



# Legislative Update – September 2007

## *How legislative change for credit unions will assist Registered Social Landlords and their tenants*

### Background

- A review of legislation affecting credit unions and other co-operatives was carried out by HM Treasury over the summer.
- ABCUL has consulted widely with its member credit unions on the subject of legislative change. ABCUL's response - [available here](#) - outlines a number of changes which will enable the credit union movement to deliver a wide range of sustainable, inclusive financial services to many more people.

### ABCUL's view

- To scale up and be able to achieve their potential, credit unions need legislation which will enable them to react flexibly to the changing financial needs of their communities.
- Barriers to stop credit unions developing innovative services, expanding into areas without access to credit union services and mobilising savings through convenient methods are presently enshrined in legislation.
- Three main changes will allow credit unions to achieve this scaling up and have a large impact upon financial exclusion in communities across Britain: -
  - Credit unions should be able to choose who they provide services to, within a restricted membership
  - Credit unions should have more flexibility to develop products which meet the changing needs of their members and potential members
  - Credit unions should be able to provide services to corporate members. This will attract inward investment, raise credibility and enable local community groups and entrepreneurs to benefit from credit union facilities in their local area.
- To achieve these changes and build a flexible structure which will meet the needs of credit unions and the communities they serve in decades to come, new primary legislation for credit unions is essential.





## How will ABCUL's proposed changes affect Registered Social Landlords and their tenants?

- A more flexible system of common bonds will enable credit unions to build on partnerships with RSLs and provide services to tenants wherever they are located. For instance, a credit union could have a common bond of living or working in a certain city, or being a tenant of a certain housing association. In this way, an RSL could ensure that all their tenants have access to credit union services without setting up multiple partnerships with credit unions in different parts of the country. Credit unions will also be able to more easily expand into areas without access to credit union services, and provide payroll deduction facilities to more people.
  - With more flexibility to develop new products, credit unions would be better able to meet the needs of tenants and work in partnership to develop innovative ways of increasing financial inclusion.
- If credit unions are able to provide services to corporate members, rather than just individuals, this will enable local groups, including those in receipt of grant funding, to use local credit union facilities to manage their finances. ABCUL's research with members revealed problems that many groups have; either with opening bank accounts because of poor credit ratings amongst their officers, or with inconvenience caused by lack of local banking facilities.
- RSLs wishing to increase the amount of affordable credit available in the communities in which they work will be able to deposit funds in the credit union. These funds will remain the property of the RSL and will be withdrawable but will increase the capacity of the credit union to make loans to members.
- Well known and respected organisations in the community using the credit union will raise both the awareness and credibility of the credit union. This will increase the numbers of tenants using the credit union and increase financial inclusion.

## Next steps and how you can help

- This is the first in a two –stage consultation process. Following on from this HM Treasury will publish a full impact assessment and cost-benefit analysis based on the evidence gathered.
- We hope that you share our vision for RSLs and credit unions working together to increase financial inclusion across Britain. If you support our call for legislative change for this to happen please: -
  - Write to the Economic Secretary to the Treasury, Kitty Ussher MP, saying you support ABCUL's calls for legislative change to enable credit unions to scale up and have more of an impact upon financial inclusion.
  - Share this document with colleagues and other who you think may be interested in the potential credit unions have within a flexible legislative framework.
  - If you need any more information, please contact ABCUL Policy Officer Abbie Shelton on 0161 819 6994 / [abbie.shelton@abcul.org](mailto:abbie.shelton@abcul.org)