

ACE CREDIT UNIONS RESPOND TO COVID-19 CHALLENGES

Over the past few weeks the UK credit union sector has gone through the most difficult time in its relatively short history as the impact of the Covid-19 pandemic has hit the entire credit union movement. Having spoken to many of you since the lockdown period started, the effect on our credit unions has been largely similar with very few exceptions. The main impact has been on the way that we communicate with our members as offices have either been closed or open only on restricted hours.

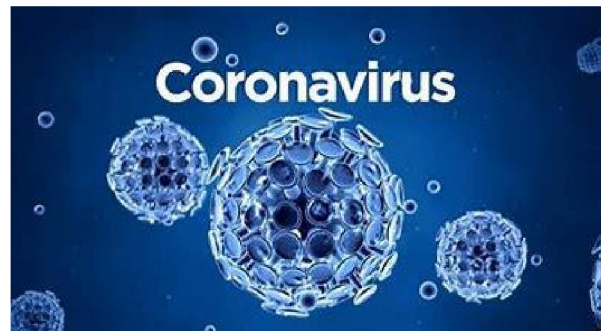
Certain credit union workers have been identified by the FCA as “key workers” if they fulfil a role which is necessary for the firm to continue to provide essential daily financial services to consumers, or to ensure the continued functioning of markets.

Most ACE credit unions have generally turned to a “Work From Home” approach to comply with social distancing measures to reduce social interaction between people and help reduce the transmission of coronavirus (Covid-19).

Many of our credit unions are now using electronic payments and electronic signatures to eradicate the need for making cash payments and physically signing loan agreements.

Common results from the pandemic have been:

- A reduction in the number of new credit union members
- a reduction in the number and value of loan applications
- an increase in payment holiday requests
- an increase in share deposits



Although most of our credit unions appear to be rising to the challenges of Covid-19, much will depend on the length of time that the pandemic continues.

Whilst short-term reductions in income may be manageable, in the longer term this could lead to a reduction in capital reserves. The PRA’s recent reduction in capital requirements will help manage this impact but not indefinitely.

Scottish Parliament - Support for Credit Unions

ACE took part in a virtual Conference call with Scottish Government officials and Scottish credit union representatives on the 26th March 2020, where officials announced support for credit unions and Scottish Third Sector businesses. The Third Sector Resilience Fund (TSRF) is a £20m emergency fund for charities, community groups, social enterprises and voluntary organisations working in Scotland. The fund supports organisations that already deliver services and products but find themselves in financial difficulties directly as a result of the coronavirus pandemic. The primary intention of the fund is to help third sector organisations to stabilise and manage cash flows over this difficult period. Grants of between £5k and £100k have been made available. In just one day 200+ applications have been received. The Fund is being delivered by [Firstport](#), [Social Investment Scotland](#) and the [Corra Foundation](#).

Officials also announced that a £2m interest free loan fund that is being offered to Scottish credit unions to provide liquidity and allow credit unions to offer loan repayment holidays.



Fair4All Finance (England)

Fair4All Finance is launching two programmes to help the affordable credit sector emerge from the Covid-19 crisis. The Covid-19 Resilience Fund will provide up to £5m in grant funding to CDFIs and credit unions in England from April 2020. Then an expanded Affordable Credit Scale-up Programme will help the sector to play its part in the growth challenge in the delivery of affordable credit to people in vulnerable circumstances. Using money from the Dormant Accounts Fund the Covid-19 Resilience Fund will provide short-term grant funding to help providers to deal with temporary shortfalls in income and additional operational costs due to the crisis. Fair4All Finance expect to be able to support some 50 organisations with up to £5m of funding

Welsh Government - Support for Credit Unions

On 27 March 2020, the Welsh Government announced an initial fund of £24 million in response to the Coronavirus pandemic, to support Wales' voluntary sector, including credit unions.

The Welsh Government Third Sector Covid-19 Response Fund will support 3 distinct areas of activity:

Helping charities and third sector organisations financially through the crisis:

- by providing direct financial support for third sector organisations which need help to get through this crisis
- by paying their bills and easing cash-flow (Third Sector Resilience Fund)
- by supporting third sector organisations in the community who are co-ordinating the massive volunteer response we have seen across Wales helping to pay the out of pocket expenses of their volunteers (Voluntary Services Emergency Fund)
- by enabling funding of Third Sector Support Wales to temporarily increase its own capacity to support the sector, including the development of the Volunteering Wales platform (Third Sector Infrastructure Enabling Fund).

The Fund is being delivered by the Wales Council for Voluntary Action



Regulatory Modifications and Responses to Covid-19



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Provisioning requirements – modification by consent

On the 8th April 2020, the PRA wrote to all UK credit unions offering the opportunity to reduce the minimum provisioning requirements for bad debts until the 1st January 2021.

Arrears provision	Current rate	Modified rate
• More than 3 months	35%	20%
• More than 6 months	60%	40%
• More than 9 months	80%	60%
• More than 12 months	100%	100%

Credit unions that want to take up this modification must send a short email to:
prudential_creditunions@bankofengland.co.uk,
confirming they are consenting to the modification and including their CU name and Firm Reference Number.
As of the 24th April 2020, just 30 credit unions had opted to modify their provisioning requirements.

Review of Credit Union Capital Regime

A review of the capital regime was published on the in October 2019 with responses closing in January 2020. The new regime will lift the capital burden on larger credit unions and take a graduated approach to credit unions with over £10m in assets in a similar way to income tax. The new regime will also remove the 2% capital buffer and the basic rate for credit unions under £5m will remain at 3%. The PRA has also introduced a New monitoring zone for credit unions with 3%-5% capital stepping up supervisory activity where it has concerns. At the time of the review there were just 41 credit unions that had capital reserves of less than 5%.



Credit Unions and FCA Guidelines to Financial Services

The Financial Conduct Authority (FCA) has issued detailed guidelines to financial services firms in response to the Covid-19 outbreak.
www.fca.org.uk/publications/guidance-consultations/personal-loans-coronavirus-firms

In promoting these guidelines the FCA says: "We expect firms to provide strong support and service to customers during this period. They should be clear and transparent and provide support as consumers and small businesses face challenges at this time,"

However, in response to the credit union trade bodies the FCA has said that credit unions are largely out of the scope of these guidelines saying that:

"The FCA's guidance Personal loans and coronavirus only applies to credit union loans that are regulated credit agreements such as such as White Goods Partnership schemes. Normal unsecured credit union loans, which account for the vast majority of the sectors portfolio are unregulated and therefore out of scope of these guidelines. Where a credit union is lending direct to borrowers and the interest rate charged does not exceed the statutory cap, then such lending will be exempt and not subject to the FCA guidance."

Cancellation of Credit Union AGMs

In light of the Covid-19 outbreak the FCA has offered the following view on credit unions that have decided to postpone their AGMs.

"It is for societies to reach their own decision as to whether to go ahead with any planned meeting, taking into account any relevant Government guidance and their own individual circumstances"

The rules of an individual credit union govern the relationship between a credit union and its members. The FCA has no role to play in determining disputes over society rules. The FCA does not consider it to be in the public interest to take action in this context where we can see that a society is taking steps to ensure they meet the legislative obligation as soon as reasonably practicable.



Money &
Pensions
Service

ACE CEO Joins the Money and Pensions Service “Credit Counts” Challenge Group

ACE CEO Bill Hudson has been invited to sit on the Money and Pensions Service (MaPS) “Credit Counts” Challenge Group. To meet the goals set out in the UK Strategy for Financial Wellbeing, MaPS is bringing together cross-sector groups of committed specialists to help set milestones for the ten-year journey towards better financial wellbeing. They will work for a six-month period to address the key strategic financial priorities for the UK, come up with some bold proposals and help create plans to see them put into action. Bill Hudson said:

“ I was pleased to be asked to participate in this Challenge Group which aims to reduce the number of people who regularly use credit to pay their bills by 2 million over a period of 10 years”

The group has delegates from the banking sector, debt advice agencies, consume credit agencies and campaigning organisations for disadvantaged and marginalized groups of people.

The Challenge Group has felt the impact of Covid-19 and is currently looking at recommendations that could be made to support those people that have been badly affected by the virus.

A list of recommendations on how to dramatically reduce the 9 million people currently using some form of credit to pay regular bills

The Challenge Group will come up with an initial set of recommendations by the end of July 2020, that covers a response to the expected Covid-19 fallout which is likely to cover the period up to December 2021.



Credit Unions get Acknowledgement from Minister of State

John Glenn MP and Economic Secretary has written to the UK financial sector, including credit unions, for its response to Covid-19. In his letter he said:

“I am encouraged by the way the sector has responded and am confident that you will continue to meet these challenges. To help ensure workplaces remain safe, banks, building societies, credit unions and Post Offices, I am sure, will continue to follow the latest Government guidance on operating safely in the workplace”

National Credit Liaison Group

The National Liaison Group, consisting of all of the UK credit union trade associations has been meeting on a regular basis over the past few months in attempt to formulate a consensus view on any particular topic with the effect that the opinion can then be advocated as the collective wisdom of all of the trade bodies.

Current members of the NLG are:

- ACE Credit Union Services
- The Association of British Credit Unions
- The Irish League of Credit Unions
- The National Credit Union Forum
- The Scottish League of Credit Union
- UK Credit Unions
- The Ulster Federation of Credit Unions

The most recent example of how the trade bodies are now working more collaboratively together is a joint letter to HM Treasury regarding the impact of Covid-19 on UK credit unions in which the NLG asked for:

- a financial support package to cope with the expected increase in loan payment holiday requests and loan repayment defaults
- a relaxation of the current rules around provisioning
- ability to break term deposit schedules with deposit providers without loss of income
- domestic rates relief is applied to all UK credit unions

The NLG is awaiting a formal response from HM Treasury.

ACE Conference & Annual General Meeting

The Covid-19 pandemic which led to a UK-wide Lockdown resulted in the cancellation of the ACE Conference & AGM which was scheduled to be held in Bristol on the 15th-16th May 2020.

As things stand the ACE Board is uncertain as to whether or not a Conference will still be held in 2020 but to comply with the ACE Memorandums & Articles of Association, we will have to hold an Annual General Meeting no later than five months after the end of our most recent financial year end which was March 2020.

Given that the UK Lockdown is showing few signs of being lifted this may mean that for the first time in our history the AGM will have to take a different format as a "Virtual" meeting, so that ACE members can receive reports from the Board and from the ACE auditors.

More details of the AGM will be sent out soon with invitations to submit any motions and the possibility of having a proxy vote if any members are unable to join the scheduled meeting. The Board can confirm that they will not be submitting any motions to this year's AGM.

The ACE AGM is the main opportunity for members to nominate individuals who they believe would be an addition to the current ACE Board of Directors. There are currently 10 ACE Directors and our Rules state that we are allowed to have a maximum of 14 Directors. If you would like to nominate a potential new Director please do so when the AGM paperwork is sent to you in the near future.

The current Board members are:

Chinyere Adeniyi-Alade – Grampian Credit Union

Tom Boynton – Knowsley Mutual Credit Union

Andrew Breese – Moneywise Credit Union

Dorothy Brown – Clivey Credit Union

Angela Fishwick – Unify Credit Union

Kayleigh Gregory - Unify Credit Union

Sue Gurney - Clivey Credit Union

Bill Hudson – CEO

Nancy MacGillivray – West Lothian Credit Union

Alan Robson – N. Tyneside Employees Credit Union

Guernsey Community Savings joins ACE

Guernsey Community Savings (GCS), from the Channel Islands, has joined ACE following the same model of business set up by fellow ACE members Jersey Community Savings. The Community Savings model operates not unlike a credit union offering basic account facilities and pre-paid cards. GCS has been set up as a charity that will offer support to financially excluded individuals along with a budgeting and mentoring service.

Peter Neville, former director-general of the Guernsey Financial Services Commission and founder member of GCS told the ACE CEO Bill Hudson:

"GCS is not a traditional credit union. We will be arranging access to bank accounts for Guernsey residents who cannot do so through the mainstream banking system, for example because they are former prisoners, have been in care, or are in other ways financially excluded."

The account, which cannot go overdrawn, will encourage financial planning and management and will be linked to a debit card. GCS will also be offering money management guidance. One big difference from traditional credit unions is that, although they will be offering small loans and grants to certain customers, the money used in that way will be provided by charitable donors and will not be funded by customers' money.



Peter Neville founder member of Guernsey Community Savings

Breaking News: Two ACE Credit Unions Awarded Scottish Government Grants



Two ACE credit unions in Scotland have been awarded grants from the Scottish Government's Third Sector Resilience Fund (TSRF).

The two credit unions are Grampian Credit Union and West Lothian Credit Union.

Grampian Credit Union and West Lothian Credit Union, along with 12 other credit unions in Scotland, have received grants from this fund to date.

West Lothian Credit Union Chairperson, Nancy MacGillivray commented:

"West Lothian Credit Union recognises the value of this grant fund from the Scottish Government along with the support of the UK Government's Coronavirus furlough scheme for workers, to ensure our viability during this crisis."

Having received funding of £34,500 from the TSFR the grant will be used to help West Lothian Credit Union remain sustainable through this terrible coronavirus pandemic.

As loan applications dwindle to a fraction of the average for this time of year the funding will help WLCU get through the next few months in the hope that they will be able to get back to some kind of normality later in 2020.



ACE Credit Union Services



ACE CEO Bill Hudson said:

"Congratulations to both Grampian Credit Union and West Lothian Credit Union for being awarded grants from the Third Sector Resilience Fund in Scotland. There has been a very competitive bidding process with 447 organisations being supported through the TSRF, along with an estimated 6,000 jobs saved as a result."

"ACE has been very supportive of the support measures announced by national and devolved governments and we are delighted to see some of our credit unions benefiting from these funds."



