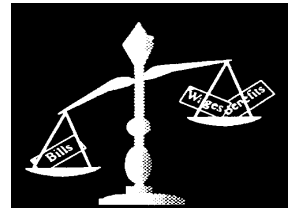


NI Anti-Poverty Network



Position paper

Modernization of Northern Ireland Policy on Credit Unions

Submission

August 2004

The Northern Ireland Anti-Poverty Network was established in 1991 to create a focus on poverty. It is an interactive network, a Company with Limited status and over 300 members drawn mostly from the community and voluntary sectors across Northern Ireland. The Northern Ireland Anti-Poverty Network provides newsletters, organise seminars, meetings and conferences, undertake research and disseminate information on poverty and social exclusion. We are one of 15 members of the European Anti-Poverty Network which monitors and analyses EU policies that have an impact on people in poverty.

The NORTHERN IRELAND ANTI-POVERTY NETWORK welcomes the review of the Credit Union system. The Credit Union movement is one of the most practical support structures for people who live with and on the edges of poverty. A major strength of the Credit Union is its structure and ethos. As a financial co-operative owned and controlled by its members, for its members, it has a unique purpose; 'to service the financial needs of the local community, on a not-for-profit basis, and to retain members' savings in their community for the benefit of all the members'. Credit Unions work, 'Not for Profit, Not for Charity, But for Service'. It is against this back drop that any proposals for modernization must be kept in context.

One of the biggest problems for people experiencing poverty in Northern Ireland is accessing credit. To date the one requirement for accessing a loan from a credit union, bar membership, has been the regular saving of small amounts. For those who are unemployed and unable to save even small amounts regularly or those who do not have a bank account, accessing loans in times of need, celebration or forward planning can be very difficult. Many people unable to borrow from family or to get a bank loan can turn to loan sharks or loan companies, in times of need, often with serious consequences. A spiraling cycle of debt can be begun that, due to excessive repayment conditions, can seem impossible to over come.

It is against this back drop that any proposals for modernization must be kept in context. The majority of proposals contained within the consultation document for modernisation of the Credit Union are generally welcomed by the Northern Ireland Anti-Poverty Network. For those who are able to save and borrow larger amounts the proposals for increased savings and borrowing limits are very welcome.

An obvious question is would the proposed reforms alter the interest rates available to borrowers within the current arrangements? This limit on interest rates has served to protect its members to date. Also will the Credit Union movement become more tied in to the 'economic market' than it has been to date as it potentially introduces more 'services'? It is important that the Credit Union does not become the equivalent of a high street bank.

The NORTHERN IRELAND ANTI POVERTY NETWORK would recommend that this current consultation should proactively address and consider new ways of targeting poverty and social exclusion possibly through outreach and education initiatives. In some areas of England, the Credit Union has introduced innovative schemes where it provides outreach and education based support programmes aimed at smaller borrowers, for e.g. school uniforms, or Christmas presents etc. These programmes are supported by dedicated staff working to develop 'a save a little regularly' approach for new members. These initiatives have taken over debts owed to loan sharks etc and have supported payees to repay the loan at a much lesser rate to the Credit Union. This has served to reduce the burden and excessive expense incurred through loan shark borrowing while simultaneously introducing regular small saving schemes, of for example 50p a week. This sort of development within the Northern Ireland Credit Union system would work to ensure the ethos of 'supporting local people at times of need' is kept alive and intact.

The NORTHERN IRELAND ANTI POVERTY NETWORK values the provision of quality standards and services and the need for accountability and monitoring but this needs to be balanced with flexibility, self-determination and diversity to ensure Credit Unions continue to act fairly in the interest of community needs and that they can avoid an overly complex and bureaucratic system which could negatively impact on the provision of their services. There must also be allowance made for those smaller Credit Unions to stay as they are, for them not to feel pressurized by the move to modernization of others.

Many local people across Northern Ireland including members of the NORTHERN IRELAND ANTI POVERTY NETWORK will welcome the opportunity to move their 'banking' needs to a Credit Union system. Current accounts which identify the customer as a person and not as a money making unit to be charged for all and sundry will be a very positive development.

Especially in the light of this economic transaction providing added economic security and benefit to the wider community, possible through investment in other social capital schemes, or indeed access to loans for more members.

The NORTHERN IRELAND ANTI POVERTY NETWORK are of the opinion that the common bond is important glue within the Credit Union system and should be enhanced and supported. The relaxing of the bond to include members living outside of the community we would generally welcome so long as it does not negatively impact on memberships of smaller credit unions.

The extended limits on savings and loans are generally fine, so long as they do not place pressure on Credit Unions keeping smaller savers or making smaller loans. The NORTHERN IRELAND ANTI POVERTY NETWORK welcomes the introduction of a Savings Protection Scheme to protect members' savings, be they small or large. The extension of Credit Union services to Automatic Tellers Machine (ATM), Mortgages, direct payment etc would offer greater choice and access to financial services at a local level. There is a risk here that relationships with agencies external to the Credit Union membership could shift their focus away from the provision of services to and for members. This would need to be carefully monitored to ensure no negative impact to Credit Union members.

The extension of shareholding to community groups and social economy enterprises is generally positive. The ability to financially support local economic development activities through loans or investment subject to increased training and development for staff and management committee members would be extremely positive for local communities.

The NORTHERN IRELAND ANTI POVERTY NETWORK agrees with the document that there would be a need for training and expertise among Credit Union Boards especially if the new proposals are to be introduced.

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