

Report to the Health and Wellbeing Board – September 2021

Credit Union - Business Case for support

Introduction

In 2016 the Council supported the managed closure of North East Lincolnshire Credit Union as it was not operating as a viable organisation or providing the benefits of a modern credit union to its members. Efforts were made to get another Credit Union to take them on, to no avail, due to the impact of accumulated losses. The Council has sought to build a relationship and the confidence of HEY Credit Union, who have established a successful track record and, while based in Hull, have Northern Lincolnshire within their geographical footprint.

The Council has been a payroll partner with HEY Credit Union since 2018 and they have a relationship with Centre 4 for referral of new members. Having a physical presence in Grimsby is a key plank in addressing the wider hardship issues we know our communities are experiencing. HEY Credit Union are actively looking to establish a shop/outlet in Grimsby (it features in the published business plans for this year - autumn 2021). The Credit Union offer can be viewed via the website:

<https://www.hullandeycu.co.uk/>

Mission Statement

HEY Credit Union exists to provide inclusive, fair and affordable financial services, helping people to afford their lives and improve their financial wellbeing. Working co-operatively with, and supported by, a diverse range of people and organisations, credit unions can be powerful drivers of community benefit, promoting financial inclusion and helping the communities they serve to become better off.

To achieve this HEY Credit Union provides a broad range of innovative financial products delivered by a dedicated team of professional staff and community volunteers. It is governed and administered, in accordance with sound management practices, to maintain its financial strength and future sustainability.

In 2020 HEY Credit Union published its first-ever Social Impact Report, setting out the difference it has made for individuals, families and communities across the Humber Region over 21 years. For ten years, it has been the only financial provider based in our region to hold the highest possible 5-star Fairbanking Mark. It has also become an accredited Living Wage employer. It has partnered with Fair4All Finance, a national agency funded from the dormant bank assets fund, on new initiatives to scale up the supply of affordable credit in the UK (North East Lincolnshire will benefit greatly from this developing partnership). New UK credit union legislation is being prepared, which will permit credit unions to offer a wider range of financial product solutions relevant to today's users (for example, to address domestic appliance poverty).

Scope and Purpose

While HEY Credit Union provides online access, membership numbers in North East Lincolnshire are only growing slowly. The main reason is that there is no visible local presence, no physical location for people to visit and find out the options available to them. This gap means that other, more expensive lending options, are being targeted at some of our more economically vulnerable residents, burdening them with high-interest loan repayments and pushing them further into financial difficulty.

By supporting the provision of a 'shop front' presence in Grimsby town centre, we can encourage people to visit the Credit Union and discover services that can benefit their wellbeing. This will be a key part of our approach to financial inclusion, enabling people to access financial services that don't put them into problem debt or at risk of crisis. While the products on offer, and delivery channels, will evolve as technology develops, the presence of a local branch with friendly, trained and trusted staff will provide the best gateway access to support many more residents to start managing their money more successfully.

HEY Credit Union's Vision

The overall vision is:

“To enable everyone within our common bond to improve their financial well-being by becoming a member-owner of our organisation.”

To fulfil this vision, HEY Credit Union annually sets objectives in four categories - Member Experience, Membership Development, Financial and People. Here are the objectives for 2020-21:

1 Member Experience

- Technology Solutions - We will make it easier for people to join and borrow online, continuously improve our online app, loan processing, open banking and electronic filing systems and improve our data analysis capability.
- Virtual branch development - We will implement a co-ordinated CRM system for handling inbound messages from members, introduce a chatbot and extended opening times.
- Walk-in branch network - We will complete our regional branch network by opening a town centre branch to serve Grimsby/Cleethorpes.
- Product development - We will develop new products such as transactional accounts for corporate members, youth accounts, insurance products and at least three new loan products.

2 Membership Development

- Adult Member growth - We will grow membership by at least 25 per week.
- Payroll Member growth - We will recruit at least 10 new payroll members per week and at least three new employers as payroll partners.

- Service levels - We will conduct a member survey, with at least 10% response rate, and involve the whole team in reviewing and learning from the findings.

3 Financial

- Improve Key Ratios - We aim to increase the number of loans issued by at least 15%, earn a yield on loans of at least 15.75%, with arrears and bad debts below the international benchmarks for credit unions, and growth in regulatory capital of at least £60k.

4 People

- Succession Planning - We will review our leadership team and staff development programme and make effective plans for director/officer succession.
- Member Engagement - We will target under-represented groups to stand for directorship and trial virtual Local Member Groups.

HEY Credit Union's planned impact across North East Lincolnshire

We want the credit union to offer a high quality, community-focused financial service for all residents. HEY Credit Union will promote financial inclusion by working in partnership to provide sustainable access to safe savings and affordable loans for all those living or working in North East Lincolnshire.

To help us achieve this, HEY Credit Union will:

- Provide a range of financial products for every income group, including savings, loans, debit-card transactional accounts and insurance products;
- Contribute to economic recovery by encouraging financial resilience, incentivising borrowers to become regular savers and promoting financial capability;
- Lend responsibly by offering loans only to those who can afford to repay them, working closely with other agencies to offer access to free debt advice when needed;
- Offer a social and financial return for individual and community group depositors, using deposits for the benefit of local residents.

HEY Credit Union will launch an NEL Local Member Group to promote member engagement and community involvement across North East Lincolnshire together with targeted social media and brand awareness initiatives. It will work with schools, colleges and community groups to promote good money management and with employers to increase the take up of its save-as-you-earn staff wellbeing benefit. It will support community-based outreach access points in areas (such as East Marsh and Nunsthorpe) administered by suitably trained volunteers.

How this meets strategic priorities' of the area

The Council's key priorities are to build a stronger community and a stronger economy. The Credit Union can help residents to sustain themselves in community life and access financial support that can help them address the challenges they are facing. This support will reduce their debt burden, help them to retain more of their disposable income, enable more effective budgeting and build financial resilience through regular saving. The Credit Union will therefore help to create resilient

communities that are self-supporting, reducing demand on public services and improving the quality of life for local residents.

Key benefits of Credit Unions

Here are five key beneficial features of credit unions that support the health and wellbeing of their users:

1. Supporting their Communities

For banks and other loan providers, the primary focus is on their bottom line because they have demanding investors and hungry markets to satisfy. Most of the time businesses operate on self-interest - it's just the way the financial markets work.

However, credit unions offer an alternative approach and, whilst they must be efficient businesses, they are driven by member wellbeing not profit. They don't speculate on the money market to profit from short-term fluctuations. Nor do they hold unethical investments. Instead, they pool member savings and then lend to other members, circulating money for the benefit of their community. This ensures everyone can benefit, not just a small group of people.

2. Listening and reacting to members

Credit unions are entirely owned and operated by and for their members. Members have a deeper relationship with their credit union than as mere customers. So, if they have concerns or questions, it doesn't just listen and then sit on these suggestions for months without acting. Members' feedback (for example through in-branch comments, annual surveys and local member groups) is used to make changes that have real benefits. HEY Credit Union's popular Christmas Saver account, which helps families to plan ahead for festive spending, was introduced after member concern over the Farepak hamper club scandal.

3. Affordable loans centred around members' needs

With the economic uncertainty brought on by the pandemic, many people look to loans to consolidate existing borrowing or finance large expenses. Problem is, not all loans are equal. How can you be sure the lender has your best interests in mind?

Credit Unions don't create loans to make money. Instead, they consider how their products can be made more flexible and affordable. Every loan is carefully assessed taking the applicant's whole circumstances into account, not just their credit score. So that those members who are in need of support, whether from the pandemic or another circumstance, get the support they need to ease their financial burdens.

HEY Credit Union has developed a range of loan products to meet its members' needs, such as:

- a Family Benefit Plan (helping families to smooth out the "lumpy costs" of family life);
- Consolidation loans (replacing existing high-cost borrowing with an affordable alternative);
- Flexi-Credit (an affordable line of credit for sudden emergencies); and

- CU Loans from £100 upwards at highly-competitive rates which can be topped up when necessary.

4. Interest in the Wellbeing of Members

When someone joins a Credit Union, they can be assured that it has a responsible attitude to finance and will also provide supporting information on financial education topics such as wise borrowing and developing a savings habit.

Financial health directly impacts mental health. People need easy access to resources that can help them manage their finances better. It helps them avoid a vicious cycle where stress and anxiety cause financial paralysis - when a person can't act to improve their situation because of mental illness. Through its *Work not Worry* programme, HEY Credit Union partners with local and regional employers to provide a save-as-you-earn staff wellbeing benefit, enabling their workforce to build resilience by payroll-deducted deposits.

5. Safe and Secure

In these uncertain times, people may be worried that switching to a Credit Union would be less safe than sticking with a bank. However, the Financial Services Compensation Scheme protects deposits held in credit unions in exactly the same way as those in banks and building societies (up to £85,000 per depositor).

Similarly, the Credit Union is authorised and regulated by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) who insist that all financial institutions meet their strict regulatory standards and controls.

This should reassure people that switching to a credit union for savings and loans benefits individuals and the wider community and doesn't jeopardise the safety of personal finances.

Five Year Financial Forecast

Appendix 1 is the 5 year forecast which HEY Credit Union has agreed through its Board for the proposed NEL branch. The contribution of £50,000 from the health and wellbeing reserve will support the plan by funding the set up/fit out costs and marketing of the services it offers to the people of North East Lincolnshire.

For comparison, statistics for current credit union activity and projections for Grimsby (with a shop) are shown at Appendix 2.

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Links

HEY Credit Union: <http://www.hullandeycu.co.uk/>

Social Impact report 2020:

[https://www.hullandeycu.co.uk/login/uploads/Social~Impact~Report~2020~v4~\(facing\).pdf](https://www.hullandeycu.co.uk/login/uploads/Social~Impact~Report~2020~v4~(facing).pdf)

