



Scotland's Credit Unions: Investing in Our Future

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CONTENTS

	Page
Ministerial Foreword	1
Executive Summary	2
Introduction	4
Theme one: Payroll deduction schemes	7
Theme two: Financial education	14
Other initiatives and support raising the profile and capacity of credit unions	21
Areas for further discussion	29
Conclusion and recommendations	32
References	35
Appendix	37

MINISTERIAL FOREWORD



Fergus Ewing MSP
Minister for Business, Energy and Tourism

Scotland's credit union movement has been providing essential financial services to our communities for over 45 years. The Scottish Government is committed to seeing the sector continue to grow and thrive, in recognition of their invaluable role as ethical lenders and financial services providers, including for those facing financial exclusion.

To that end, I established the Credit Union Working Group in October 2014 with an inclusive membership, including credit union representatives, money advice organisations, Government and agencies, and John Wilson MSP, Convener of the Scottish Parliament's Cross-Party Group on Credit Unions.

We looked at ways we could promote the sector and grow its capacity to serve a wide and diverse membership and promote long term saving.

After considering a wide range of topics, Working Group members identified key areas in which the credit union movement could benefit from development: the expansion of payroll deduction schemes as a standard workplace benefit, and a focus on financial education, with the involvement of credit unions as a delivery partner.

In this report we have detailed a number of recommendations for credit unions, Scottish Government, local authorities, schools and employers to take forward, in order to help strengthen our credit union movement, and by extension, the financial capability of our communities.

Credit unions have an important role to play in tackling financial exclusion, and the Scottish Government is committed to improving financial well-being and reducing income inequality, to create a wealthier and fairer Scotland for all its citizens.

A handwritten signature in black ink that reads "Fergus Ewing". The signature is written in a cursive style with large, flowing letters.

February 2016



Executive Summary

1. This report outlines the findings of the Credit Union Working Group, established in October 2014 and chaired by Fergus Ewing MSP, Minister for Business, Energy and Tourism.
2. The Working Group was set up to consider how to best promote the credit union sector in Scotland, in recognition of their ethical lending practices and contribution to developing financial capability.
3. Although the Group considered a number of areas for development, two key themes for action emerged. These were: payroll deduction schemes; and financial education, including junior saver schemes run by credit unions in partnership with schools.
4. The report brings together the findings of the Group regarding the current picture of activity in each of the themes as well as other areas of work, and offers recommendations for future action.
5. There are recommendations for credit unions, Government and local authorities, schools and employers:

Credit Unions

- Offer payroll deduction schemes to local employers, highlighting why these schemes are good for the employer and employee, and easy to set up and run;
- Identify marketing and training budgets to reach out to young people via social media, through technological partnerships with schools and taking on young volunteers;
- Emphasise the importance of succession planning to school partners in junior savers schemes;
- Share best practice in the delivery of junior saver schemes via credit union trade bodies or representatives;
- Engage with the student sector through its various dedicated media channels and social media;
- Collaborate with local money advice services to ensure a joined up approach to improving financial capability in the community;
- Continue to undertake governance checks and training as standard good practice.

Scottish Government and local authorities

- First Minister has personally advocated that employers offer workplace deduction schemes and has provided a letter for credit unions to use;
- Scottish Government will contribute to ensuring that setting up payroll deduction schemes is a smooth process for all parties by developing a pack for credit unions to use when engaging with employers; this will include a letter from the First Minister;
- The Scottish Business Pledge includes a recommendation to employers under their workforce engagement commitments to offer payroll deduction savings as a standard workplace benefit;



- The Scottish Government will explore with Scottish Enterprise, Business Gateway and Highlands and Islands Enterprise the promotion of payroll deduction schemes to their networks;
- The Scottish Government funded Financial Capability Team, delivered by Money Advice Scotland will promote payroll deduction schemes to employers in their reach out visits;
- The Capability Team will also showcase credit unions as ethical lenders when delivering workshops in schools;
- The Scottish Government will investigate with Working Group partners how funding might be identified for the development of junior saver schemes;
- School leaders are responsible for the day-to-day management and delivery of all aspects of the school curriculum. Education Scotland will continue to highlight to school leaders the benefits of embedding financial capability as a key element in the delivery of numeracy and social studies, from early years to the end of the broad general education (age 3-15);
- The profile of financial education to be raised again in 2016, and co-ordinated across Scotland's National Improvement Framework and Developing the Young Workforce Agenda. The improvements in attainment that are anticipated from the work around the National Improvement Framework could also have an impact on the financial capability of our young people;
- Credit unions could be involved as delivery partners for school Money Weeks and involved in a future national conference on financial education.

Schools

- Partner with a local credit union in a junior saver scheme, to teach aspects of numeracy and social studies in a real life context;
- Ensure the success of a junior savers initiative by considering the allocation of sufficient resource in staff time for preparation and delivery and in succession planning, to maintain consistency of collections;
- Link in junior savers initiatives to teachers' professional learning and the school's Improvement Plan;
- Teachers can collaborate in the production of updated guidance and resources for working with credit unions and share this through platforms such as Glow.

Employers

- Offer payroll deduction schemes to staff as a standard workplace benefit and highlight in induction packs;
- Once such schemes are in place, keep in communication with credit unions to allow periodic awareness raising.

6. By implementing the recommendations in this report, it is hoped that Scotland will prove to be an enabling environment for credit unions.

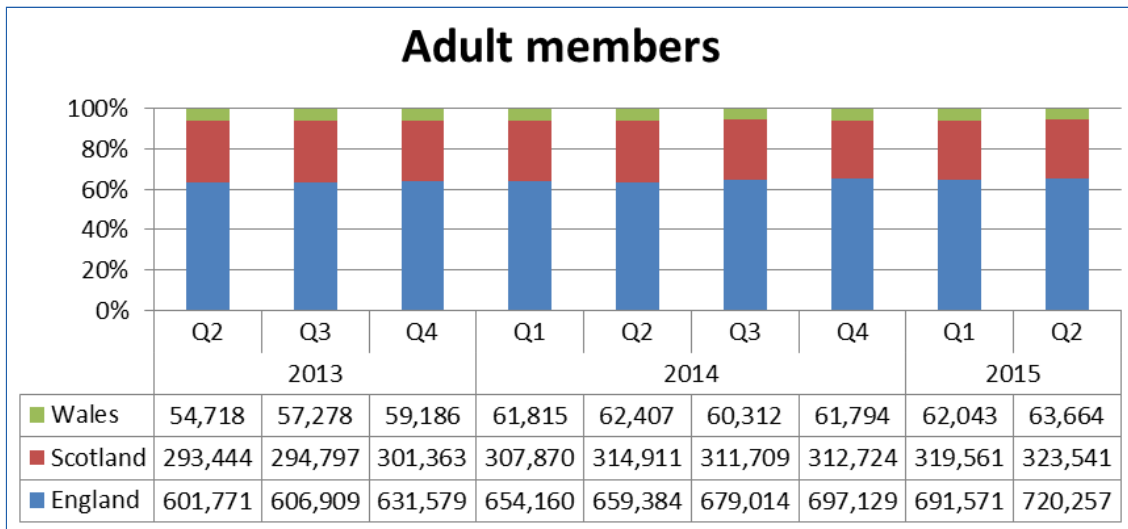


Introduction

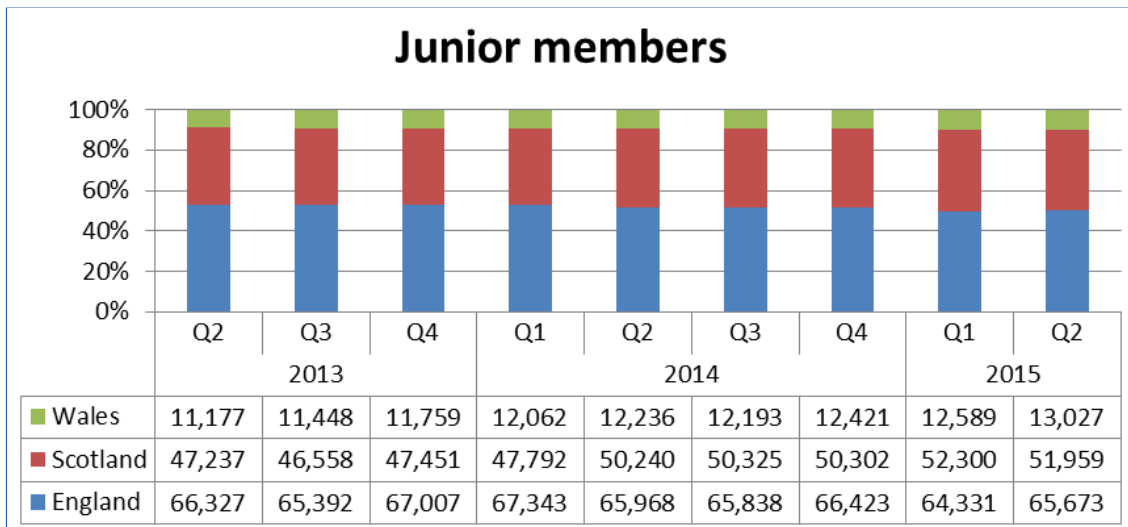
1. This report brings together the work carried out by the Credit Union Working Group, established in October 2014 and chaired by Fergus Ewing MSP, Minister for Business, Energy and Tourism.
2. A credit union is a financial co-operative body, owned and controlled by its members. It seeks to promote thrift by encouraging the habit of saving, offers loans at fair and reasonable rates of interest, and often provides other financial services to its members. The membership criterion for all credit unions is known as the “field of membership” (previously known as “common bond”). This may be a geographical area where members live and/or work, an employer, or an association. Credit unions each decide what their membership should be, with approval from the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).
3. Originally founded as an alternative credit provider for underserved communities (Wright, 2013), there is now huge diversity within the sector, ranging from small community based models, to large organisations handling millions of pounds and offering commercial loans and mortgages.
4. Credit unions are authorised by the PRA and regulated by the PRA and FCA and, as with banks and building societies, members’ savings are protected by the Financial Services Compensation Scheme up to £75,000 per person.
5. Scotland has a proportionately higher level of credit union membership than the other nations in the United Kingdom, with the exception of Northern Ireland, and the fourth highest level in Europe (after the Republic of Ireland, Northern Ireland and Poland). Scottish credit unions reach 6% of the population compared to 1.3% for English and 2.0% for Welsh credit unions (Tischer, Packman and Montgomerie, 2015). There are currently over 100 credit unions in Scotland with a combined membership of over 375,000, holding £519 million in assets and lending £275 million (Bank of England credit union quarterly statistics, at June 2015).



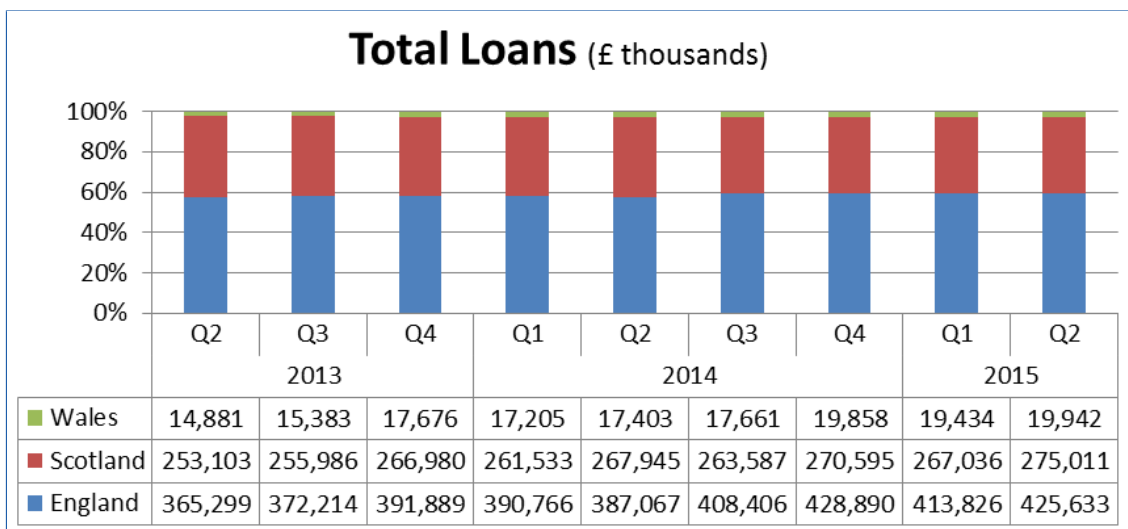
6. The following graphs give a picture of the spread of membership in terms of number of members and value of loans in Scotland, England and Wales



© Bank of England, 2015



© Bank of England, 2015



© Bank of England, 2015



7. As observed in a recent Goldsmith's University of London report, the credit union sector is culturally diverse; it contains those committed to a local focus, and those with ambitions of scaling up, expanding their field of membership and offering new products (Tischer, Packman and Montgomerie, 2015).

8. Fergus Ewing MSP, Minister for Business, Energy and Tourism, established the Credit Union Working Group to consider the further promotion of credit unions in Scotland. It looked at ways to ensure that:

- we have a secure, thriving and sustainable credit union sector in Scotland;
- that credit unions have a wide and varied customer base; and
- that the financially vulnerable in society are supported by having an alternative to high cost lending.

9. Membership consisted of credit unions and their representative bodies, advice services and Accountant in Bankruptcy. A full list of members with contact details can be found in the Appendix.

10. The group met five times and discussed a range of issues currently affecting credit unions, including:

- encouraging the promotion of payroll deduction savings schemes for public and private sector employers;
- the difficulties that credit unions experience in accessing unique sort codes as well as direct access to the current payment systems;
- upskilling of the sector via training;
- access to basic bank accounts;
- promoting credit unions to students; and
- financial education.

11. Through the wide variety of topics covered by the group, two key themes emerged which were identified as priorities for action. These were: promoting the uptake of payroll deduction schemes by employers; and raising the profile of financial education.

12. The Group's review of these themes are covered in this report and followed by an overview of some of the various other tasks undertaken by the Group and areas which necessitate further discussion. The conclusion brings together the recommendations for each theme, within a framework of what credit unions, Scottish Government and local government, and education bodies, schools and employers can do to help create an enabling environment for credit unions in Scotland.



Theme one: Payroll deduction schemes

13. Whilst walking distance credit union services retain a valuable role in community life, payroll deduction allows an employee to save into a credit union account directly from their pay package. It is administered by an organisation's payroll department in collaboration with the credit union.

14. All the credit union trade bodies and large unaffiliated credit unions in Scotland feel that payroll deduction schemes are a crucial part of achieving sustainability, offering as they do long-term savers, drawn from a demographic in regular employment. They help build a more diverse membership for the credit union by providing a convenient service for middle to high income earners.

15. In their response to HM Treasury's June 2014 call for evidence on the future of the UK credit union sector, the main credit union trade bodies had highlighted payroll deduction schemes as a priority for the sector.

16. As noted in StepChange Debt Charity's *Action Plan on Problem Debt* (2015), maintaining a savings buffer can be a crucial lifeline if hit by unexpected financial loss. It can provide some breathing space whilst longer term support is sought.

17. Payroll deduction schemes are an excellent method of saving regularly, and Scottish Government is keen to encourage employers to offer this as a standard workplace benefit.

18. Both the Scottish Parliament and Scottish Government offer the option of credit union payroll savings for staff.

Provision and process

19. The Working Group undertook a mapping exercise via the Group's credit union representatives to get a sense of how many credit unions were currently offering payroll deduction and if not, who would be interested. Responses were received over a number of months in 2014, and a mapping log created.

20. Of the 28 credit unions who responded to the survey, 79% ran payroll deduction schemes, and the 21% who did not were all interested to find out more or to receive assistance in developing one.

21. Credit unions report significant challenges in persuading employers to sign up to payroll deduction and a lack of promotion amongst the staff even if they do.

22. Although operational issues are a concern, many credit unions report that two of the biggest obstacles are building and maintaining partnerships with employers, and then attracting new members once partnerships are established.

23. This has proven to be extremely resource intensive, and those schemes that have been the most successful have enjoyed input from a workplace "champion" of some sort. Credit unions often indicate that they find it difficult to know how to make the right approach to employers, particularly larger organisations based in multiple locations.



24. To date, the most successful employer partnerships have been with local authorities. Indeed, it is no coincidence that the largest credit unions in Scotland began as the credit unions for some of the country's biggest councils. These credit unions enjoyed a staffing and resource commitment from the local council, as well as active endorsement to employees and a culture where staff were encouraged to join the credit union.

25. Further examples of this promotion of credit union membership as an employee benefit can be seen in other public sector bodies in Scotland, including the National Health Service and Police Scotland. It is worth noting that the credit unions with the most successful record of working with private sector employers – namely in the transport and postal sectors – were established prior to the privatisation of these industries.

26. It is often noted that there is very low awareness of the potential benefits of credit union partnerships by private sector employers, which may be affected by the inaccurate perception in some quarters that a credit union is a “poor man's bank”. This misunderstanding of credit unions' function and services leads many employers to question the need for a partnership with a credit union.

27. Employers can highlight to their staff the benefit of automatic regular saving in reducing stress linked to financial worries. Working Group representatives highlighted the following:

- Payroll deduction is a simple process with administration largely handled by the credit union, not the employer;
- The contractual relationship is directly between the credit union and the member of staff therefore there is no risk to the employer regarding loan repayments and saving security. The employer only acts as a conduit for the transfer of funds;
- Helping staff to join a credit union and thereby building the sector's capacity to help financially excluded consumers in communities across Scotland is a significant demonstration of a company's corporate social responsibility;
- Saving via an automated payroll deduction arrangement helps staff to build a buffer to cover unexpected expenses;
- The ability to access credit and repay loans in affordable instalments direct from payroll helps employees stay away from high cost lending which may damage their financial wellbeing;
- Savings in a credit union are covered by the Financial Services Compensation Scheme up to £75,000 per person – exactly the same protection as savings in a bank or building society.

28. Due to a lack of information about how to put such partnerships in place, employers often also have misconceptions about the administrative burden and bureaucracy involved, and they may also be unclear about which credit union(s) could best serve their employees.

29. The Chartered Institute of Payroll Professionals (CIPP) are working actively to increase uptake of payroll deduction schemes amongst public and private sector bodies, and have developed an Employer Engagement Standard.

30. The Chief Executive Officer of CIPP attended a meeting facilitated by the Working Group, which aimed to link up credit unions and private sector employers. CIPP called for all businesses to offer saving through payroll within their benefits package as part of its support for International Credit Union Day 2015.



31. CIPP report that business and payroll providers had identified the transfer of different forms of data to credit unions as a barrier to uptake of payroll deduction schemes. To remove this barrier, CIPP launched a payroll data transfer standard which would enable a smooth transfer of data to any credit union. CIPP worked with credit unions and payroll professionals to develop the standard, ensuring that users fed into the design.

32. Scotwest Credit Union were a key contributor to the development of the standard, and their straightforward payroll process is as follows:

1. The employer agrees to provide payroll deduction services to its staff;
2. Credit union recruit new members;
3. Each pay run, credit union provides the employers with a list* of their staff and the amounts to be deducted;
4. The employer deducts the monies and sends the credit union a list* of deductions followed by a BACS payment for the total amount;
5. The credit union allocates the amounts to the relevant member's accounts (and chase up any discrepancies between the two lists).

*password protected excel spreadsheet

33. Employers are not restricted to operating a scheme with just one credit union, but can enter agreements with a variety of local credit unions to offer staff the choice of holding their savings in the local community.

34. In the most successful credit union sectors around the world, the recognition of credit union membership as an employee benefit and widespread understanding of the advantage to employers of their staff having access to regular savings and affordable credit have taken root. This has led to many successful partnerships with employers and a culture in various industries and workplaces where credit union membership via payroll deduction is considered a standard employee benefit.

35. This is especially true in the United States, where over 100 million people are credit union members (America's Credit Unions, 2015), and most credit unions emerged from employment-based common bonds. There has long been a recognition in the United States of the interlinked relationship between employees' financial wellbeing and their productivity – and therefore, the contribution that a financially healthy workforce makes to an employer's profitability.

36. Research by the United States credit union think tank, the Filene Institute, reported that, 'There is a close relationship between employee financial health, productivity, and employer profitability,' and that the result of a financially capable workforce was, 'less absenteeism, fewer accidents, less job turnover, lower benefit costs, and higher profits.' The report also concluded that, 'employees who are financially secure are also better able to learn, change, and grow with the company,' and that, 'when employers realize that employee financial problems result in lower production, they see that it is more expensive to ignore money problems than to confront them.' (Filene Research Institute and The Center for Credit Union Innovation LLC, 2002).



37. Research by StepChange Debt Charity in 2014 drew similar conclusions in a British context, calculating the social cost of problem debt in the United Kingdom at £8.3 billion – with £2.3 billion of this loss to the economy directly related to absenteeism, lower productivity or loss of employment.

38. There is therefore a strong case to be made to Scotland's private, public and third sector employers alike for a cultural change which would see access to credit union services via payroll deduction become a standard workplace benefit across the country.

39. The First Minister of Scotland, Rt Hon Nicola Sturgeon MSP encourages Scottish employers to partner with a credit union to enjoy the benefits for both staff and the organisation.



Rt Hon Nicola Sturgeon MSP
First Minister of Scotland

St Andrew's House, Regent Road, Edinburgh EH1 3DG
T: 0300 244 4000



Dear Employer

As First Minister of Scotland I am delighted to be able to offer this letter in support of the work of credit unions and at the same time encourage the uptake of payroll deduction schemes for employees with credit union accounts.

Credit unions make an invaluable contribution to providing financial services and products to a wide range of customers. This includes those facing financial exclusion, but also includes people from all walks of life and all income levels who find that access to loans and savings through a credit union helps them get – and stay – on top of their finances.

There are over 100 credit unions in Scotland with a combined membership of over 375,000, holding £519 million in savings and lending £275 million. With 6% of Scots using a credit union, Scotland has the fourth highest proportion of credit union membership in Europe, and our credit unions are part of a global movement with a proven track record which serves 217 million people in 105 countries. In countries like the United States – where 104 million people use credit unions – partnerships with employers are a critical aspect of the success of credit unions and deliver significant benefits for businesses and employees alike.

The Scottish Government recognises the valuable role played by credit unions in building financial health by providing financial services and products to a wide range of customers.

To support that role, Fergus Ewing, Minister for Business, Energy and Tourism, launched Scotland's Financial Health Service and set up a credit union working group to consider ways to promote and support credit unions in Scotland further. Encouraging a savings culture via payroll deduction and access to other services such as affordable credit has been identified as a key route not only to building and strengthening Scotland's credit unions, but also an innovation which can have significant benefits for employers, staff and the Scottish economy more widely.



Payroll deduction offers a simple, convenient route to saving and repaying loans for minimal cost to the employer, and provides a valued staff benefit which can help recruitment and retention of staff.

The benefits include:

- Helping staff join a credit union and thereby building credit unions' capacity to help financially excluded consumers in communities across Scotland is a significant demonstration of a company's corporate social responsibility.
- Establishing a payroll deduction arrangement with a credit union is very simple and bears minimal costs for employers. Many of the largest outsourced payroll providers will provide this service for no additional charge.
- Saving via an automated payroll deduction savings arrangement helps people save more and build a buffer to cover unexpected expenses.
- The ability to access credit and repay loans in affordable slices direct from payroll helps employees stay away from high cost lenders who may damage their financial wellbeing.
- Credit unions have operated successfully in Scotland for almost 50 years and have grown rapidly over the last decade. They are authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and savings in a credit union are covered by the Financial Services Compensation Scheme up to £75,000 per person – exactly the same protection as savings in a bank or building society.

The credit union sector is extremely important in changing and improving the lives of our people and communities. Businesses partnering with credit unions and promoting savings and loans via payroll deduction is a win for all parties, with a proven benefit to credit unions, businesses, employees and the Scottish economy more generally.

So I am urging employers across Scotland to get in touch with a credit union to explore establishing a payroll deduction relationship with a view to improve financial health and boosting the productivity of Scotland's businesses.



NICOLA STURGEON



Scottish Business Pledge



SCOTTISH
**Business
Pledge**

The Scottish Business Pledge is a values-led partnership between government and business. Built on a commitment from the Scottish Government and its partners to support sustainable business growth in Scotland, it offers a voluntary code of business practice which can be used to guide and boost the development of a company. Scottish Government, for its part, pledges to ensure that prosperity, innovation, fairness and opportunity develop in Scotland.

In recognition of both the ethical financial model offered by credit unions and the contribution of payroll deduction savings in increasing financial capability, Scottish Government included an encouragement to employers within its voluntary progressive workforce engagement commitment:

'...by establishing a payroll deductions scheme with a credit union you could be helping your workforce to take control of their finances. Credit unions provide a range of savings accounts and loan products to suit individual needs.'

Credit unions themselves can also sign up for the Business Pledge. More information can be found at <https://scottishbusinesspledge.scot/>

Public bodies

40. In 2015, all public bodies registered with Scottish Government were contacted to highlight the benefit of credit union membership and to recommend payroll deduction schemes.

Credit Union Expansion Programme (CUEP) – Payroll Deduction Scheme Toolkit

41. CUEP (discussed at sections 102-110) launched the B2B (Business to Business) toolkit, designed to encourage employers to offer payroll deduction to credit unions and to encourage employees to join the credit union. It is currently being tested by credit unions in Scotland and Wales, with seven Scottish credit unions utilising it.

42. An evaluation of the B2B toolkit is expected in March 2016 once the outcome of the campaign is known and data available.

Next steps

43. The First Minister's letter will be included a payroll deduction pack the Scottish Government is developing with CIPP and credit union representatives. This will be available for use by all credit unions who wish to offer a payroll saving scheme. It will include advice on marketing a scheme and information on the CIPP's data transfer standard and service level agreement.

44. Once in place, employers should highlight the option in staff induction packs, and work with the credit union partner to undertake periodic awareness raising.



45. The Scottish Government will explore with Scottish Enterprise, Business Gateway and Highlands and Islands Enterprise encouraging businesses to offer payroll deduction schemes with credit unions as a standard employee benefit.

46. Scottish Government encourages local authorities and all public bodies to offer payroll deduction schemes with local credit unions.

47. Money Advice Scotland are running a Financial Capability Team (established in 2014 with funding from Scottish Government). This team has undertaken to engage with employers to specifically promote payroll deduction schemes with credit unions as a positive contribution to the financial health of Scotland.

Theme two: Financial education

48. This section will examine aspects of financial education in Scotland reviewed by the Working Group.

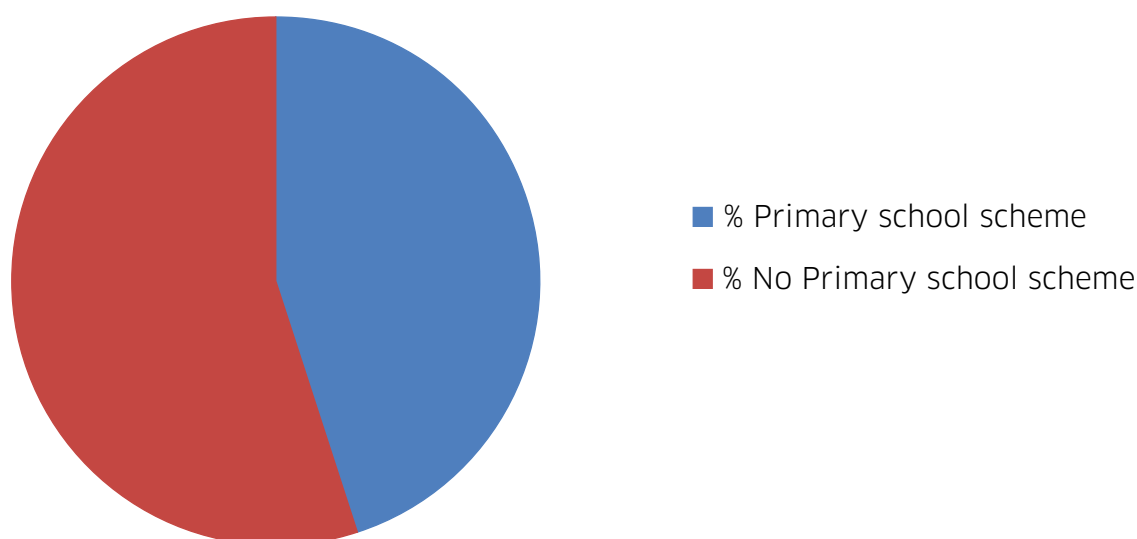
Scotland's schools and junior savers

49. A number of credit unions in Scotland engage with children and young people via junior saver schemes. These seek to embed a savings ethos amongst the students at a young age, by holding regular collections of children's savings in the school. In order to really achieve buy-in from the pupils, such collections should be geared towards a clear outcome, for example saving towards a school trip or residential experience.

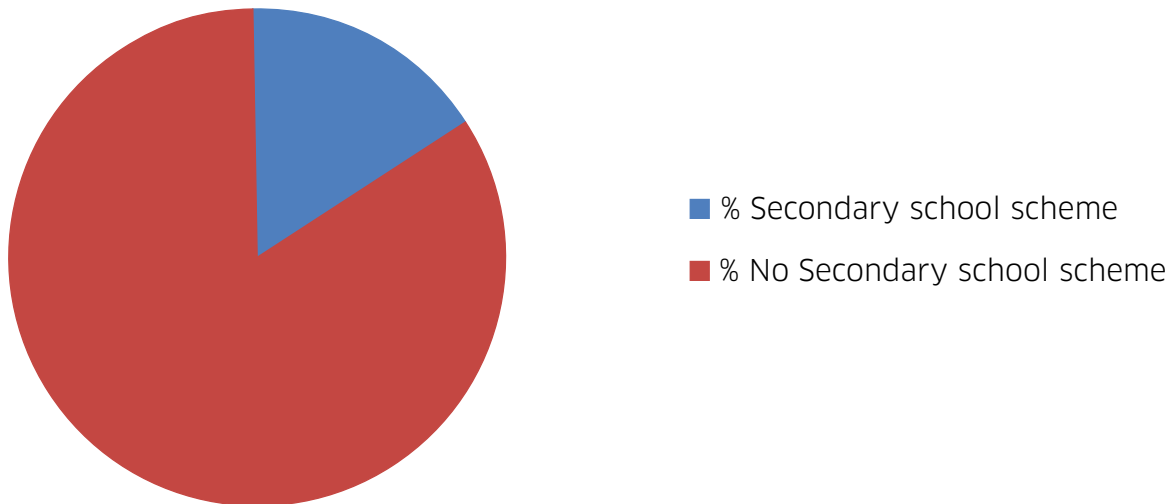
50. Mr Ewing and Dr Allan, the Minister for Learning, Science and Scotland's Languages, visited Lanarkshire Credit Union in May 2015 to learn more about their Savvy Savers initiative, their approach in primary and secondary schools and the challenges they have encountered. They visited Livingstone Memorial Primary School to see the collection process; and met with teachers from two secondary schools.

51. The Group sought to gain a picture of current activity and in 2014 officials carried out a mapping exercise via the main credit union representatives. 51 credit unions responded.

Percentage of responding credit unions operating a primary school junior saver scheme



Percentage of responding credit unions operating a secondary school junior saver scheme



© Lanarkshire Credit Union

52. The Working Group found that there were other junior saver initiatives being delivered across Scotland; all with slightly different approaches.

53. Feedback from credit unions underlined how difficult it was to actually maintain a scheme. Successful schemes relied on a champion, usually a teacher or member of the administrative staff, to provide enthusiasm and consistency in collection. When this person moved on, the scheme tended to fall through, highlighting the need for adequate succession planning in any such initiative. One credit union reported difficulty engaging with secondary school pupils, with this age group showing very little interest in saving. Having a clear outcome for the saving scheme, as mentioned above, would help embed it within the school's programme of "enterprise" activities. Lanarkshire Credit Union's successful Savvy Savers scheme enlists secondary school pupils to run it, giving them ownership of the process and allowing them to develop skills in enterprise, money handling and marketing.

54. It was also recognised that the participating credit unions were experiencing difficulties either with access to secondary schools and/or with collection points. It was highlighted that junior savers schemes were normally loss making and therefore not sustainable without additional resources being secured. The costs varied depending on the model being used and the level of involvement from pupils, volunteers and teachers. Local authorities have complete autonomy in how Scotland's Curriculum for Excellence is delivered, and in prioritising curriculum support activities. Credit unions have a key role to play here, in highlighting to a school how this work is helping them to achieve their outcomes, particularly in developing the young workforce and teaching enterprise skills. However, unless the credit unions/local authority staff have the capacity to continually re-enforce the message about savings on a regular basis (through information events via school assemblies, parent-teacher meetings, etc.), the initiative will be more challenging to sustain.



55. If funding can be obtained, a dedicated project worker, such as those employed in Savvy Savers, can make all the difference to the success of such initiatives, providing the required level of consistency. Alison Dowling, of Renfrewshire Wide Credit Union advised that 'Time and again credit unions have invested in establishing successful primary school and nursery collections, only for the take-up to fade over time due to the other pressures of school life taking priority or the internal project champions moving on. When a development worker is in contact with the school the momentum is maintained.'



© Lanarkshire Credit Union

56. Glasgow City Council's Future Savers initiative (in collaboration with Scotwest Credit Union) was launched on 7 January 2014, and saw every S1 pupil in Glasgow provided a credit union account and opening balance of £10. Given that the initiative has now been operating for almost two years, Glasgow City Council's evaluation will be helpful in assessing the impact of the Future Savers approach, in order to determine whether this initiative can be promoted to local authorities nationally. Interim evaluation in 2015 highlighted the necessity for a

committed school staff member or adult helper to deliver the scheme consistently in the school for it to be sustainable.

57. It was agreed that there were real benefits to junior savers schemes such as the promotion of a savings habit. The most successful junior savers schemes operated in primary schools. It was agreed it would be helpful to find an initiative that had been successful in moving from primary school to secondary school and use that as a future case study to assist those credit unions and schools who would like to drive forward a junior savers scheme.

58. According to UK Youth, a recent Childwise report indicated that of the 8.6 million children aged 5-16 in the UK, 73% have a laptop, PC or tablet. This indicates that, if utilised effectively, technology may be a key route through which to engage young people in any initiative.

59. A maths teacher at Gleniffer High School has done just that, employing the technology platform Edmodo to engage S1 pupils with Renfrewshire Council's iSave initiative, which is run in partnership with Renfrewshire credit unions. A social media page was produced for the school credit union (which is run by Renfrewshire Wide Credit Union) and students who sign up receive an app for their phones. This enables them to receive the credit union's alerts, texts, news promotions and reminders of collections days.



edmodo.com
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60. Edmodo access codes are distributed in S1 PSE class visits, as an incentive to join the credit union. Adult staff leads have taken on the role of Edmodo administrators to reply to any enquiries and the site can be set to "read only" when required.





© Renfrewshire Council

61. The Head Teacher sends his weekly reflections to parents via the app and routinely promotes the credit union through this channel.

62. For older teenagers and young adults, the successful Young Scot card scheme has partnered with Scotwest Credit Union to offer a reward scheme linked to regular savings. Individuals aged 16-25 can sign up to the first Scottish-wide online credit union service for young people. Young Scot Reward Points are earned by opening an account and saving on a regular basis, regardless of the amount. Reward points can go towards tickets to sporting events, backstage passes at gigs and eco driving lessons.

Case study – credit unions in the classroom

Lanarkshire Credit Union's Savvy Savers project is a real success story, helping over 7,000 primary and secondary school pupils save over £650,000. The credit union operates Savvy Savers in 74 primary and five secondary schools in South Lanarkshire alone.

In 2013, Lanarkshire Credit Union received £64,498 from Scottish Government via the People and Communities Fund. The award enabled the credit union to employ two full-time school project workers over a two year period. They have been awarded a further £39,953 for the year 2015/16. This funding is helping local people to take a community-led approach to tackling poverty and inequalities on their own terms.

On 14 May 2015, Minister for Business, Energy and Tourism, Fergus Ewing and Minister for Learning, Dr Alasdair Allan visited Lanarkshire Credit Union and one of its participating schools, David Livingstone Memorial Primary School in Blantyre on a fact-finding mission.

Mr Ewing observed, 'This is a great example of how credit unions and schools can work together locally to play a key role in encouraging young people to understand money and become more financially aware.' Dr Allan added 'Children and local families are reaping the benefits through the close links that have been established with the Savvy Savers project, demonstrating schools very much have a place in the credit union community, just as credit unions play an important role in tackling inequality in our communities.'



Financial education in Curriculum for Excellence

63. As a key element of numeracy provision, financial education is the responsibility of all Scottish teachers and is therefore available at all levels of the curriculum ages 3-18. The aim of financial education in the curriculum is to develop a broadly based financial capability under four key aspects:

- understanding
- competence
- responsibility
- enterprise.

64. Expected outcomes include the development of skills to assess and evaluate financial risk and gauge the impact of financial decisions, i.e. to ensure people are able to meet the financial challenges they will face.

65. It is explicitly embedded in both numeracy and social studies from early years to the end of the broad general education (BGE) which is S3, when young people are aged around 15. Financial education is also offered within a range of Scottish Qualifications Authority National Qualifications in courses such as Lifeskills Mathematics, Economics and Business Management.

Teaching resources are available for all ages and stages of education and include:

On the Money

This is a collection of four short stories aimed at upper primary school children. A recent evaluation found that it continues to remain relevant and engaging for young people.

Money Talks: Family Finances

This interactive financial education resource is for primary and secondary pupils. The resource gives an insight into the finances of various family members at different stages of life (mother, father, three children, grandmother and auntie). A detailed bank statement and personal profile is provided for each family member, including qualifications, skills and characteristics. This allows children to analyse how the family spends its money, whether any savings are made and how the members of the family and their finances are interconnected.

The case of the financially excluded Barbara (who is described as “unemployed, finds life difficult”) enables the introduction of issues around debt, benefits and financial dependency.

66. Education authorities and their schools are ultimately responsible for the management and delivery of the curriculum and the provision of teaching resources. However, Education Scotland has provided a range of teaching materials, some of which may need updating and refreshing.

67. Education Scotland, through the Scottish Financial Education Forum (see below), advises on and assesses the effectiveness of support materials for learners and teachers on an on-going basis.



68. A key to improving the effectiveness of existing provision is a better co-ordination of the range of materials and support available. In addition, over the past couple of years the emphasis has moved from financial education to areas such as the Scottish Survey of Literacy and Numeracy and to work around political literacy.

69. The publication of The Financial Capability Strategy for the UK in October 2015, and the resulting Financial Capability Strategy for Scotland in January 2016 gave a new impetus for support to be re-established and will provide an opportunity to refresh materials. These include the 'Cheers for Credit Unions' pages on Education Scotland's website, and a refresh of the Renfrewshire Wide Credit Union curriculum pack.

70. Work is taking place to promote knowledge and understanding through progression in numeracy. Many schools support financial learning through organising "Money Weeks". These involve young people learning about money in all areas of the curriculum and schools can involve community organisations such as credit unions to support these.

71. It is important that young people are able to develop numeracy skills through the use of relevant contexts, including application in real-life situations, and teachers will use approaches which encourage young people to develop an interest in numeracy. This can include a junior savers scheme delivered in partnership with a local credit union.

72. Making Maths Count, a new programme established by Scottish Government in September 2015, will provide an effective route through which to engage with secondary school maths teachers. A sub-group was established to prepare and share resources to support teachers in refocusing Scotland's attitude to maths learning.

The Scottish Financial Education Forum

73. The forum is facilitated by Education Scotland and is a key existing mechanism to share financial education approaches across local authorities and schools. The wide-ranging nature of financial education is recognised by the organisations represented on the forum. At present the active members represent a range of major financial institutions, local authorities, money advice organisations, Young Scot, credit union trade bodies, and Accountant in Bankruptcy.



74. This group meets three times per year and key resources are made available through Glow, Scotland's national digital environment for learning. Glow allows the sharing of teacher-produced resources. It is hoped that there will be increased collaboration through professional learning communities in the delivery of financial education, although Education Scotland's online service is much more important in this context.

Next steps

75. In recognising the importance of junior saver schemes, the Group acknowledged that dedicated project workers could be important to the development of successful and sustainable schemes, and that further investigation into potential sources of funding is required. In addition, credit unions have an important role to play in continuing to share best practice in the running of junior saver schemes via credit union trade bodies or other representatives.



76. For those schools wishing to undertake a junior saving scheme with a partner credit union, it will be important for credit unions to highlight the need for succession planning. This will contribute towards the development of a sustainable scheme.

77. Scottish Government will continue to actively engage with the Scottish Financial Education Forum to highlight successful credit union junior saver schemes in seeking to raise the profile of the sector in increasing the financial capability of our young people.

78. The Forum will also be presented with the results of an evaluation of the Future Savers Initiative in Glasgow following its conclusion. Education Scotland may be able to work with the local authority to evaluate the educational opportunities and learning brought about by these initiatives.

79. Scottish Government are engaging with local authorities, through the Association of Directors of Education, to advocate for the benefit of credit union involvement in financial capability education, and links forged with money advice organisations and local credit unions.

80. The Group felt that "Money Weeks" held in schools would be a good partnership opportunity between schools and local credit unions. Education Scotland are currently evaluating the delivery of these in four schools. They will also share the results of an evaluation of a themed week (Financial Fair Trade Fortnight) at St Catherine's Primary School in Glasgow in 2015. The key learning from this event centred around teachers being given time to collaborate in preparation, support from the school's senior management team, discussion around how the event linked into the school's Improvement Plan, and linking the event to teachers' professional learning in relation to the requirements of the General Teaching Council for Scotland.

81. Financial education could be co-ordinated through the strands of Scottish Government's National Improvement Framework, Developing the Young Workforce agenda and its Making Maths Count programme.

82. Education Scotland, along with Accountant in Bankruptcy and Money Advice Scotland are reviewing the quality and quantity of financial education materials available, including those featuring credit unions.

83. Scottish Government's Making Maths Count programme has scope to consider how technology could best be applied to numeracy learning. Any collaboration between schools and credit unions would require both parties to have the necessary technology (for example Edmodo or similar apps) and at present very few credit unions can offer this.

84. A series of Continuing Professional Development sessions and Glow meets around financial education could be set up for teachers over 2016 in the context of the National Improvement Framework. Money Advice Scotland may partner on this and opportunities for a national financial education conference are being explored in which credit unions could feature. The conference would allow the Scottish Financial Education Forum to share their learning around financial education approaches with a wider audience.



85. Through Glow, Education Scotland could demonstrate to teachers how young people can maximise digital opportunities (particularly around problem-solving activities) and distribute any future financial literacy apps deemed useful. These actions would be linked to on-going work in relation to the Technologies Impact Review.

86. Money Advice Scotland's Financial Capability team will promote ethical lenders including credit unions in their school workshops.

Other initiatives and support raising the profile and capacity of credit unions

87. The group considered a number of areas of work which were raising the profile and capacity of Scotland's credit unions.

UK payments systems and regulatory environment

88. Credit unions are regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and are classed as deposit takers along with banks and building societies. Regulation of financial services is a power reserved to the UK Government.

89. The regulatory environment under which credit unions operate has been undergoing review over the last few years, and significant changes have taken place at European and UK level.

90. The UK payments system facilitates every payment to or from individuals, organisations and businesses. Credit unions currently handle their transactions by indirectly accessing the payments system via a sponsor institution such as one of the major UK banks.

91. The Working Group engaged with representatives of Payments UK, the Prudential Regulation Authority and the banking sector, in its effort to review access for credit unions to the payment systems and to advocate for fair and proportionate regulation.

Payment systems

92. The UK payment systems are complex. The various ways of making a payment, e.g. bank to bank transfer or cheque, are supported by infrastructure providers who operate under the oversight of the Bank of England, and are regulated by the UK's financial and economic regulators. The board which oversees the infrastructure is composed of the main banks in the UK, with independent representation (including the chairperson) serving on the Board.

93. There are two ways to access the UK's payment systems:

- Direct Access - where a Payment System Provider (PSP) has a direct arrangement in place with the operator of a payment system. The PSPs with direct access to payment systems are primarily the large credit institutions in the UK that offer end customers with current account related banking services. Depending on the payment system, it may also include smaller banks, building societies and foreign banks.
- Indirect Access - where a PSP has an arrangement with another PSP with direct access to a payment system.



94. At present credit unions that offer the Credit Union Current Account gain access to the payment systems indirectly through The Co-operative Bank (PSP) as they do not have direct access. They are provided with sort codes from the bank's allocation. Some credit unions wish to have direct access to payment systems (i.e. BACs, CHAPs). They are effectively prevented from gaining direct access as it is very challenging for them to meet the eligibility criteria to achieve this, such as the capacity to have a direct banking relationship with the Bank of England. The Group was advised that credit unions are seeking improved terms for indirect access, as the costs and processing times seemed to them to be unfavourable. As costs are based on a cheaper rate for higher volume of transactions, this could appear to be weighted against smaller financial institutions such as credit unions.

95. Changes to the nature of indirect access have begun. In the short term, the Credit Union Expansion Project, funded by the Department for Work and Pensions, involves the development of a banking platform through which credit unions will be able to access the payment systems. This is because the commitment and co-operation of a number of credit unions to this arrangement has created sufficient volume to make an agency banking agreement viable for both parties.

96. Looking further ahead, the new Payments System Regulator (PSR) has conducted a market review into the supply of indirect access to the payment systems (PSR MR 15/1/1) and will publish its interim findings in February 2016. The PSR aims to promote competition and innovation in UK payment systems. The Working Group acknowledges some representatives are highly engaged with the regulator, but if the credit union sector wishes to influence the direction, all those with an interest are encouraged to engage fully with them.

97. Payments UK published their report *World Class Payments in the UK - Enhancing the payments experience* in August 2015. The findings were informed by consultation with consumer organisations, corporates, businesses, government, trade associations, software vendors and fintechs¹, and by conducting quantitative research.

98. From the point of view of financial services providers, Payments UK were advised of the need for common or simplified access to payment systems and services, in terms of common technical standards, rules and practices. This would deliver a more level playing field for smaller financial institutions. It would facilitate innovation and competition, resulting in a better choice for customers.

99. They have listed this as a priority for more detailed analysis to understand how the industry can deliver these changes. A further update will be published in 2016. Any findings will be considered in the context of the European Commission's Payments Service Directive 2 and the ring-fencing requirements within the Banking Reform Act.

¹ A fintech is a type of business that uses software to provide financial services.



100. It has been reported that a number of fintech companies stand poised to provide an alternative method of access to the payment systems instead of the main banks (Wallace, 2015). The Faster Payments system has indicated that in the coming months challenger banks will be able to access their payment scheme via fintech companies. The alternative access providers may in the future also offer access to BACS, CHAPS and other payment schemes. The credit union sector will no doubt monitor these developments and the evolution of costs, with a view to possible future participation.

101. The Working Group representatives reflected the difference in the sector, with some credit unions advising that access to the payment systems was a low priority issue for them, and others expressing a desire to enter into the payment system depending on cost and governance conditions.

Credit Union Expansion Programme (CUEP)

102. The Credit Union Expansion Project (CUEP) was established in April 2013 by the UK's Department for Work and Pensions (DWP). This followed a feasibility study that recommended the credit union sector should be developed to meet the significant market demand, including from low income consumers, for modern banking products and affordable credit. However, the report found that in order for the sector to better meet that need, it required to receive some initial funds to expand, modernise and become financially sustainable.

103. Following a competitive tendering process, the Association of British Credit Unions Ltd (ABCUL) was contracted by DWP to manage the CUEP, which it does so through a wholly owned subsidiary, Cornerstone Mutual Services (CMS). DWP has agreed to invest up to £38 million in the CUEP.

104. CUEP's stated aims are to:

- extend access to financial services to at least 440,000 more people on low incomes by April 2016 and a total of at least 650,000 more people by March 2019;
- enable credit unions joining CUEP to reduce costs and become financially sustainable by March 2019;
- save consumers £180 million in loan interest repayments by March 2019; and
- save consumers £524 million in loan interest repayments by March 2022.

105. Every credit union in Britain was eligible to apply to join CUEP, and of the 76 credit unions taking part, eight are Scottish.

106. The project includes an opportunity for credit unions to use an Automated Lending Decision Tool; a procurement hub, which allows credit unions to join up and save on services; and marketing to encourage growth, for example by providing services such as payroll savings for employees. The first wave of credit unions has now agreed to join a new Target Operating Model (TOM) which includes access to an online banking platform, future proofed to allow updating in line with advances in technology, and which carries assurances of strong cyber security. An agency bank will provide each credit union with their own sort code, and every product will have a unique eight digit account number, which should allow access to straight-through processing for savings, loans and transactions.



107. Although currently restricted to credit unions that are part of CUEP, the existing participants have been advised that it is expected that other credit unions will be given the opportunity to join from 2016. The charge to use the platform is likely to be calculated on a per member, per month basis. It is expected access to the model will be at a cost but it will generate growth and deliver savings, and the cost per member will reduce based on more credit unions joining, more credit union accounts using the platform, and more new members being recruited by those credit unions.

108. At present six Scottish credit unions, serving almost 28,000 adult credit union members, have signed up to be part of the TOM. They will be migrating to the TOM between January and October 2016.

109. Following the end of the CUEP in 2016, CMS will continue to supply and manage the products and services and to encourage collaborative working developed through CUEP.

110. Over time and subject to terms and conditions, all credit unions in Great Britain will be able to access CMS services on a commercial basis.

Reform of the legacy Credit Unions sourcebook

111. In 2015, the PRA and FCA undertook a joint consultation on reform of the rules governing the operation of credit unions (PRA CP22/15, FCA CP15/21). The legacy Credit Unions sourcebook (CREDS), is one of the modules of the Handbook inherited by the two regulators from the Financial Services Authority (FSA).

112. Whilst regulation of financial services is important for consumer protection and confidence, certain of the proposed changes to the legacy Credit Unions sourcebook deeply concerned the credit union sector in Scotland. The consultation closed on 30 September 2015, and all the main credit union representatives in Scotland submitted responses. ABCUL facilitated a meeting between the UK regulators and the World Council of Credit Unions to discuss international precedents, and invited the PRA to engage with stakeholders and MPs on this issue at the All-Party Parliamentary Group on Credit Unions at Westminster. In the main, Scotland's credit union representatives considered that the proposed regulatory changes in the consultation paper did not provide large credit unions with any additional powers or opportunities to develop their business and serve more people. They also believed they would have the effect of undermining the credibility of credit unions as a safe place to deposit savings.

113. Specific proposals of concern raised included:

- Restriction of credit union deposits to the Financial Services Compensation Scheme (FSCS) limit – credit unions concerned this would mark them as “second class deposit takers”;
- Imposition of an absolute cap of £500,000 on credit union loans – this could result in a restriction of the ability to serve the current UK mortgage market and the demand for commercial loans;
- Requirement of a 10% minimum capital standard for large credit unions – it would be impossible to increase to this percentage overnight; the 10% figure seemed to be based on a World Council of Credit Unions standard of excellence which was not intended to be a minimum standard;



- Restriction of credit unions to solely “regulated mortgage contracts” – may limit their potential to enter into future secured commercial lending;
- Proposal for credit unions to generate loan book income greater than 6% of the loan book value (in order to undertake lending, mortgages and payment services) – could stifle competition;
- Matrix of compliance ratios – concern at number of tests required to pass.

114. The Minister for Business, Energy and Tourism raised these concerns at a meeting with Martin Stewart, Director of the UK Deposit Takers Division of the PRA and Roger Marsh, Manager of the PRA's Credit Unions Team in London on 24 November 2015. The consultation outcomes should be available by February 2016.

Bank-funded development programmes

Barclays

115. The Barclays Credit Union Programme is a £1 million project spread over a period of four years which is being delivered in partnership by ACE Credit Union Services, UK Credit Unions Ltd (UKCU) and Toynbee Hall. The two credit union trade associations ACE and UKCU are responsible for the delivery of capacity building training to eleven British credit unions who successfully bid to participate in the first year of the programme, with Toynbee Hall delivering training on improving financial capability and resilience amongst targeted credit union members. One of the successful credit unions is based in Scotland with the remainder based in various parts of England.

116. No two credit unions identified the same set of training needs as each other reflecting the diversity of the range of selected credit unions, with the smallest having just a few hundred members and the largest in excess of 12,000 members. Training on capacity building for Year 1 is expected to be completed by April 2016. In February 2016 Barclays will invite British credit unions to apply for the second round of funding when a similar number of credit unions are expected to be successful. The financial capability section of the training will be delivered by Toynbee Hall over the same period of time. As part of the programme, Barclay's staff are being identified internally in the regions where the successful credit unions are based to offer a support and mentoring service, using staff expertise to support their local credit union. This could include Barclay's staff joining the credit unions as volunteer directors or providing a credit union payment service at local Barclays branches.

117. West Lothian Credit Union is currently a participant in the programme, but it is hoped that more Scottish credit unions will apply and be accepted onto the programme in Year 2.

Lloyds Banking Group

118. Lloyds Banking Group's Credit Union Development Fund was set up with £4 million funding and resources. Managed by the Credit Union Foundation and an independent Grants Committee, all credit unions authorised to operate in England, Scotland, Wales and Northern Ireland can apply for an award, provided they have not already received a large grant from the programme.



119. The funding programme aims to strengthen the financial position of credit unions and increase their capacity to allow the development of new strategies for sustained and effective growth.

Credit union health check

120. In 2001, the Scottish Executive, in partnership with Glasgow City Council and the Scottish banks, funded a £60,000 pilot health check programme for credit unions in Strathclyde which was undertaken by CEIS (Community Enterprise in Scotland) and Strathclyde Credit Union Development Agency. The aim of the health check programme was to explore ways of ensuring that existing credit unions were robust and able to deal with new regulatory changes. At the time it was hoped that a self-help tool kit would be developed from the evaluation of the programme.

121. In the event, a self-help tool kit was not developed. However, the Scottish League of Credit Unions (SLCU) believe that the concept of credit unions voluntarily undertaking a self-help health-check exercise remains a valid initiative.

122. They advocate that, as with all businesses, credit unions should review and measure key indicators of their "health" (membership/products and services/infrastructure/risk) for compliance against regulation and industry best practice; thereby better understanding and managing their business. Such an exercise would be particularly useful for community credit unions which are often volunteer-led and most impacted by the weight of regulatory requirements.

123. The SLCU presented the concept of a voluntary self-assessment and improvement tool to other credit union representatives in February 2015.

124. The suggested delivery model was an online portal where data captured would be processed into the initial "health-check" summary for immediate consideration, and follow up action points generated. Progress in priority areas could be tracked, and each completed objective automatically removed.

125. SLCU have since developed the concept further by scoping out the project with a professional developer. They aim to develop a prototype by spring 2016 and remain open to collaborative working with the other credit union representatives.

Financial capability for the wider community - linking with credit unions

126. Credit unions, with their personalised service and commitment to promotion of thrift and balance (Credit Unions Act, 1979), have a valuable role to play in tackling financial exclusion.

127. Scottish Government, working with its stakeholders, is committed to improving financial well-being and reducing income inequality, to create a wealthier and fairer Scotland for all its citizens. It has a wide-ranging agenda to improve financial capability so people are better able to manage their own finances, much of which was set out in the Financial Capability Strategy for Scotland launched in January 2016.



SCOTLAND'S FINANCIAL HEALTH SERVICE

128. One example was the launch of the Scottish Financial Health Service which guides people to a range of stakeholder organisations who offer information and advice on various financial considerations in an individual's life, including debt, managing money, housing, homelessness and ethical lending.

129. Credit unions are a key participant, with the website offering a search function for users to locate their local credit unions and find out about the products offered by them. Users are therefore signposted to services which promote long-term saving rather than solely short-term solutions.

130. The website currently promotes over 100 credit unions throughout Scotland, thereby not only assisting the public in locating an ethical lending provider, but boosting the credit union sector by showcasing their presence

131. The Scottish Government's 2014 bankruptcy reforms placed financial education and money advice at the heart of the statutory solutions for those needing debt management or relief. The Scottish Government has worked in partnership with Money Advice Scotland and the Money Advice Service to develop a financial education module to help individuals learn about how to manage their money effectively during key financial stages in life, maximise their income and improve a user's overall financial capability. The module on borrowing includes a detailed section on the advantages of credit unions and is available on the Scottish Financial Health Service website for anyone to access and complete at their own pace.

132. There is potential for even stronger links to be made between money advice organisations and the credit union sector in Scotland. It is recommended that credit union representatives and advice services such as Citizens Advice Scotland, StepChange Debt Charity and Money Advice Scotland seek to co-ordinate the promotion and referral of service users and clients between the two sectors, especially at local level. This will help create a joined-up approach to improving financial capability in the community.

Promoting credit union membership to students

133. In summer 2015, the National Union of Students and the National Association of Student Money Advisors distributed amongst all their affiliates an article provided by the Credit Union Working Group.

134. This article detailed the benefits of credit union membership as an ethical financial provider and referenced the Scotland's Financial Health Service website's credit union finder tool.

135. Scottish Government marketing advisers detailed the wide scope for marketing of credit union membership to students, which credit unions could tap into.

136. The student media sector is very active, spanning institution-led publications and websites (such as *Glasgow University Guardian*) to cross-institution magazines (such as *The Journal*) and more general "youth" titles, like *Scotcampus*, *The List*, *The Skinny*, etc.



137. Credit unions could also seek to engage with students at the various events they attend such as Freshers' Weeks, careers fairs etc. A strong option for field marketing can be found in Scotcampus, who run a series of events (Futures Fest, Fresher's Festival) that bring in large numbers of students.

138. Those credit unions with a presence on social media could also look to link in with student body social media accounts to highlight their services.

Skills and training

The Certificate in Credit Unions Principles and Practice

139. The National Credit Union Forum funded the development of the certificate. It is delivered by the Chartered Banker Institute.

140. The qualification provides an overview of the role played by credit unions in UK society. It considers: the development and purpose of credit unions; their organisation and operating principles; business, financial and ethical objectives; regulatory framework; risk management; governance and oversight. The qualification also considers the implications to credit unions of the incoming regulation in relation to conduct rules for individuals due to be effective in 2016.

Modern Apprenticeship

141. SLCU have been working with LearnDirect to adapt a "Scottish Modern Apprenticeship" in "Providing Financial Services Banking", funded by Skills Development Scotland and aimed at 16-24 year olds. This programme is expected to be rolled out by spring 2016.

142. They feel this would contribute to the resilience of smaller credit unions in an increasingly regulated environment, particularly around staff competency. It may also attract new staff and volunteers, bringing with them fresh ideas.

143. SLCU have met with the other trade bodies in Scotland, to pursue a movement-wide training programme. Each trade body had a different preferred approach which reflected their own membership composition, however there was willingness to share details of individual training programmes.

Association of British Credit Unions Limited - training provision

144. ABCUL is the largest provider of training to the Scottish credit union movement, and has developed a new suite of training with funding from The Credit Union Foundation.

145. The first phase involved a root and branch evaluation of training already delivered for the sector by ABCUL and by other providers, and the development of a curriculum of learning that meets the movement's requirements, developed as a result of comprehensive needs analysis.



146. This curriculum was delivered as a series of classroom workshops in 2015 to credit unions in Glasgow, with the sessions funded by Glasgow City Council's Co-operative Development Fund. Glasgow is widely recognised as Britain's "credit union capital", with around 25% of the city's population saving with a credit union, so this provided a fertile ground for testing the modules given the diversity of the population to be trained.

147. The curriculum developed is robust and comprehensive, and has been built to enable agility of delivery. In recognition of the considerable challenge of making exclusively classroom-based training cost-effective, affordable and sustainable – as well as the fact it is often not the most appropriate delivery method for certain courses or for some students – the materials are being converted into a fully blended solution that can be deployed as a distance learning package, taking advantage of the available technology.

148. In order to host the online content that will ensure affordable and accessible learning modules are available to all, a Learning Management System is being developed with a provider recognised as a market leader with particular expertise in financial services. Importantly, this will enable participating credit unions to be able to plan, track, test, document and report any development undertaken by their team.

149. ABCUL is collaborating with the ifs University College on the provision of a qualification. They have been identified as the best-fit partner given their credibility within the financial services industry and their ability to provide cost effective solutions and the most extensive availability of exam centres (165 across the UK), meaning more flexibility for students to choose when and where the assessment can be undertaken.

Areas for further discussion

150. As noted in the introduction, the credit union movement is diverse in size and outlook, and this was reflected in a range of topics considered by the Working Group and for which in the case of some topics, it was agreed that further discussion was required to reach a consensus and conclusion. It was felt at this point that these issues were less relevant to the growth of credit unions as the key themes outlined earlier in this report.

Basic Bank Accounts

151. The Credit Union Working Group recognised and discussed the reluctance of banks to provide Basic Banking Accounts (BBAs), including for undischarged bankrupts. Some of the credit unions considered that they could provide this type of account on behalf of the banks and that the service would potentially be of better quality.

152. Officials, on behalf of the Working Group, sought clarification on the issue, which has evolved over 2015.

153. Whilst legislative restrictions apply to the operation of bank accounts post-bankruptcy in terms of obtaining credit, undischarged bankrupts are not prohibited by law from operating a bank account.



154. Undischarged bankrupts would not necessarily find it easy to open or operate a bank account. Individual banks tended to make their own commercial decisions on whether to provide an account, with terms and conditions containing a clause that bankruptcy would result in account closure. Many banks also had a policy of refusing to operate accounts for undischarged bankrupts.

155. The risks created by bankruptcy legislation, and the uncertainty as to how it operates in relation to bank accounts, was viewed as one of the primary reasons for banks not offering accounts to undischarged bankrupts. The concern was that they could be sued by a trustee if they did not stop an undischarged bankrupt from withdrawing money from an account which would be of interest to creditors.

156. In Scotland, the Bankruptcy and Debt Advice (Scotland) Act 2014 amended the Bankruptcy (Scotland) Act 1985. The effect of the amendment is that in situations where the trustee is aware of any vested estate which comprises funds held by a bank, the trustee must serve a notice on the appropriate bank or institution and provide sufficient information for them to identify the debtor and the funds held.

157. If the trustee does not issue the relevant notice, then they will not be entitled to a remedy against the bank for transactions made on relevant funds in the identified accounts.

158. The notices introduced by these legislative changes will reduce the risk of banks being sued by trustees in circumstances where funds are withdrawn from the account of an undischarged bankrupt. As such, this should result in more banks offering accounts to undischarged bankrupts, although it remains a commercial decision for banks as to whether they do so.

159. In December 2014, nine high street banks² (covering over 90% of the UK's current account market) signed an agreement with HM Treasury, committing to provide basic bank accounts to those previously excluded. The accounts will be free from failed payment charges, and offer increased access to all of the UK's ATM network and over the counter services in branches.

160. The banks undertook to provide these accounts by 15 December 2015.

161. In light of the banks' offer, the Group decided no further action was needed until it became clear whether or not this initiative had resolved their concerns.

Partnership with Scotcash

162. Scotcash is a Community Development Finance Institution based in Glasgow city centre. With support from Glasgow City Council, Glasgow Housing Association, Royal Bank of Scotland and others, it offers financial services to those (living within a 25-mile radius of Glasgow city centre) who experience difficulties accessing mainstream financial services.

² Barclays; the Co-operative Bank; HSBC; Lloyds Banking Group (including Halifax and Bank of Scotland brands); National Australia Group (including Clydesdale and Yorkshire brands); Nationwide, RBS Group (including NatWest and Ulster Bank brands); Santander; and TSB.



163. Scotcash offers a range of services and products, such as affordable credit, savings accounts, white goods packages, basic bank accounts and money advice, and works with Glasgow Central Citizens Advice Bureau to provide integrated money advice services.

164. Scotcash offers interest rates lower than those given by most high street lenders. One of Scotcash's main objectives is to provide more affordable loans to low income families, whilst providing additional money management advice.

165. Many of Scotcash's customers are those for whom, due to a variety of reasons, the services of credit unions are not suitable. Scotcash's services therefore are a valuable complement to the work of credit unions, in those areas where both operate.

166. However, Scotcash do refer customers to credit unions where appropriate. Four credit unions (Glasgow, Scotwest, Pollok and Drumchapel) currently operate in partnership with Scotcash and are featured on their website. Scotcash highlight these credit union partners to their customers when explaining savings options.

The need for a balanced membership

167. The need to ensure a balanced membership within a credit union is highlighted by the faster increase in savings than lending over recent years.

168. Although credit union lending in Scotland reached a record high of £275 million in June 2015 (Bank of England, 2015), lending has nonetheless declined as a proportion of assets to 53%. The recommendation of the World Council of Credit Unions is that credit unions should have a lending to assets ratio of between 70% and 80% (Lyonette, 2015).

169. While this trend is not unique to Scotland, it underlines the need for credit unions to ensure they are attracting borrowers as well as savers. This is not unrelated to the skewing of credit union membership – and in particular, of those members who volunteer to serve on credit union boards – towards an older age group. There is therefore a pressing need to attract a younger generation of borrowers who might have a range of options for the variety of lending products they are looking to access.

170. ABCUL has initiated a discussion of this challenge as part of its “2020 Vision for Credit Unions”, which is drawing on expertise from other credit union sectors around the world and from other lenders in Britain to consider what might be the right mix of credit union products to attract borrowers and provide the best service to members.

171. Since many Scottish credit unions are only offering unsecured personal loans, there is a view that the sector is essentially excluding itself from some of the markets where consumers are most active and where they might most benefit from the ethical solution that credit unions might be able to offer, such as in mortgages, car loans and credit cards. Once more looking to the most successful examples of credit union systems, it is notable that in the United States, less than 11% of all credit union lending is in the form of unsecured loans (CUNA, 2015).

172. ABCUL consider that in order to develop a competitive product offering, credit unions will need to co-operate and work together, as in the Credit Union Expansion Project.



Conclusion and recommendations

173. The various next steps will now be brought together to detail what various parties can do to create an enabling environment for credit unions.

What can credit unions do?

174. Payroll deduction schemes were highlighted by the trade bodies in Scotland as worthy of encouragement, in their responses to HM Treasury's Call for Evidence in 2014. Credit unions should make the business case to potential employer partners for the benefits of offering payroll deduction schemes, and resources will be made available by Scottish Government for them to use.

175. For the sector to thrive in the future, it is important that there is a willingness to engage with the younger digital generation. Marketing and training budgets must be identified to reach out to young people via social media, through technological partnerships with schools and to be able to take on young volunteers.

176. When setting up a junior savers scheme with schools, credit unions could emphasise the importance of succession planning to the school partners, and indeed cover this from the credit union's perspective as well. The uptake of apps that facilitate communication with the school can also ease engagement with young people, although are again dependant on a supportive staff partner to oversee from the school's end.

177. Credit unions can continue to share best practice and resources related to junior saver schemes with each other through their trade bodies or partners. Successful primary to secondary school schemes are of particular interest, from the point of view of maintaining healthy financial habits into the future.

178. Students represent a large market of young potential credit union savers. A wealth of opportunities are available to engage with them, whether through their dedicated print and online media, in the field at student events, or via social media. It would be worth credit unions allocating part of their marketing budgets to this sector.

179. Credit unions and money advice services should strengthen links, to help create a joined up approach to increasing financial capability in the community.

180. Credit unions should continue the good practice of governance checks and training to maintain the health of their organisations.

What can Scottish Government and local authorities do?

181. Scottish Government values the credit union sector as responsible lenders and for their contribution to the promotion of financial capability.

182. In recognition of their importance, the First Minister has personally advocated for employers to offer payroll deduction saving to credit unions as a standard workplace benefit.

183. Scottish Government will work with credit union representatives and the Chartered Institute for Payroll Professionals to develop a pack for use by those credit unions who wish to offer a payroll deduction scheme. The pack will include First Minister's letter and information about data transfer and marketing.



184. Scottish Government will explore with Scottish Enterprise, Business Gateway and Highlands and Islands Enterprise the promotion of payroll deduction schemes with credit unions to their networks.

185. Scottish Government's Business Pledge, as part of a business's workforce engagement commitments, recommends payroll deduction schemes are offered as a standard workplace benefit.

186. The Scottish Government-funded Financial Capability Team, delivered by Money Advice Scotland has also undertaken to promote payroll deduction schemes to employers in their outreach visits.

187. Scottish Government and its Working Group partners will investigate how the development of junior saver schemes might be funded.

188. Education Scotland could consider Glasgow City Council's evaluation of their Future Savers initiative. Following this and evaluations of any other schemes undertaken, successful initiatives will continue to be highlighted by Education Scotland and Scottish Financial Education Forum partners to those who direct priorities in the delivery of the curriculum in each school; the Association of Directors of Education and the Association of Head Teachers and Deputes in Scotland. Those schemes which have successfully navigated the transition of savers from primary to secondary school are of particular interest.

189. The profile of financial education in Scotland's schools will be raised again in 2016, with a review of the quality and quantity of materials available, ensuring they remain relevant and accessible. Work is underway to promote knowledge and understanding through progression in numeracy through the National Numeracy Network and Scottish Financial Education Forum. Financial education could be co-ordinated throughout the Scottish Government's National Improvement Framework, the Developing the Young Workforce strategy and the Making Maths Count programme.

190. The online platform for learning professionals, Glow, will be a means for collaboration in delivering financial education through teacher-produced resources, although Education Scotland's online service will remain a key source of information.

191. Education Scotland could share key learning from its evaluation of a successful themed event at St Catherine's Primary School in Glasgow in 2015, which highlighted the need for preparation time, senior management buy-in and links to teachers' professional development in the success of the event. Along with evaluations of previous school Money Weeks, this may help in the design of future such initiatives in which credit unions could be involved as a delivery partner. The key learning could also be applicable to junior savers schemes.

192. A national conference on financial education is being explored, in which credit unions may feature, and which would allow the Scottish Financial Education Forum to share their learning around financial education approaches with a wider audience.

193. The Scottish Government funded Money Advice Scotland Financial Capability Team will promote credit unions as ethical lenders in their school workshops.



What can schools do?

194. On committing to the delivery of a junior saver scheme with a credit union partner, schools can ensure the success of the initiative by allocating sufficient resource at the beginning, whether a teacher, classroom assistant, administrative staff member, or secondary school pupil team, including time for pre-delivery preparation. Before entering into the scheme, adequate succession planning should be completed by both school and credit union, in order to maintain consistency of collections in the case of unforeseen circumstances.

195. The junior saver scheme should be formally linked into the school's Improvement Plan and ideally into teachers' professional learning as a part of learning for sustainability.

196. Teachers can collaborate in the production of updated guidance and resources for working with credit unions and share this through platforms such as Glow.

197. Credit union junior saver schemes are a great way for teachers to assist pupils to develop numeracy skills in a real life context, for example saving up for a school trip.

What can employers do?

198. All employers are encouraged by Scottish Government to offer payroll deduction saving schemes to their workforce as a standard benefit.

199. These should be highlighted in an employer's induction process where applicable. Credit unions report difficulties trying to maintain communication with employers, and to work with them in employee awareness raising of payroll schemes; Scottish Government therefore encourages greater engagement of employers with credit unions in this regard.

Conclusion

200. Through collaborative working between Scottish Government, representatives of the credit union sector in Scotland and key partner organisations, the Working Group has identified a number of areas for action to work towards securing a sustainable credit union sector, and consolidated valuable working relationships.

201. The Group draws to a close at a time when financial capability is high on the agenda, with the January 2016 launch of the Scotland Financial Capability Strategy. Linking the credit union agenda identified in this Working Group Report into the wider national focus on financial capability will extend the credit union sector's reach and provide more consumers with a responsible financial services provider.

202. Scottish Government is committed to continuing to play an active role with stakeholders and other partners to take forward the recommendations contained within this report.



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