentation on the Saturday morning was highly rated and delegates found him friendly and informative. The FCA liaise with HM Treasury and they recognise that trust in banks has reduced, due to the financial problems of PPI, Libor and fat cat bonuses making them seen unreliable.

With regard to credit unions they should not be seen as an alternative to pay day lenders and should not be seen as the 'poor man's bank'. In GB they have a very low penetration rate of 2% which needs to be increased.

Governance is important, but the FCA is not looking for boards made up of professionals, but run in a professional way. The FCA are adopting a three pillar approach to supervision for banks, building societies and credit unions and has defined categories – C3 including the largest credit unions in Northern Ireland, Glasgow and the police credit union. One of the pillars is the thematic approach where they send out questionnaires to credit union to test their knowledge of CREDS and the next one of these will be sent to credit unions in Scotland. Credit unions need to be clear about how decisions are made.

Changes are being made to the approved persons' scheme with one key person being responsible for this overall and for putting things right.

Financial Services Compensation Scheme – Andrew Breese

Despite the fact that ACE had started asking for a speaker from the FSCS in October 2013 and had followed this up in December and March, we were told at the last minute that that no one was available. We are therefore grateful to Andrew for stepping in at the last minute. He covered a number of important points: that directors were limited to £1 guarantee if the credit union failed – but would have had to have acted in good faith and properly; that where credit unions merged a new SCV (single customer view) would have to be produced which included both the existing members and those joining the credit union; that credit unions funds are only covered by the scheme up to £85,000 (as for individuals) and this has created real problems in making sure that investments are spread across a number of firms. He also said that a Will took precedence over the beneficiaries due to his experiences in dealing with solicitors. We have followed this up and it is not so in all cases. The FSA, which approved ACE and UKCU's model rules in 2012, agreed that the beneficiaries took precedence over a Will, except in certain circumstances where large amounts are involved (see Rule 97). Andrew covered a number of issues around how to deal with dormant accounts, special accounts and linked accounts. Dormant accounts must now be held for 15 years. Andrew highlighted the training provided by the FSCS over the Internet which is very useful and all volunteers and staff should be encouraged to take this up on line.

Governance – Daren O Neill

Daren gave a very detailed and useful set of slides which all credit unions should read and used to review their current practices. In Creds 2.2 minimum standards are set, but credit unions need to aim to set standards above that minimum level. Having a template to help build their policies and procedures is useful, but these need to be tailored to their own credit union's situation. Everyone working for the credit union need to be involved with a good clear business plan and make decisions that are consistent with that plan and are recorded. He emphasised the important of internal audit, segregation of duties and collective responsibility. A succession policy is essential so that there is continuity of knowledge, ethos and skills.

Pensions – Ian Lowe

Ian said that this was a complex subject and that he could only provide a brief introduction to the topic. All employers will have to provide a workplace pension where they have more than two employees. There will be a 'staging date' letter which will be sent to employers giving them 12 months' notice of the need to set up a scheme. Five months after the Staging Date they will have to draw up a plan for their scheme. Failure to comply with the requirements can incur extremely high fines (up to £10K). There are firms that can help with this process, but credit unions need to be careful about choosing a firm and to be aware of costs. NEST –which stands for National Employment Savings Trust – is a reputable firm with reasonable costs. (Slide 8 describes the benefits of using NEST and slide 10 gives the phased introduction dates). Pensions must cover those aged 22 or over up to 75 years and on wages of £5700.72 and over. 16 to 21 years old are not eligible. The level of pension is decided by the employer and both employer and employees pay into the scheme.

There have been objections to workplace pensions which have been described as a 3rd form of national Insurance!   A £142 wage per week matches current government pensions! The workplace pension schemes do not affect occupational schemes such as those for the NHS and local councils' staff. Ian's firms can assist credit unions to deal with workplace pensions schemes.

Our American Visitors

It was a pleasure to have four visitors from the USA. Gail Burks gave an interesting presentation about credit unions in Nevada which was welcomed by those present.

BSH 20.06.14