ACE Credit Union Services

# ACE CREDIT UNION SERVICES MEMBERS' NEWSLETTER JANUARY 2021

# New Chair and Vice Chair for ACE Board of Directors

At the ACE Virtual AGM on the 18th November 2020, Alan Robson announced that he would be stepping down as ACE Chair although he remains as an ACE Director. At our first Board meeting on the 9th December 2020 the Board thanked Alan on behalf of the members for his dedicated service as Chair of ACE over the past few years.

As of the 9th December Dorothy Brown and Angela Fishwick were voted into the position of Chair and Vice-Chair respectfully.

**Chair – Dorothy Brown MBE** – Dorothy has been involved in Clivey Credit Union (Swindon) since 1992 and has held several roles supporting credit unions in that time both in a paid and voluntary capacity. She has been associated with ACE for the past 15 years both as a supporter and a director. Dorothy was awarded with an MBE in 2016 for her tireless community work in two of the most deprived wards in Swindon.

**Dorothy Brown MBE - Chair**

**Vice -Chair – Angela Fishwick** – Chief Executive of Unify Credit Union, based in the north west of England and serving 10,000 members. Angela has been involved with credit unions for nearly 20 years and is a recent addition to the ACE board, having been in post for a couple of years. Angela is committed to ensuring that ACE provides the services members need.


**Angela Fishwick – Vice Chair**

## ACE AGM ATTRACTS 15 ACE MEMBERS

The first ever virtual ACE AGM, which was held on the 18th November 2020, attracted 15 out of 24 ACE members.

Representing members from England, Scotland, Wales and the Channel Islands the AGM formally approved the 2019-2020 annual accounts and elected 10 new and existing directors for 2020-2021.

At the meeting Alan Robson said that he would be standing down as Chair of ACE but that he would continue as an ACE director. The meeting gave big thank you to Alan for his excellent work as Chair of ACE over the past 5 years.

Alan said that he hoped that more ACE members would nominate somebody to represent their credit union on the ACE Board as there were still 4 vacancies. If your credit union is interested in being more involved in the future direction of ACE please email bill.hudson@acecus.org

There was a brief discussion about the 2021 ACE Conference that could possibly be delayed again depending on the length of time that the Covid-19 pandemic continues.

# ACE OBITUARIES

## Sandra Kirk – Warrington Credit Union

Warrington Credit Union has lost a well-loved and stalwart member with the death in September 2020, of Sandra Kirk.

Sandra was a founder member of Fairfield, Howley and Latchford Credit Union. As most volunteers at small credit unions do, she was called on to fill a variety of roles - collector, director, treasurer, tea-maker, loans officer etc.

Sandra was always ready to lend a sympathetic ear and offer words of encouragement, qualities that helped that small credit union  grow it's membership. She remained actively involved through the years and helped make the merger with Warrington Credit Union a success. She served on our Board until her death.

Her work in the local community extended well beyond the credit union. Sandra was an active member of St Elphins, her local church, serving on the PCC, working with the youth club, singing in the choir etc. In addition, along with her friend and colleague, Margaret Dolan, she volunteered at the Nora Street Community Centre.

Their joint efforts were recently recognised when the community centre was renamed 'The Dolan and Kirk Community Centre'.

Fortunately, Sandra was well enough to attend the ceremony.

**Sandra Kirk**

## Ron Rushbrooke - Member number 2 North Tyneside Employee Credit Union

North Tyneside Employees Credit Union recently learned of the sad death of member number 2, Ron Rushbrooke.

Ron played a key role in setting up North Tyneside Employee Credit Union during his time as the Head of Human Resources at North Tyneside Council. He and the Council's Personnel Committee Chair, Ned Murray, became aware of horrifying tales of the activities of loan sharks in the area in the late 1980's and they spearheaded the development of community-based Credit Unions in North Tyneside and the Employees Credit Union as part of the Council's anti-poverty strategy.

As Ron would frequently remind people, it was all started with just a £1000 grant but it resulted in 10 credit unions being established.

Ron continued to be a member of the Credit Union after his retirement and it was the occasion of his 80th birthday some years ago that prompted us to revise our life insurance policies to include members over 80 years of age.

Ron was a genuinely nice man with a great heart and he will be sorely missed.

## Alison Palmer - Somerset Community Credit Union

Both staff and volunteers at Somerset Community Credit Union were shocked and saddened to hear the news of Alison Palmer's sudden death.

For so many years Alison had played a huge part in the Credit Union, first on the board and then as Chair in what was then the Bridgwater and District Credit Union and latterly as the Chair of the new board of the Somerset Community Credit Union, formed from the merger of the Bridgwater Credit Union and Moorvale Credit Union covering Taunton and West Somerset.

Her knowledge of the financial sector and related legislation was invaluable in guiding the credit union forward and it is largely thanks to her that the merger was successfully completed. Alison also did so much behind the scenes, making contacts, attending meetings etc. and not least covering the Bridgwater office when the office manager was on holiday. The credit union is only just realising now how much they relied on her for the smooth running of the Credit Union.

On a personal level, Alison will be missed as a friend. To quote a member of staff – "Alison was the type of person who, if she could do something to help anybody, she would. She was a firm but fair personality."

Alison's shoes will be difficult to fill and she will be sadly missed by all at Somerset Community Credit Union. Our thoughts are with her family.

**Alison Palmer shakes hands with Carl Watson-Gandy when Somerset Community Credit Union was formed in October 2017**

**Show and Tell Sessions –** Invitation from the FCA – Having difficulties with the FCA PRs AA, CC and DD submissions? To join you must download Microsoft Teams (free)

**09/02/21 - 10am-11am**

<**https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZmUyMzhiODktYzBhNC00MGEwLWE0ODgtMjhmN2NkYzBkNDUy%40thread.v2/0?context=%7b%22Tid%22%3a%22551f9db3-821c-4457-8551-b43423dce661%22%2c%22Oid%22%3a%22963f3772-e895-4d39-9587-68bdcd9bd8f5%22%2c%22IsBroadcastMeeting%22%3atrue%7d**>

**25/02/21 - 11am- 12pm**

<**https://teams.microsoft.com/l/meetup-join/19%3ameeting_MTRhN2VlNzEtNjAyMy00MGVmLWI0YjUtZTQ4ZWIxM2MwMzYz%40thread.v2/0?context=%7b%22Tid%22%3a%22551f9db3-821c-4457-8551-b43423dce661%22%2c%22Oid%22%3a%22963f3772-e895-4d39-9587-68bdcd9bd8f5%22%2c%22IsBroadcastMeeting%22%3atrue%7d**>

## PRA Rule modification - minimum provisioning requirements

The PRA has written to all UK credit unions about the extension of the minimum provisioning requirements until December 2022. The PRA have told us that there were 75 credit unions that applied for the modification that came to an end on the 1st January 2021. This means that around 18% of all UK credit unions were granted modification. The new modification came into effect for all consenting credit unions on the 2nd January 2021and is available until Saturday 31 December 2022. Credit unions that have previously consented to the modification that expired on the 1st January 2021 must also consent to the new modification if they wish the modified rules to continue to apply to them after this date. Credit unions wishing to use this modification should email:

prudential_creditunions@bankofengland.co.uk confirming that you are consenting to the modification and giving your credit union's name and Firm Reference Number

# Understanding the role of Technology in Community Finance

In partnership with The Finance Innovation Lab and Innovate Finance, Fair4All Finance has surveyed the community finance sector to understand the role of technology in the industry. The survey highlights a high level of ambition throughout the sector to further develop their use of technology. It also identifies challenges with legacy technologies, IT capability in the businesses and funding.

## Headline Findings

• 93% of providers expect they will need to substantially increase their technology in the next five years - in many cases in order to survive
• 37% of lenders are undertaking or planning significant technology change, with many looking at replacing their core technology
• Funding is by far the main perceived barrier to the sector optimising its use of technology, with insufficient capability and inappropriate products from suppliers behind in second and third place
• 70% of providers use open banking for affordability and credit risk checks
• 43% or providers are collaborating with others, while 26% are not currently but would like to

The survey received responses from 54 different providers. 48 of these were credit unions, representing between 15-20% of the market. 7 ACE credit unions took part in the survey.

During 2021 Fair4All Finance will continue to work with Innovate Finance and The Finance Innovation Lab to launch a series of technology toolkits. These will start by helping lenders to assess their current use of technology and develop IT strategies that align technology with the business strategy and goals. Further toolkits will provide an objective analysis of the supplier market and help with selection processes and implementation. The full report can be accessed through the following link:

**https://fair4allfinance.org.uk/news/understanding-the-role-of-technology-in-community-finance/**

# National Liaison Group (NLG) – Trade Bodies Collaboration

The credit union trade bodies representing 90% of credit unions in the UK met on the 25th January 2021, to share thoughts on a number of key issues that are having or could have an impact on the sector. The following issues were discussed:

**Legislative Changes**

Since the Government announced an intention to make changes to the Credit Unions Act (19790) in October 2020, the trade bodies have been meeting with representatives from HM Treasury to discuss what these changes would be. The intention of the proposed changes is to allow credit unions to offer a wider range of products and services. One area that has already been discussed is the proposal to allow credit unions to offer a credit card service to their members. The NLG agreed that any changes to the Act should come from the credit union movement and not from HM Treasury. To ensure that this happens the NLG will construct a “wish list” of possible changes suggested by members.

**FCA Forms - Data Directory issues**

Some of our credit unions have reported that they have been having difficulties completing FCA forms on the Connect System. Having agreed that the NLG would invite FCA officials to a future meeting of the NLG we were subsequently contacted by the FCA to explain that they were having technical difficulties with Connect which meant that some updates could not be completed online. The FCA have told us that they are working to correct the problem but in the meantime they have asked credit unions to inform them of any changes to Prescribed Responsibilities by completing paper forms instead.

**Affordability Assessments**

The trade bodies expressed some concern over the FCA’s guidance on “Affordability Assessments” which mainly address high-cost lenders that repeatedly top-up loans to vulnerable customers The NLG agreed to contact the FCA to discuss concerns about including credit unions in the list of lenders that do not take into account the needs of “vulnerable customers”.

**Fair4All Finance**

The NLG discussed the need to expand funding that supports the financial wellbeing of people in vulnerable circumstances to cover the devolved nations as well as England.

# NestEgg Covid-19 Recovery Meeting

More than 50 delegates attended this virtual meeting held on the 14th January 2021,to understand the impact of COVID-19 on lower income borrowers and to work on an action plan to encourage a collaborative approach to supporting financial recovery.
The event included delegates from trade bodies, credit unions, CDFIs and debt advisers. ACE CEO Bill Hudson told the meeting that the main impact of Covid-19 on credit unions and their members was a considerable drop in loan applications caused mainly by the March 2020 Lockdown which meant that holiday loans were not then applied for with some credit unions reporting a 50% drop in loan applications.

As the pandemic has progressed loan applications have increased particularly around the Christmas period with some credit unions reporting similar figures to those of December 2019. Annual figures show that ACE loan books have dropped by an average of 15%. The PRA told the trade bodies in October 2020 that loan delinquency had risen from 4.11% in February to 6.35% in July 2020. The PRA has also reported that overall credit union liquidity had risen by 23% between Feb-Sep2020 caused by the drop in lending. Paradoxically credit union assets and savings had grown up to December 2020 by around 13% meaning that more capital reserves could be demanded by the PRA. Those credit unions whose capital reserves fall between 3%-5% are required to engage more fully with the PRA.

The second part of the event was made up of small breakout groups that considered -How do we peruade banks to make referalls to responsible lenders and the top 3 strategies for supporting low income borrowers.

A few of the groups referred to the Lloyds Bank model that was set up a few years ago to refer clients turned down for loans by them to credit unions. Unfortunately this project did not have national acceptance and only worked in certain regions. It was pointed out that Fair4All Finance had announced that they were working with the mainstream banks to make this happen as part of the Money Advice and Pensions Financial Wellbeing Strategy. Strategically it was suggested that there was a need to promote affordable lenders to a new audience who had previously only used banks. It was also suggested that bank staff needed to be better educated about the types of service they offer particularly with those individuals who want to borrow less than £3,000.

# Child Benefit Payments - Information Notice for Credit Unions from HMRC

HMRC has announced that Child Benefit claim references are changing to a new format from February 2021. As many credit unions use this reference number to allocate a payment to a membership account you will need to take action to ensure customers receive their payments on time. HMRC worked have been working with credit union software suppliers to help you identify and reconcile your members child benefit payments and allocate them to membership accounts and make sure they are paid on time. If you are unsure how you will match the new payment references to your members, you should speak to your software supplier as soon as possible.

You will need to use the new payment reference to identify the customer and allocate it to the correct members' account. To do this you will need to know the first name, surname and date of birth of the person claiming child benefit. You should:

I• Identify members who receive child benefit payments in their account and make sure their details are up to date.

• Check who is the child benefit claimant. Child benefit claims can be paid to a third party, such as the other parent, or a partner, so this won't always be the same as your member.

• If the claimant and account holder are the same person, check if they have changed their name since they made their claim.

Customers can update HMRC online – search 'Child Benefit' on GOV.UK and choose 'Report changes that affect your child benefit'.

The new reference number will be made up of:

• the first 7 letters from the customer's surname – in capitals

• the first 5 letters from the customer's forename – in capitals

• 6 digits from the customer's date of birth – this will be disguised as YDMYDM.

If a customer's name is shorter than 5 or 7 letters, then the system will use 0 (zero) instead.

# Lenders Compared – Credit Unions encouraged to take participate

The Lenders Compared website has recently been updated and upgraded and is keen to talk to Credit Unions who might want to use it to reach new customers.

The website was created in 2007 following a Competition Commission inquiry into the doorstep lending sector. All lenders whose loans can be repaid in cash have to list their products on the comparison site and make their customers aware of it as a way to shop around for the best deal. It is free to list and the site currently hosts details from 371 lenders. It is visited by over 70,000 individual consumers a year.

Consumers can search by loan amount and duration, and importantly in this market, by postcode. Results can be sorted by different measures of price. A typical user of the site searches for a loan of around £500-1000 for 6-12 months, but smaller, larger, longer and shorter loans are common.

Consumers cannot take out a loan on the website but once they have got the results of their search, they have to separately contact the lender that they are interested in, so lenders keep 100% control over their application process.

Lenders Compared is overseen by a Governance Board of practitioners and independent members. To better fulfil the site's original purpose, the Board is keen that it presents consumers with the broadest possible choice of loans. Credit Unions would come out well in the price comparisons and individual credit unions might want to think about this possible route to market in the context of their overall strategy.

ACE has been in dialogue with Lenders Compared to better understand the proposition and the practical issues participating members might face, so take a look at the website and let us know your views and questions. Given that the loan books of most of our credit unions have been reduced as a result of the Covid-19 pandemic, Lenders Compared might be of interest to many of you.
Expressions of interest should be sent to:
francismcgee@sky.com

# FCA asks Banks to consider the Impact of Branch Closures on Customers

The FCA has published a short statement on branch closures during coronavirus lockdown<https://www.fca.org.uk/news/statements/banks-branch-closures-coronavirus-lockdown> which supplements the existing coronavirus branch closure guidance published in September 2020<https://www.fca.org.uk/publications/finalised-guidance/fg20-3-branch-and-atm-closures-or-conversions>.

The FCA is concerned that some banks and building societies have informed them that they are either going ahead with branch closures already announced or announcing new branch closures during the current lockdown period. The FCA is now asking banks and building societies to:

Communicate with customers in a way that is clear, fair and not misleading to inform them of the closure proposals. Particular consideration should be given to the best way to make sure vulnerable and hard-to-reach customers are aware of the proposals and are able to contact the firm.

Give customers clear information about how the firm can help them access alternatives during this period of national restrictions, for example support to use online banking.

Where appropriate, engage with customers to understand their needs and properly consider how they will be affected by the proposals.

## Bank of England – Key Points from CQ3 Data

The impact of the Covid-19 shock is evident in the Q2 and Q3 2020 statistics, as households across the UK feel the effects of Government restrictions, rising unemployment, the furloughing of staff and the resulting increased financial uncertainty.

**1)** Total UK value of loans to members decreased by a further 0.5% in 2020 Q3 following the 5.7% decrease that occurred in 2020 Q2 during the onset of Government restrictions.
**2)** Despite a 3.0% fall in the UK total number of liabilities in arrears, the total value increased by 0.9%. Correspondingly the average net liability in arrears increased by a further 4.0%.
**3)** Every UK region has experienced a significant increase in the value of total shares, which rose by 5.4% in 2020 Q2 and further 2.6% in 2020 Q3.