



Mr Russell George AM
Chair of Economy, Infrastructure & Skills Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

18th July 2019

Dear Mr George

RE: SUBMISSION ON BEHALF OF CREDIT UNIONS OF WALES REGARDING PROPOSALS FOR BANC CAMBRIA

Further to oral representations made to the Investment, Structure and Skills Committee on 3rd July 2019, and by Banc Cambria to the Cross-Party group on Co-operatives and Mutuels on 2nd July, we write to submit a collective response on our concerns about the Banc Cambria proposals.

Overview

There are currently 18 credit unions in Wales, with a combined 69,000 adult members. At the end of 2018, collectively the movement in Wales held:

- £52 million in assets
- £24 million in loans to members
- £43 million in members' savings

Our original understanding from the publicity and promotion surrounding the initial proposals was that the objectives of Banc Cambria would complement and not compete with or duplicate services already provided by the credit union sector. However at the cross-party presentation, it was made clear by Banc Cambria that there is an intention to provide personal loan products within the co-operative model of banking.

We therefore consider that as it is now clear that Banc Cambria will be providing personal loans in direct competition to credit unions, the consequence will be that

any public sector funding would directly threaten the future sustainability of the credit union network in Wales. Given the timescales and lack of appropriate research in this area, it is difficult to quantify what the extent of the impact would be on the sector, and we urge the Committee to take into account the need for thorough analysis on this before any public funding is agreed.

We submit to the committee that the provision of savings and loans products to individual citizens based on a co-operative model of affordable and ethical finance has been the core business of the 18 credit unions in Wales for decades, and would urge the Assembly to take into account the impact of the emergence of a direct competitor to our core services. We would particularly highlight the following:

- Credit union loan interest rates are capped by legislation, and there is further regulation controlling the types of investments that credit unions can make. Therefore the credit union delivery model is inevitably run to tight margins, and vulnerable to wider market forces.
- The majority of loans from credit unions are issued in values under £2,000, where there is otherwise a gap and failure in the market, however credit unions need and depend upon larger value loans, in order to make their business model sustainable.
- The introduction of a co-operative model offering both bank accounts and personal loans is likely to attract the same profile of borrowers that credit unions depend on to provide the mid to higher value personal loans which subsidise the offer lower value loans, which are so critical in ensuring that people in Wales can access affordable credit.
- There is pan-Wales coverage for credit union membership – anyone living in Wales can access our services.

Payroll Savings & Loans Schemes

We note that the committee requested more information regarding payroll schemes at the hearing of 3rd July 2019, and attach a document that was produced with Welsh Government funding, highlighting the benefits of payroll savings and loans schemes to the people of Wales, with more than 160 partnerships across Wales now in operation with employers across the public, third and private sectors. The promotion of such schemes is included in Welsh Government's [Financial Inclusion Strategy](#) (p.27), with specific objectives to both promote and support payroll schemes, and to use Welsh Government's public procurement strategy Community Benefits to mainstream this service, and considerably broaden the extent to which people in Wales can access our savings and loans products. We believe that more could be done between the sector and Welsh Government to develop payroll schemes into a meaningful driver of access to savings and loans as a universal perk of employment in Wales. This would be a very cost-effective way to extend access and raise the profile of credit union services.

Collective Position

We are sympathetic to the impact of the withdrawal of commercial banks on communities and small business owners in many areas of Wales, and share the same concerns regarding the impact on quality of life and local economies. However the solution to this should not lie in the development of alternatives which would damage existing ethical providers providing essential services to communities. Credit unions have implemented our own products and services in response to the wider market challenges, and have a vibrant movement in Wales, already working collaboratively to future-proof our systems to ensure our capacity to provide accessible services. We are capable of meeting our members' needs. Given the tight financial and regulatory constraints on credit unions and the profile of membership, it is clear to us that the likely impact of the introduction of Banc Cambria will damage the credit union sector disproportionately, compared to any impact it would have on High Street banks.

We are committed to keeping an open channel of communication with Banc Cambria, but we wish to make it clear to the founders and the Welsh Assembly committee that at present, we see the plans as potentially detrimental to the long term sustainability of credit unions, by moving into the space of the co-operative provision of personal loans and payroll savings. We plan to make further representations to Government and stakeholders on this.

Yours sincerely

L. Herberg

Leanne Herberg
Chief Executive of Cardiff & Vale Credit Union

On behalf of the following credit unions of Wales:

Brecon & District Credit Union
Bridgend Credit Union
Cardiff & Vale Credit Union
Celtic Credit Union
Dragonsavers Credit Union
Gateway Credit Union
Merthyr Credit Union
Newport Credit Union
Red Kite Credit Union
Save Easy Credit Union
Smart Money Credit Union