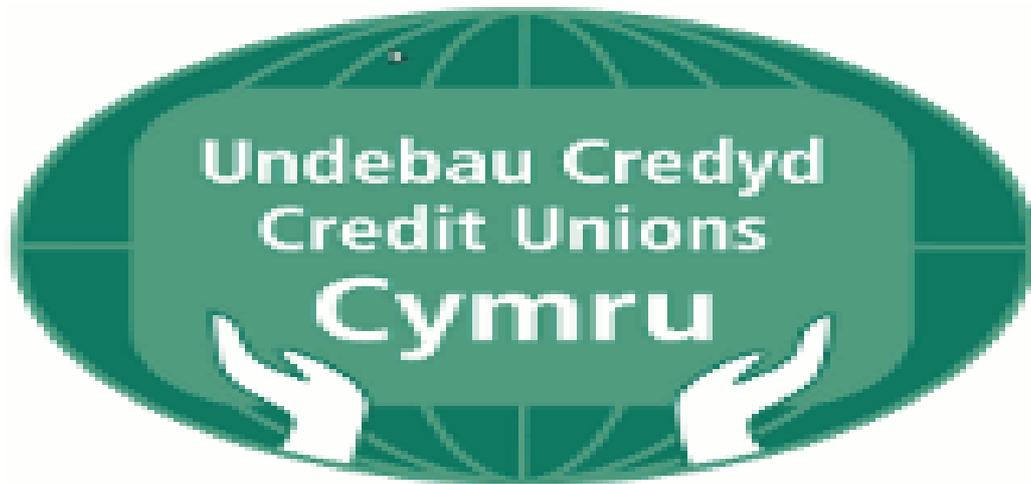


The Welsh Credit Union Movement



Raising the Profile: Meeting the Challenges

**AN ACTION PLAN FOR THE
CREDIT UNION MOVEMENT IN WALES**

2010-2013

November 2010

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Ministerial Foreword

The Welsh Assembly Government has placed credit unions high on its social justice agenda over the past decade. This has largely been due to the key role that they have to play as providers of accessible, affordable savings and low cost loans services, which help to tackle financial exclusion.

Our first ever Financial Inclusion Strategy for Wales, "Taking Everyone into Account" outlined the part that we see credit unions playing in tackling financial exclusion. This Credit Union Action Plan aims to support the further development of a strong, sound and effective credit union movement in Wales which provides an accessible, affordable, quality financial service, able to meet the needs of all Welsh citizens, including those in greatest need.

"Raising the Profile: Meeting the Challenges" is based on the key findings and recommendations of the Credit Union Research report, undertaken by the Cardiff Institute for Co-operative Studies in October 2009. The Assembly Government commissioned this research to review the way that credit unions in Wales currently operate, including how they are governed and to develop a clear picture of the financial health of credit unions in Wales.

Having drawn this picture, based on a comprehensive study of all 26 credit unions in Wales, the Action Plan, which has been developed in full consultation with the movement, identifies how long term sustainability can be achieved beyond direct Government assistance.

The credit union movement in Wales has come a long way in the past ten years. With the support of Assembly Government and European funding we have seen a five fold increase in membership and in combined assets of the Welsh movement. In 2008 all Wales credit union coverage was achieved making it possible for anybody living or working in Wales to become a credit union member. This achievement should rightly be applauded and celebrated but there are clearly a number of challenges that credit unions in Wales must now take on if we are to achieve the depth and quality of service that we all aspire to achieve.

To achieve the necessary breakthrough in membership levels in coming years, credit unions throughout Wales will need to work together co-operatively, ensuring that they are sending the same message to the people of Wales, of a safe and secure movement that is working in the best interests of its members, to achieve the proposed targeted market penetration level of 6% by 2020.

The Welsh Assembly Government will continue to be a champion of the credit union movement over the coming years and will add significantly to the £2.75 million that has been invested in the development of the movement since 2001. In return for this investment we will look to the movement to address some key areas that it has itself identified as crucial to its long-term sustainability. In the meantime credit unions throughout Wales will need to take a hard look at their current business performance and work out where they want to be in 2013. By this time parts of the movement will have achieved, or be very close to achieving self-sustainability. Others may take longer to achieve this goal but, for the good of the movement overall, each individual credit union will need to plan its future carefully and make decisions on sound business and economic principles.

With the regulatory regime that governs credit unions looking set to become even more demanding, those credit unions that are consistently under-achieving will need to look even more closely at their future options. Many credit unions have already faced up to this reality and some have sought to merge with bordering credit unions that have performed well. Pro-active mergers should be investigated wherever possible, and the Assembly Government will support such proposals to ensure that Welsh citizens get the best possible deal from their local credit union.

Credit Unions are important players in the ongoing battle against financial exclusion and, as community focussed providers of financial services, they represent one of the few affordable options to people who are unable or unwilling to access mainstream banking services. To fulfil their potential credit unions must now organise themselves in ways that are fully responsive to the needs of their members and potential members by being well managed, effective, accessible and capable of delivering financial services to all Welsh citizens regardless of their social or financial status.

The priority action, identified by both the research report and the credit union movement itself, is that of strengthening standards of governance and compliance. The current economic climate and the challenges that this has brought to the movement, make it even more important for credit unions in Wales to have strong governance standards as this will be central to their success as viable financial co-operatives in the longer term. Credit unions are accountable not only to their members, but also to the communities in which they operate, their funders and to other key stakeholders. I am committed to strengthening the support for good governance and compliance with Financial Services Authority regulations which is vitally important in safeguarding credit unions for the future. Through this Action Plan we will work closely with credit unions to strengthen standards of governance and compliance throughout Wales.

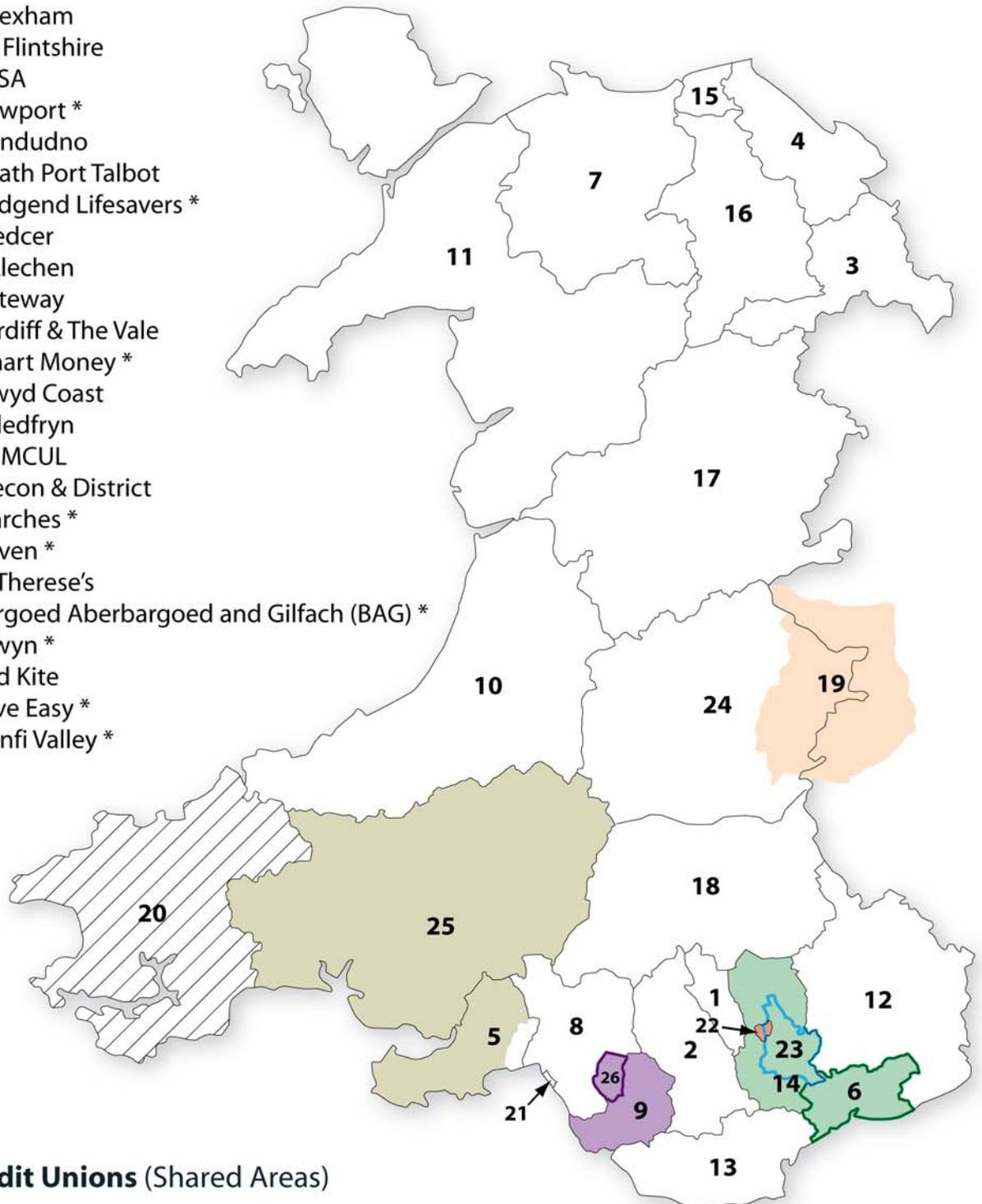
The Welsh Assembly Government is committed to work with the credit movement in Wales in the coming years to ensure that we achieve our shared vision of a sustainable credit union movement that can deliver fully inclusive financial products and services to all Welsh citizens.

Carl Sargeant
Minister for Social Justice and Local Government

November 2010

Credit Unions in Wales 2010

- 1 Merthyr Tydfil
- 2 Dragon Savers
- 3 Wrexham
- 4 All Flintshire
- 5 LASA
- 6 Newport *
- 7 Llandudno
- 8 Neath Port Talbot
- 9 Bridgend Lifesavers *
- 10 Credcer
- 11 Y Llechen
- 12 Gateway
- 13 Cardiff & The Vale
- 14 Smart Money *
- 15 Clwyd Coast
- 16 Caledfryn
- 17 ROMCUL
- 18 Brecon & District
- 19 Marches *
- 20 Haven *
- 21 St Therese's
- 22 Bargoed Aberbargoed and Gilfach (BAG) *
- 23 Islwyn *
- 24 Red Kite
- 25 Save Easy *
- 26 Llynfi Valley *



*** Credit Unions (Shared Areas)**

6 Newport		19 Marches		23 Islwyn	
9 Bridgend Lifesavers		20 Haven		25 Save Easy	
14 Smart Money		22 BAG		26 Llynfi Valley	

2010 - Cartographics ML/23/10.11

Credit Unions in Wales 2010

Introduction

Credit unions in Wales have reached a critical point in their development as they endeavour to become recognised providers of community focussed financial services to the people of Wales, based on a co-operative, equitable and trusting financial relationship.

The credit union movement in Wales is still relatively young compared to other parts of the world where credit unions have long since been an established part of mainstream financial services provision. Although credit unions were being established much earlier in Scotland and England, the first registration of a credit union in Wales took place in 1980, just one year after the establishment of the first Credit Unions Act (1979). St. Therese's Credit Union was established primarily for the Catholic community living on a large housing estate in Port Talbot. From this early registration it took almost a decade for the next credit unions to be established in Wales with Penyrheol & Treceenydd Credit Union and Rhydyfelin Credit Union both being registered in 1989, in the Caerphilly and Pontypridd areas respectively.

The 1990's saw support for credit unions in Wales grow as they became linked to anti-poverty policies of local authorities and national charitable organisations including Barnardo's and the NCH, specifically in Cardiff and the Vale of Glamorgan. By 1997, a total of 31 credit unions had been registered in Wales, mostly with the support of designated credit union development workers. The number of credit unions in Wales, peaked at 46 in 2000, but from this time the numbers started to decline as the regulation of credit unions switched from the Registry of Friendly Societies to the newly established Financial Services Authority in 2001. Greater flexibility on common bond sizes in particular led to a series of credit union mergers, most notably in Cardiff and in Rhondda Cynon Taff, resulting in the number of credit unions in Wales reducing to the current number of 26 in 2010. Between them these credit unions now provide all-Wales coverage, making it possible for anybody living or working in Wales to join a credit union.

It was in July 2000 that the Welsh Assembly Government announced its first funding package to encourage the growth of credit unions in Wales. This initial round of European funding was used by credit unions in Wales to employ staff, purchase or rent premises and improve their marketing strategies. Prior to this funding, there were 46 credit unions with a total 10,300 members in Wales with assets of approximately £4 million. (Wales Co-operative Centre, 2004). By September 2004, the total number of credit union members had increased threefold from 10,000 to 30,000. Credit union savings over the same period also saw a threefold increase. Subsequent Welsh Assembly Government and European funding support have seen credit union membership rise to 50,000 and asset levels rise to in excess of £21 million.

The State of the Movement 2009

While the coverage of the total Welsh population by credit union common bonds is a significant achievement, penetration of the market is still relatively low. At 1.83% it is higher than the English average at 0.94% but lower than the Scottish average (5.58%) and much lower than the membership rate in Northern Ireland (31.45%). Within the individual credit unions there is a wide variation in terms of market penetration. The lowest percentage of the common bond population in membership is 0.52% while the highest rate is 12.77%.

Statistics collected by the Wales Co-operative Centre from credit unions in Wales show that there is a considerable degree of variation between the movement in terms of membership, assets and shareholding but that there is an overall growth trend which now shows that seven out of the twenty six credit unions have assets in excess of £1 million (24% of all credit unions in Wales). A further six credit unions have assets of between £500,000 and £1 million, bringing the total of credit unions with assets in excess of £500,000, to almost 45% of the movement. With one or two exceptions those credit unions with the highest levels of membership are also those with the greatest level of assets.

Credit Unions and Financial Exclusion

Over the past few years credit unions have increasingly been recognised as important players in the ongoing battle against financial exclusion both at national and devolved Government levels. By offering a variety of accessible financial products, credit unions are well placed to provide affordable financial services to those whose financial circumstances are less secure and, therefore, less attractive to the mainstream, profit-making financial services sector. For credit unions to be effective players in the delivery and promotion of financial inclusion, they need to be supported in ways that will help them grow and ultimately become self-sustainable.

Welsh Assembly Government Support

Since 2000 the Welsh Assembly Government has invested £1.75 million into the credit union movement in Wales, which in turn was used to draw down funds from Objective 1, leading to a total funding of £2.8 million aimed at developing stronger sustainable credit unions. The Assembly Government has already dedicated another £1.25 million for One Wales commitments on improving credit union coverage; access for secondary pupils and provision of child trust fund accounts. To further support its One Wales commitments in 2009-2010, the Welsh Assembly once again utilised funds from the Welsh European Funding Office, which was allocated to support credit unions in Convergence areas. To complement this funding the Assembly Government match funded these new monies, and added to them, to also support credit unions outside the Convergence area, creating an all-Wales credit union support programme totalling £1 million between 1 April 2009 and September 2010.

On 14 September the Minister for Social Justice and Local Government announced new funding of £3.4 million to support the continued growth and sustainability of credit unions in Wales. This is made up of £1.6 million from WAG and £1.8 million from WEFO.

Funding has been agreed for 19 credit unions for the first year (October 2010-September 2011) as the progress of all of the credit unions will be reviewed after an initial 12 months to ensure targets are met and value for money is maintained. Credit unions will be supported to achieve sustainability by a delivery organisation – The Social Investment Business - with advice in the following areas: - business planning, health check reviews, monitoring and evaluation, skills audits and training needs analyses.

In continuing to support the growth of the credit union movement in Wales, the Assembly Government has developed this 3 year Action Plan, in full consultation with representatives of the movement, through the all Wales Credit Union Liaison Group, the credit union Chapters and with credit unions individually. The Action Plan aims to create a long-term sustainable future for Welsh credit unions, underpinned by the second phase of all-Wales funding. Long term sustainability remains the biggest challenge to the credit union movement in Wales.

UK Government Support

In support of the UK Government's Financial Inclusion Strategy, the Financial Inclusion Fund has provided in excess of £68 million in low cost loans through third sector lenders since 2006. Run by the Department for Work and Pensions (DWP), the Fund provides capital for lending to financially excluded customers, with revenue support to meet costs. To date, Welsh credit unions, and the communities they serve, have benefited from the Growth Fund, granting over 8,700 loans totalling more than £4.1 million. The Growth Fund is due to end in March 2011.

Legislative Reform for Credit Unions

It is widely recognised that existing legislation relating to credit unions is inflexible and that it hampers both the credit unions' ability to serve their members and to help in the delivery of government programmes such as financial inclusion.

In recognition of the fact that existing legislation is outdated and ill-equipped for running modern organisations, a new Legislative Reform Order (LRO), to amend the legislation for Credit Unions and Industrial & Provident Societies (IPS) in Great Britain, was published by the former UK Government in July 2009. The LRO was the then UK Government's legislative response to the June 2007 consultation on the "Review of GB cooperative and credit union legislation". The LRO, which will modernise the legal framework for credit unions in Britain, has been warmly welcomed by the credit union movement as it will give cooperatives and credit unions the chance to compete more fairly and freely with other registered companies, making common ownership a genuine alternative to the more traditional company format.

The LRO presents the credit union movement in Wales with a real opportunity to grow and increase its asset base by recruiting corporate members and members linked to corporate bodies such as housing association tenants and building capital reserves by the issuing of deferred shares. This will allow large numbers of people to benefit from credit union services for the first time. Corporate membership must however not exceed 10% of the total credit union membership; must not hold more than 25% of total shares (apart from deferred share) and must not borrow more than 10% of the total on loan to all members.

An additional benefit from being allowed to have Corporate members will be the ability to offer deferred shares that will count towards a credit union's capital and which will be non-withdrawable and carry no right to borrow. Such shares will generally only be repayable on the winding-up or dissolution of a credit union after all other creditors have been repaid. Deferred shares will not be protected under the Financial Services Compensation Scheme.

The LRO will allow credit unions, for the first time, the ability to combine any form of common bond and allow those credit unions with "live or work common bonds" to have an upper limit on potential membership set at two million.

Credit unions will also be able to choose to pay interest on savings instead of a dividend and develop new services to meet the needs of their members and charge the market rate for ancillary services provided to their members. To do this however credit unions must hold reserves of at least £50,000 or 5% of total assets, whichever is the greater.

The Coalition agreement states that "we agree to bring forward detailed proposals to foster diversity, promote mutuals and create a more competitive banking industry". The Co-operative and Community Benefit Societies and Credit Unions Bill received cross-party support throughout its Bill stages and became an Act earlier this year. HM Treasury is now looking at a timetable to commence the clauses in the Act.

The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2010 passed its initial 60 days before Parliamentary Committees under the "super-affirmative" procedure.

The Committee's' reports show some differing of views regarding the LRO. New Committees have now been formed but there is no procedure to allow reconciling of the difference of opinions. The Treasury are therefore in the process of responding to the Committees' views and will re-lay the LRO before the Committees shortly for the remaining 25 sitting days of the procedure. The UK Government recognises how important this LRO is for the sector and is committed to ensuring it continues on its Parliamentary path.

The availability of the draft LRO meant that the Financial Services Authority (FSA) has been able to consult on regulatory changes. In its "Review of the Credit Unions Sourcebook" published in November 2009, the FSA has announced its intention to increase:

- the initial capital requirements for new version 1 credit unions to £10,000 (from £1,000) and for new version 2 credit unions to £50,000 (from £5,000);
- ongoing capital-to-total-assets requirements for version 1 credit unions to 3% (currently they have only to meet a bare solvency requirement);
- liquidity requirements for both version 1 and version 2 credit unions to 10% of relevant liabilities at all times (up from 5%)

The two main drivers for the FSA proposals were firstly that given their experience of supervising credit unions over the past seven years, they considered it important to raise capital and liquidity requirements to ensure that credit unions were more financially sound. The second main driver was the government's proposed changes to credit union law, which would allow credit unions to engage in some new and more flexible activities.

The raising of capital and liquidity requirements proposed by the FSA will increase the pressure on those credit unions that are currently struggling to meet the existing requirement of bare solvency. The new requirements will be phased in over a period of time and could require all credit unions to be compliant by September 2013. This means that credit unions will now need to look even more intensely at their future business plans and decide whether or not they will be able to achieve the increased standards in their current format and structure.

Moving Forward

The continual growth and expansion of the movement over the past eight years, with the support of the Welsh Assembly Government, has raised the profile of credit unions and their potential role in providing affordable financial services to everybody living or working in Wales. The Assembly Government recognises that despite the recent positive progress that has been made in Wales, there is still work to be done in equipping the movement to fulfil its full potential.

Credit Union Research - Key Findings

In 2009¹ the Welsh Assembly Government engaged the Cardiff Institute for Co-operative Studies (CICS) at UWIC's Cardiff School of Management to undertake a comprehensive study of the Credit Union Movement in Wales. The study has revealed that Welsh credit unions are now in a position to scale-up their operations and outreach, and to make a greater collective contribution to the development of community-based financial services throughout Wales.

Over the last ten years, many credit unions have strengthened organisational management and their approach to the business, opening premises and endeavouring to modernise their financial products and services to respond more effectively to the needs of members and consumers. In spite of the significant growth of the movement in some areas of Wales, credit unions are still not achieving the depths of market penetration that will move them ever closer to sustainability.

The CICS research also concluded that although we now have all-Wales credit union coverage, the movement is a diverse mix of service providers which includes some strong credit unions but a larger number of weaker ones. A total of seven of the then 29 Welsh credit unions had assets in excess of £1 million. A further six credit unions had assets in excess of £500,000. At the opposite end of the spectrum there were six credit unions with assets under £250,000.

The long term sustainability of the movement lies in the growth of credit union membership throughout Wales. Statistically those credit unions that have the greatest membership base are also those that have the greatest strength in assets, although there are one or two exceptions to this general rule. It is therefore essential that we do all that we can to promote credit unions as providers of a diverse range of financial services that will appeal to all sectors of Welsh society.

Key Challenges Identified in the Welsh Credit Union Research paper

The CICS study concludes that:

“Credit unions need to focus on business development, service development and sound management and governance procedures to improve leadership and strategic planning to move towards self-sustainability.”

From this we have identified three key challenges for the credit union movement in Wales:

1. The need to further strengthen the governance and management systems of credit unions throughout Wales –

Corporate Governance is a vital determinant in the success or failure of any business but for credit unions, with their primary reliance on volunteer Boards of Directors, the challenges to achieving high governance standards are arguably greater than they most public, private and other third sector organisations.

To address this challenge the credit union movement in Wales needs support to find sufficient leaders, on boards and within staff teams, with the requisite business expertise, credibility and skills.

2. The need to raise their profile of credit unions in Wales to make their services more widely understood and accessible –

To address this challenge high profile awareness raising is required highlighting the “unique selling points” of credit unions including:

¹ CICS, Realising the Potential: a review of the credit union movement in Wales, October 2009

- The competitive financial terms including rates of interest and death-in-membership benefits;
- The reliability of mutual financial organisations;
- Full financial compensation cover
- The link with the local community and employers.

3. The need to develop sustainable business models aimed at attracting a wide and economically diverse membership –

To address this challenge the credit union movement in Wales will need to provide a range of products and services that are attractive to all sections of the communities they serve. In order to provide services for those who are financially excluded credit unions will need to attract a diverse membership field which includes people from all sectors of Welsh society.

Credit Union Action Plan for Wales

The shared vision of the Welsh Assembly Government and the Credit Union movement in Wales is for a: **“Well managed, well resourced, effective and sustainable credit union movement, that is fully inclusive and accessible to everybody living or working in Wales delivering credible and professional financial products and services” ***

Aim

The Credit Union Action Plan aims to support the development of a strong, sound and effective credit union movement in Wales which provides an accessible, affordable and comparable, high quality financial service, able to meet the needs of all Welsh citizens, including those in greatest need.

Objectives

The objectives of the Action Plan are to:

1. strengthen the governance and compliance standards of credit unions in Wales;
2. support the long-term sustainability of the credit union movement in Wales;
3. raise the profile of the credit union movement in Wales by public knowledge and public awareness;
4. achieve a significant growth in credit union membership in Wales, linked to a steady increase in savings, loans made (current assets) and repaid and the building of sufficient capital assets; and
5. support credit unions delivering financial inclusion initiatives.

Working in partnership with credit unions and key stakeholders throughout Wales, the Credit Union Action Plan sets out to address:

1. sustainability and growth issues that credit unions face in delivering accessible and affordable financial services throughout Wales;
2. levels of support needed to address these issues;
3. ways in which credit union membership can be increased, both amongst those who are unable to access mainstream financial services and those who are seeking services that are competitive with those of mainstream providers;
4. ways in which credit unions can increase the numbers and skill levels of staff, volunteer workers and directors;
5. awareness raising of credit unions and promotion of the services provided by the movement; and
6. the feasibility of shared services and mergers to enhance the long-term sustainability of the movement.

(* - as agreed at the All Wales Credit Union Liaison Group meeting October 2009)

Key Targets

1. To increase credit union market penetration from 1.82% to 6% by 2020, taking the number of adult members from approximately 43,000 to around 142,000;
2. To increase the asset base of Welsh credit unions from £21m to £75m by 2020;
3. To increase public awareness of credit unions in Wales by September 2013;
4. To increase the number of active credit union volunteers from 754 in 2009 to 1,000 by March 2013; and
5. To provide support to all Welsh credit unions in receipt of Assembly Government funding to review and deliver against their current three year business plans identifying how and by when sustainability can be achieved – reviews to have taken place by September 2011.

Objective 1: Strengthening Standards of Governance and Compliance

Leaders in the credit union movement in Wales have identified the need to strengthen standards of governance as their priority objective in taking the movement forwards towards the ultimate goal of self-sustainability.

The CICS research concludes that:

“To achieve credit union potential, one of the significant challenges will be to find board members and staff with the requisite business expertise and skills.”

The research also identifies “a perceived lack of high level skills among some board members as well as lack of provision of appropriate levels of training, especially in areas relating to human resources, financial and legal matters.” The study also found that Board membership was often weak in terms of financial and business expertise, and that there was very little training in a structured form for either Board members or for staff members.

Corporate governance is the process used to direct the affairs of incorporated organisations such as credit unions, which involves ensuring the financial viability of the business and the achievement of strategic objective on behalf of the membership, within the required legal and regulatory framework.

High level standards of corporate governance are becoming increasingly important as credit unions develop and grow in the UK. The FSA as credit union regulators expect all credit unions in the UK to measure their own corporate governance standards and improve them where necessary.

The FSA defines Corporate Governance as: “the high level of management of a business that involves putting in place the structure, systems and controls to achieve the business goals”.

In 2007, the FSA undertook a review of corporate governance in UK credit unions, which concluded that although many credit unions studied had good standards of corporate governance and that they were well run, there was still considerable room for improvement, with significant levels of improvement being required for many credit unions. Many of the failures dealt with by the FSA to date have been a direct result of credit unions operating poor quality standards of governance. The main messages from the FSA review were that:

- The Board of Directors is wholly responsible for ensuring good corporate governance and that each member of the Board has a role to play in this;
- There should be clear written roles and responsibilities for all key people and that everybody is clear about the responsibilities of other as well as their own;
- Frequent reviews of the work of internal audit committees and credit union managers should be undertaken;
- Dominance by one or more individuals should be avoided; and
- All officers, especially new appointees, should receive the relevant training.

Responsibility for corporate governance sits firmly within the remit of the credit union’s Board of Directors. To ensure that they can deliver a good standard of governance, Boards need to have a range of skills and understanding which enable them to deal with various business issues associated with the operation of a credit union and have the ability to review and challenge management performance. To do this, Boards need to be of sufficient size and have an appropriate level of skills and commitment to fulfill all responsibilities and duties that are required of them.

Existing Board members will need to recognise that changes are required if they are to take full advantage of the range of support that is available to them through this action plan. There has to be a “buy in” from existing board members of the need to recruit people with a range of key skills and an appreciation of the necessity for this to happen.

The motivation and commitment of those who serve credit unions in Wales is immensely valued and this commitment has undoubtedly helped to raise the movement to current levels of achievement which in many instances are well above those that founding credit union members could ever have imagined. However, as the credit union movement has developed and grown over the past few years, the nature of volunteering in credit unions has also developed and become more complex. Increased levels of responsibility have resulted from the introduction of a far tighter and more accountable, regulatory regime imposed by the FSA. This has led to concerns that many credit unions do not have sufficient capacity or understanding of the legislation and regulation requirements of credit unions.

The Welsh Assembly Government fully concurs with the research findings which stress the need for credit unions in Wales to prioritise both the enhancement of the skills of current members through further training and the recruitment of skilled board members. This can be addressed in two ways by:

- building and regularly updating the capacity of existing board members; and
- encouraging more professional and skilled local people to join credit union boards.

The lack of capacity has also affected the ability of some credit union boards to engage in higher-level strategic thinking which involves credit union leaders looking at ways of improving their operational systems, the people that they employ and their business procedures, all aimed at making them more efficient and effective organisations. Such ability could be shared between credit unions through activities proposed elsewhere to build the movement and through regular training.

Stakeholder partners including the Assembly Government itself, local authorities, housing associations, advice providers, mainstream banks and private sector organizations with a Corporate Responsibility remit could support and strengthen the credit union movement in Wales by encouraging staff to volunteer to become credit union board members and to share their professional skills and experience in key areas including financial and business planning, marketing, human resources etc.

Action 1

The Welsh Assembly Government and the Financial Inclusion Champions Team for Wales will work with key stakeholders including Local Authorities, Housing Associations, Trade Unions, Trade Associations and Private Sector Businesses, with the aim of developing a volunteer recruitment programme with credit unions throughout Wales. The Welsh Assembly Government will also work in partnership with ABCUL to explore the development of a volunteer hub which will meet the needs of Welsh credit unions and be an attractive proposition for private companies and other employers to become involved in.

Credit Union Training Needs

In 2007 the DWP, commissioned a Training and Development Needs Analysis², to inform the strategic development of credit unions and community development finance institutions (CDFIs) delivering the Financial Inclusion Growth Fund, both currently and in the future. The research, which touched on most aspects of organisational management and governance of both credit unions and CDFIs, identified The training needs of the credit unions studied depended on the stage of development that each individual credit union had reached, varying from strong and growing, professional financial institutions to those that had the potential and capacity to grow, with additional support and finally those that were vulnerable and requiring targeted interventions to help them become more stabilised.

² ABCUL, CDFA - Credit Union and CDFI Training and Development Needs Analysis – Jones P, Goggin N, May 2007

Key areas of Training Need Identified by the DWP research:

- **Governance** - strengthening the skills and competences of directors and developing the leadership and effectiveness of the board.
- **Risk management** – including person risk management, financial risk and credit risk management
- **Financial management** - the development of technical skills in financial modelling and planning
- **Strategic management** - training in the strategic planning process, in setting achievable and measurable business goals, in developing a sustainable business plan
- **Human resource management** - an increasing training need in regard to all aspects of the recruitment and management of staff and volunteers
- **Managing operations** - need for support in understanding systems and procedures, especially administrative and communication systems
- **Marketing** – outreaching into the wider community
- **Customer care** – understanding the financial needs of members

The CICS research has also identified the need to provide appropriate levels of training and support that reflect the changing needs of the credit union movement and to build the necessary management and financial competencies of credit union directors, staff and volunteers. We already know that the credit union movement in Wales is diverse and varied both in terms of current performance and future growth potential. To develop the credit union movement in Wales and help it achieve its full potential this diverse nature needs to be recognised and appropriate standards of training need to be provided to meet the needs of the entire Welsh movement.

The findings of the CICS research in Wales similarly concluded that: “Credit unions need to focus on business development, service development and sound management and governance procedures to improve leadership and strategic planning to move towards self-sustainability.”³

In order to realise their full potential credit unions in Wales will require ongoing training in all of the identified fields both for existing and new directors, staff and volunteers.

There is already extensive training available to Welsh credit unions from a number of different sources including, ABCUL, the Wales Co-operative Centre and other trade associations, some of which already offer accredited training opportunities, with some being available online, which serves to reduce costs and make training more accessible. More generic training is also available from organisations such as the WCVA and mainstream business providers such as Venture Wales but more work also needs to be done to support credit union boards and key staff to appreciate that the undertaking of appropriate training and personal development is essential to the growth and sustainability of the business that they manage.

Until March 2011, credit unions in Wales can benefit from ABCUL training which is being funded by the DWP, primarily for those credit unions delivering Growth Fund contracts. The Development, Education, Learning through ABCUL (DELTA) project provides training on Governance, Compliance, Finance, Lending and Credit Control and People Management, all of which are essential training areas that credit unions themselves have identified. Training is also available to credit unions in Wales through the Wales Co-operative Centre’s training programme which is also funded by the DWP, covering sessions on directors roles and responsibilities; business planning; advanced financial planning; growth and sustainability; recruitment, management and retention of volunteers; marketing and human resources management.

³ CICS, Realising the Potential: a review of the credit union movement in Wales, p.41, October 2009

Action 2

The Assembly Government will support the provision of high level training for directors and managers of credit unions to strengthen their roles in strategic leadership and good governance. As part of this support package the Assembly Government will also investigate any accredited training that is available for credit unions and explore how this might be adapted to meet the needs of Welsh credit unions.

It is also vital that other credit union staff and volunteers receive appropriate levels of training to ensure that they are fit for purpose and able to deliver on the necessary competencies that their role requires. The Welsh Assembly Government will continue to support the undertaking of Training Needs Analyses with credit unions through the Social Investment Business delivering phase II of the all-Wales support programme for credit unions in Wales and will respond appropriately to identified needs. Credit unions will also be supported to engage in succession planning for individuals in key roles by the provision of appropriate training, through a relevant training provider, that addresses this concern.

A common problem for many credit unions is that the level of commitment shown towards education and training can be weak and often diminishes as they become more established and as the scale of operations grow. Essentially, training needs to focus on the technical and operational aspects of the credit union. In particular there is a need more focused financial management training which should link to the creation of a long term vision for individual credit unions themselves and the Welsh credit union movement as a whole.

In addition to the provision of appropriate director and management training, credit unions in Wales should be encouraged to engage in succession planning for individuals in key roles, to ensure that credit unions do not suffer unduly when a key individual vacates their position within the organisation.

Running parallel with good governance and equally important to the growth and sustainability of credit unions is the need to appoint the right operational staff. There is evidence to suggest that credit unions with better qualified, experienced and skilled operational staff are more likely to progress and that those that are unable to attract the quality of management that can produce strong results or resist excessive intervention of directors in operational decisions are hindered⁴. Our actions relating to high level training for directors and managers of credit unions will serve to strengthen their roles in strategic leadership and good governance.

Action 3

Working with the relevant training providers in Wales, the Welsh Assembly Government will investigate the development of a Financial Management Training programme that will be made available to all credit unions in Wales with attendance for those credit unions undertaking SGEI contracts being mandatory. We will also work with relevant organisations to encourage credit unions in Wales to operate financial performance monitoring systems such as CUMIT (Wales Co-operative Centre) and PEARLS (ABCUL)

The ABCUL code of governance for credit unions, "Governing for Success", which was developed in conjunction with the FSA and Co-operatives UK and launched in 2008, currently has more than 100 credit unions signed up to it. However to date only nine of these are credit unions based in Wales. Clearly more needs to be done to encourage credit unions in Wales to take positive action to improve standards of governance and it is important that this best practice is shared with those people within credit unions who can facilitate and direct the necessary changes.

⁴ Branch B, Baker C, "Overcoming Credit Union Governance Problems—What Does It Take?", 1998

Action 4

The Welsh Assembly Government will work to identify examples of best practice and research in credit union governance and promote these throughout the credit union movement in Wales, for example the ABCUL Code of Governance⁵

As credit unions in Wales develop and grow they will need to become increasingly able to deal with the range of human resources issues as they seek to recruit and retain quality members of staff and directors. Credit unions will need to improve their ability to develop Human Resources policies and procedures; keep up to date with legislation relating to employment; be responsive to staffing issues, including salary scales, job descriptions, interviewing and managing people.

Action 5

The Welsh Assembly Government will explore the development of a human resource toolkit for credit unions including industry standard salary scales, job descriptions and person specifications, identifying essential and desirable roles, tasks and skills.

Good Business Planning

In its Credit Union Newsletter, August 2009⁶, the FSA, published its view on the essential role that good business planning plays in the successful operation of all credit unions. In an associated information note on business planning the FSA defines a business plan as:

“a forward-looking, living document containing the credit union’s aims and objectives and how it will organise its resources to reach them. It is not a document setting out the history and background of the credit union.”

The FSA clearly has serious concerns regarding the usage and in some instances even the existence of active credit union business plans. This is in spite of the fact that there is a regulatory rule that states that credit unions “must establish, maintain and implement an up-to-date business plan approved by the committee of management and supply a copy on request to the FSA.” (CRED 4.3.5). All credit unions should have a rolling three-year business plan, which covers the current financial year and the next two years.

The Welsh Assembly Government agrees with the FSA on the importance of good business planning, not only on the grounds that the failure to have and maintain an up-to-date business plan is a breach of the FSAs regulatory rules but also because it is a possible indicator that a credit union may not be in full control of its business.

Action 6

All credit unions will be required to submit an up-to-date 3 year business plan for scrutiny before any Welsh Assembly Government funding will be approved.

Credit unions that do not have an up-to-date business plan will be offered necessary support required to help them become compliant. Business planning support will be made available by the Social Investment Business through the all Wales support programme for credit unions in Wales. The Welsh Assembly Government will work with credit unions to identify suitable model business planning tools (such as offered by ABCUL, the Wales Co-operative Centre or the model adopted through the North Wales Merger Feasibility Study) which can be used across the Welsh credit union movement.

⁵ ABCUL, “Governing for Success”, 2008

⁶ FSA, Credit Union Newsletter, Issue 9, August 2009

Objective 2: Long-term Sustainability of the Movement

On evidence gathered from the CICS research it was generally agreed by key stakeholders, supporters and members of the movement that credit unions in Wales are not yet in a position to be financially independent of public sector support. The research concluded that while the credit union movement in Wales had made great progress over the past ten years, it was fulfilling a challenging social role that required continuing financial support, at least in the medium term.

The CICS research study recommends that future Assembly Government funding should be targeted primarily towards the desired 'breakthrough' in membership, in savings mobilisation and in the size of the loan portfolio that would, in the longer term, guarantee self-sufficiency in financial terms.

The need to operate at scale and achieve key membership, savings and loans targets has been identified as crucial in the progress of the credit union movement towards the ultimate goal of self-sustainability. A research paper on the strategic development of credit unions, commissioned by the Co-operative Bank plc⁷ concluded that:

"The priority for many credit unions is to continue to grow, developing a diverse membership, mobilising savings and achieving the financial efficiencies that will lead to a sustainable business."

On the road to sustainability credit unions in Wales will need to achieve strategic milestones that should guide them towards their ultimate goal. A report by Heriot-Watt University's Social Enterprise Institute⁸, concluded that:

"There is a critical mass which when reached ensures a credit union's growth and development"

When this "critical mass" is achieved is difficult to define but in terms of membership targets the Social Enterprise Institute indicates a desirable minimum threshold of around 2,500 members. Although achieving this critical mass should be seen as an important breakthrough there are many other indicators that need to be taken into account when assessing sustainability. There are currently 7 credit unions in Wales that have an adult membership in excess of 2,500 but only a few that currently claim to be self-sustaining. Sustainability needs to be measured against the credit union's ability to maximise income, primarily through the return on loans and to minimise expenditure through targeted spending and minimising losses through bad debts. The ability of the movement to do this is inextricably linked to the credit unions standards of governance and management, operating efficiency and financial discipline.

The fall in confidence in banking as a whole, and the growing support for mutual activity that has resulted from this, has helped to build an ideal atmosphere to create the conditions for the breakthrough in credit union profile and membership that politicians, policy-makers and members of the movement all believe is possible.

In taking full advantage of this opportunity credit unions in Wales will still need to maintain some of the unique aspects of their mutual, member focussed operations that clearly differentiate them from other providers from the mainstream financial services sector. In a 2007, report on the diversification of credit union services in Wales, the authors highlighted the challenges of the future credit union road map.

"The challenge for the future lies in retaining the essential character of the movement, while doing more to expand its membership and public awareness⁹".

⁷ Liverpool John Moores University, Jones P, Breaking through to the Future, 2008

⁶ Heriot-Watt University, Donnelly R, British Credit Unions at the Crossroads, 2001

⁷ Cardiff University, Drakeford, Gregory, "Sleeping Giants: unlocking the potential of Credit Unions in Wales," November 2007.

Action 7

The Welsh Assembly Government will continue to regard the financial support of credit unions as a long term investment and will direct funds at supporting sustainable organisations.

Future funding support for credit unions via SGEI agreements will continue to be targeted towards membership growth and will be directed to those credit unions that can demonstrate a commitment and capacity to achieve challenging financial and operational targets, focusing on membership growth and growth in savings, loans and assets over time. Support will be targeted on those credit unions with the capability to grow their membership and provide the range of services which they can show that (a) their members demand, and (b) will generate enough income to become self-sustaining in the medium term

Capital Investment

The most successful credit unions in Wales are managing to offer an expanding range of professional and quality services that match those of a mainstream bank, but without losing their personal touch or their tie into the community.

The CICS research concluded that credit unions can be assisted to achieve financial sustainability in the medium term through owning their own property which will ensure that they have much lower fixed costs and therefore a greater chance of generating the level of surplus that will enable them to pay a competitive dividend on members savings and build reserves that will protect them and their members in the future.

There are currently seven credit unions in Wales that are already in the position of owning their property outright or that are in the process of achieving ownership through mortgage repayments (38%). This leaves 62% of the movement that currently have property leases (34%), rental contracts (25%) or pepper-corn rents.(3%). Some credit unions are paying as much as £20,000 per annum for their rental contracts, which is a massive drain on their resources and inevitably impacts upon their profitability. Property ownership will generally have the combined impact of reducing annual expenditure and providing credit unions with a long term asset that will strengthen their balance sheets and can be intermittently re-valued to reflect changes in property prices. Many credit unions in Wales are in a position where an immediate capital investment could have a significant impact on their long-term sustainability.

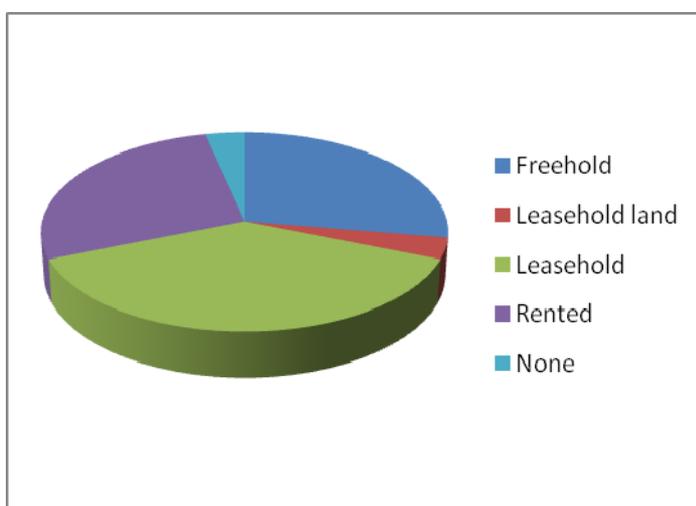


Figure 1 the nature of ownership of the shop-fronts of Welsh credit unions

Experience has shown that those credit unions that have been able to finance the purchase of a property or properties over the last 9 years are, generally, those which are now the most stable and successful.

Securing premises in a suitable, busy location will inevitably increase awareness of a local credit union and thereby help to increase the number of members. Providing financial support to carry out suitable renovations and improve access to the premises will also promote a more professional image of a credit union, again resulting in increased interest and membership. Property ownership will generally have the combined impact of reducing annual expenditure and providing credit unions with a long term asset that will strengthen their balance sheets and which can be intermittently re-valued to reflect changes in property prices. Many credit unions in Wales are in a position where an immediate capital investment could have a significant impact on their long-term sustainability – a key objective of Welsh Assembly Government policy and support.

In 2009-10 the Assembly Government made available a £1million capital fund for credit unions in Wales. The scheme supported a range of capital projects including purchase of property in suitable high street locations; internal renovations to improve and expand public areas; works to achieve environmental improvements; and provision of IT and office equipment.

Community Asset Transfer

The Welsh Assembly Government is working in partnership with the Big Lottery Fund to deliver a £13 million Community Asset Transfer (CAT) Programme. This programme will provide both capital and revenue funding to support the transfer of assets, such as land and buildings, from public sector organisations to community ownership. By developing assets transferred from public sector bodies to enterprising organisations that actively involve and benefit the communities they serve, the CAT programme could provide credit unions in Wales with the opportunity to develop partnerships with other community focused institutions. The first two rounds of the CAT programme have now ended with Round 3 expected to launch in Autumn 2010. Applications for Round 2 of the CAT programme, which closed in June 2010, had to be from cross-sector partnerships that included at least one third sector organisation, and one public sector organisation.

The Financial Services Authority has advised that a credit union should not be the lead body in any such partnership as a credit union can only hold property for the purpose of conducting its business on it and that as such it should aim to have 100% occupation. However this would not apply if the credit union benefited from being part of a wider partnership led by another community organisation.

Action 8

The Welsh Assembly Government will work closely with credit unions that wish to develop a partnership proposal for Community Asset Transfer programme funding to help them to provide a source of additional credit union capital investment.

Pro-active Mergers and Shared Services

Self-sustainability is a goal that all credit unions in Wales need to have if the movement is to have a long term future. The reality of achieving sustainability however would appear for many to be unrealistic if current trends in growth continue. The CICS research concludes that:

"Most credit unions see future growth as coming principally through merger and the provision of new services. Only a small proportion see growth as coming from existing services to locally recruited new members."

"Mergers allow credit unions to reach the critical mass needed to invest in technology, centralize certain functions, and integrate new product delivery systems to achieve maximum efficiencies and enhance services. Members also benefit from the added convenience of additional branches, more services, and better prices as the institution becomes financially stronger."¹⁰

With this in mind the Welsh Assembly Government will work with credit unions throughout Wales to identify opportunities to develop a stronger movement through new shared service initiatives and well planned mergers that seek to enhance the long term sustainability of the movement.

Merger Potential

Since 2001, credit union mergers have gathered pace in Wales as some of the regulatory obstacles to common bond sizes have been relaxed. In reality all of the so called mergers that have been undertaken in Wales, have been what are technically known as "Transfers of Engagements" where one or more credit unions transfer all of their members, assets and liabilities to another credit union that is prepared to accept the transfer and take over all of the ongoing business and activities of the transferring body.

In many cases, mergers have been more "reactive" than "pro-active" where smaller and weaker community credit unions have been taken over by stronger ones. The mergers that took place in Cardiff in 2002 followed this basic path although there was a lot more symmetry with the combination of five credit unions operating in Rhondda Cynon Taff in 2003. These two mergers were closely followed by that of Bridgend Lifesavers which also evolved in 2003, when the smaller but more ambitious Bridgend County Credit Union with a "live or work" common bond merged with Bridgend County and NHS Lifesavers, a hospital employee based credit union.

In some instances mergers have adversely affected the performance of the acquiring credit union in the shorter term. Some mergers have involved an increase in the level of arrears and a reduction dividend payments that credit unions have been able to declare as a result of this. Mergers can work positively for both parties but to make sure that this is the case the credit union accepting a transfer of engagements must undertake due diligence in terms of exploring and agreeing mergers to ensure that they do not take on unexpected liabilities such as negative reserves, bad debts or expenditure deficits.

The CICS research findings indicate that much of the credit union movement sees the potential for growth in carefully planned mergers that will improve the quality of financial services currently being provided by a large section of the movement. Plans for one such merger are currently underway in north Wales where it is proposed that, towards the end of 2010, five existing credit unions, Llandudno Credit Union, Clwyd Coast Credit Union, Caledfryn Credit Union, Wrexham Credit Union and Y Llechen Credit Union, will seek to merge, with an extensive common bond covering the whole of north Wales. If the merger is supported by the membership, the new "super" north Wales Credit Union will become the largest credit union in Wales with around £4.5million in assets and a membership base in excess of 9,750 people.

⁸ WOCCU "Credit Union Re-Structuring" February 1998

The proposed north Wales merger is being planned pro-actively to take advantage of the following opportunities:

- **providing a better service to members** through a better resourced and more professional organisation able to answer more of their needs
- **operating a more effective service** through the centralisation of back office and administration procedures,
- **extending the Credit Union Current Account (CUCA) across North Wales at minimum cost** through building on Llandudno Credit Union's established operation of the CUCA account
- **achieving sustainability** by increasing the volume and efficiency of business
- **securing jobs** through greater profitability and effectiveness
- **achieving economies of scale and making the best use of existing resources** to offer a better service to members and accelerating business growth
- **reducing the need to recruit Board members with scarce skills** for representation on Boards and Supervisory Committees

Credit union mergers are of course a matter for individual credit unions to decide upon and any merger decisions must take into account the likely impact that any such actions will have on the future development and performance of the acquiring credit union.

Shared Services

As an alternative to mergers, in situations where credit unions wish to remain independent, exploring the possibility of 'shared services' should be considered in order to allow credit unions benefit from economies of scale that will lead to increased operational efficiencies and reduced expenditure.

As an example of how credit unions could save through sharing specific services four credit unions in south east Wales have been funded under the all-Wales funding programme to combine to share the same debt recovery service provider in a harmonisation project aimed at reducing bad debts and introducing a more professional standardised service at a far lower cost than could have been achieved had they sourced these services independently. This project also aims to harmonise the four credit unions Treasury and Marketing activities in Caerphilly, Torfaen, Newport and Merthyr Tydfil.

Other harmonisation initiatives are currently being considered by credit union trade associations, including the centralisation of member transactions to one back office provider.

Action 9

The Welsh Assembly Government is supportive of all well planned positive mergers between credit unions and of constructive proposals to share services between neighbouring credit unions, both of which will potentially enhance the long-term sustainability of the credit union movement in Wales. Support via SGEI agreements will be offered to credit unions wishing to plan for constructive "pro-active" mergers or shared services to reduce the cost of these services. Professional advice on mergers will be made available to credit unions wishing to explore such a course of action.

Diversification of Services

The CICS report highlights the need for credit unions in Wales to be attractive to all sectors of society and not just those on low incomes. The research concludes that:

“Welsh credit unions need to be developed and regarded as financial institutions for all and as much attention needs to be given to ensuring that credit union products and services are as relevant and useful to moderate and higher income working people as they are to lower income and financially excluded groups”

Some credit unions in Wales are already offering a diverse range of financial services ranging from instant growth fund loans to credit union current accounts. The CICS findings are supported by previous research undertaken on Welsh credit unions which concluded that:

“Diversification provides a way forward for credit unions when it concentrates on providing new, ethically-tested services for those parts of the community where mainstream financial organisations fail to operate. Through that route lies both long-term sustainability for the movement and a resource for individuals which promotes social and economic equality.”¹¹

Action 10

The Welsh Assembly Government will work with the all Wales Credit Union Liaison Group to identify appropriate products and services that will support the credit union movement in Wales to offer appropriate financial services to all sectors of society in Wales. The provision of affordable insurance products for those who do not have access to mainstream financial products will be one of the key targets for the Liaison Group’s products team.

Income Maximisation

Unlike most other financial institutions including banks, building societies and community development finance institutions, credit union lending in the UK is restricted by a law which dictates that they cannot charge more than 2% per month on the reducing balance of a loan, which is equivalent to 26.8% APR. Although many credit unions were opposed to the increase in the interest rate from 1% to 2% in 2006, most now accept that the ability to charge a higher rate of interest, which allows them to price for risk and increase the levels of income generated from lending, supports them in their aim to become self-sustaining. Credit unions delivering Growth Fund loans will invariably charge the higher rate of interest permissible to ensure that the income generated is maximised. Each credit union will of course develop its own loans policy depending on the nature of its membership base but all credit unions should be looking forwards to work out how they will survive beyond direct Government assistance.

Action 11

The Welsh Assembly Government will encourage all credit unions delivering on SGEI agreements to maximise the level income that they generate through their lending activity by offering a wide range of loan products which serve the interests of both the member and the longer term future of the credit union

⁸ Cardiff University, Drakeford, Gregory, “Sleeping Giants: unlocking the potential of Credit Unions in Wales,” November 2007.

Objective 3: Raising the Profile of the Movement

The most commonly raised issue when the CICS research discussed barriers to growth with Welsh credit unions was that of profile. They concluded that “credit unions and the services they offer are undoubtedly popular with existing members but at present they remain something of a hidden gem.”

Credit unions have in the past suffered with the often self-imposed image of being the “poor person’s bank” by focussing far too early in their development on the provision of financial services to people on low incomes, without building on the strengths that come with the attraction of a wider and more economically diverse range of membership.

In Ireland the credit union movement has now moved away from this negative image through providing financial services that are attractive to all sectors of Irish society. A recent research report by Amarach¹² on behalf of the Irish League of Credit Unions, revealed that 44% of all credit union members in Ireland are middle or upper-income earners. The report clearly indicates that credit unions in Ireland are seen as pillars of the community and that the majority of people agree that credit unions are an important part of local communities. The Irish movement is able to provide support to those struggling financially as a result of their more diverse scope of membership and strength in depth. People in Ireland strongly believe that credit unions have members’ best interests at heart and that they can be trusted.

Credit unions in Wales are clearly a long way behind the Irish movement in terms of their profile and levels of public awareness but there are perhaps some key features of the Irish movement that can be transferred over and used to improve the current undeveloped profile of the Welsh movement.

A primary issue identified in the CICS research was that of the absence of a clear identity of Welsh credit unions as a movement. In its paper on Credit Union Membership Growth, CUNA¹³ reported:

“It is imperative for credit unions to develop a clear, consistent message with strong appeal for the market to understand and “buy into” what credit unions are promoting.”

However the report goes on to say that: “A national branding campaign is problematic for a variety of reasons, most especially because brand is unique for each credit union”. A national awareness and image campaign is therefore considered to be a better solution. Past research suggests that the message focus of such a programme should be **trust, respect and care** about members rather than “membership” or not-for-profit status.

The Credit Union National Brand Campaign that CUNA launched in 1999-2000 involved the creation of a national brand logo, slogan, a national strategy and brand marketing kits sent to every credit union. The logo and slogan, “America’s Credit Unions: Where People are Worth More than Money,” is still in use today by CUNA, many leagues and individual credit unions.

Comparisons can be made here between the introduction of a credit union image campaign and that adapted by the charitable advice provider organisation Citizens Advice, where all of the independent CABx operate using the same logo and brand although in reality the levels of service being delivered may vary significantly.

The Credit Union Action Plan needs to ensure that credit unions are brought into the consciousness of the Welsh population. At the present time each individual credit union is generally viewed as a local, self-regulating entity with its own unique identity. This not only reduces its profile but also its wider credibility. The CICS research identified this as a barrier to further growth which could be overcome by creating a unified brand for the Welsh credit union movement.

¹² Amarach, “Investing in our Future – Ireland’s Credit Unions in the 21st Century”, August 2009

¹³ CUNA, Membership Growth Task Force, September 2008

The Welsh Assembly Government carried out an awareness raising campaign in 2009-10 to raise awareness of the credit union movement in Wales during the current economic climate, including those on low incomes who may be in financial difficulties and those looking for alternatives to the mainstream financial services sector (see Credit Union Communications Plan 2009-2010 at Annex B).

Action 12

As part of an increased membership campaign the recruitment of members from the public sector will be targeted. Credit unions participating in the year long campaign will be supported by the Assembly Government to help them succeed in recruiting public sector employees through payroll deduction schemes.

The use of ICT to promote and market credit unions is becoming a critical area for development of credit unions world-wide and if they are to develop as 'modern' social businesses in Wales, more needs to be done to explore how digital technology can support credit union growth. A strong customer facing website experience is a strong marketing tool, especially if it is interactive and available to young people.

Large sectors of the population now automatically look to the internet for information and products - a good website would be an asset. The use of social networks such as Facebook and Twitter should also be explored, particularly to attract younger members.

The Welsh Assembly Government has recently developed an all Wales credit union intranet to enable better access to information on Welsh credit unions, how to locate local credit unions, examples of good credit union practice and news:

<http://wales.gov.uk/topics/housingandcommunity/regeneration/debt/affordcredit/?lang=en>

Digital exclusion and financial exclusion are closely related. For example, people without access to bank accounts or with poor credit ratings might struggle to access the internet. There are financial barriers associated with purchasing the necessary equipment as well as meeting the monthly contract cost of internet services. It is therefore necessary to tackle digital exclusion as part of a wider and coherent effort relating to social and financial exclusion.

Communities 2.0, the Welsh Assembly Government's Digital Inclusion initiative, is supporting community and voluntary sector groups and social enterprises to engage with technologies. It is looking at developing initiatives with credit unions and housing associations so issues of digital exclusion and financial exclusion can be tackled together.

Action 13

The Welsh Assembly Government, the all-Wales Credit Union Liaison Group and Communities 2.0 will explore the use of digital technology to provide and promote credit union services.

Objective 4: Membership Growth

The possibilities and opportunities open to the credit union movement in Wales to achieve a significant increase in membership growth has never been greater. Public dissatisfaction with mainstream financial service providers resulting from the economic recession and credit crunch has provided credit unions with a real opportunity to attract new members from sectors of society that might have previously ignored the consumer focussed services on offer from credit unions as well as those who were already excluded from mainstream financial services.

To be successful in their social and economic goals credit unions will need to attract a diverse range of membership, including those people who already have access to mainstream financial services and those who are denied such access.

Backed by effective awareness raising, credit unions in Wales should be able to achieve realistic targets for membership growth that will increase total credit union membership to 142,000 over the next three years. This would represent a market penetration rate of 6%. Targets for credit union membership growth will be set in partnership with those credit unions participating in the delivery of SGEI contracts and their performance will be regularly monitored.

Action 14

To support credit union membership growth in Wales the Assembly Government and Social Investment Business will support credit union efforts to recruit new members from the public sector. The Assembly Government will work with representative bodies to address some of the perceived barriers that credit unions have identified as being problematic which include:

- **the length of time taken for member deposits to register in credit union accounts once deducted from the member's bank account;**
- **supporting credit unions to influence at a high management level the introduction of payroll deduction; and**
- **addressing the perception of credit unions as a lower priority compared to other groups which pay for the payroll deduction service.**

Action 15

The Welsh Assembly Government will undertake a mapping exercise of existing links between the public sector and credit unions to include number of employees, relevant contact points within the bodies, the area(s) in which they operate etc

Action 16

The Welsh Assembly Government will work with the public sector and credit unions to develop a generic service level agreement which can be endorsed and introduced at high management level of public sector boards.

Credit union links with schools

Many credit unions in Wales already have close links with both primary and secondary schools in their common bond areas. Sixteen credit unions were supported to deliver financial services in schools as part of the phase I of the all Wales support programme and this is now a requirement of the phase II programme. Although junior members are often seen as "labour intensive" and a drain on resources, in terms of staff and volunteer time, evidence suggests that credit unions that ignore young savers do so at their peril, both in terms of failing to deliver on their objective to provide

education on the wise use of money and the fact that the future of every credit union lies with the children of today. The importance of young savers is recognised in virtually all other parts of the credit union movement where there are many examples of national strategies aimed directly at the recruitment of young people. The Irish League of Credit Unions (ILCU), for example has developed a youth policy with the objective of instilling in young people a realisation that a co-operative, self-enabling approach to financial affairs is an integral part of their future. The Irish strategy for achieving this vision involves promoting, through education, a full appreciation and understanding of the philosophy, principles and values of credit unions. In addressing the claim that young savers are a “drain on resources”, a report¹⁴ supported by the ILCU concluded that:

“Credit unions must be fully aware of and accept the time and commitment that will be required to educate and inform the youth of the ideals and the practicalities of credit unionism. Youth must know that they will be welcome in the credit union, that their ideas and opinions will be listened to, and that they will feel their input into the operations of the credit union is making a difference.”

Recognising the importance of young people in the development and growth of the credit union movement in Wales, the Welsh Assembly Government has made a One Wales¹⁵ commitment to “ensure access to a credit union for every secondary school in Wales by 2011”.

This commitment is being met across a spectrum of actions, which would start at a minimum of expecting credit unions to have made literature available, through secondary schools which explains who they are, what they do and how secondary school students can join. At the other end of the spectrum there are credit unions who already do much more than this, in terms of promoting themselves through secondary schools and organising junior savings arrangements. Where each individual credit union fits in this spectrum is inevitably, a decision which they will need to take against other demands on their time and resources. Ensuring access to credit union membership does not necessarily mean having a collection point in every secondary school but it does need the credit union movement to accept that young people are important for the development of credit unions in the future.

Financial education is now embedded in the curriculum of all Welsh schools. The skills and knowledge that underpin financial education are set out in the relevant points in the curriculum for primary and secondary schools including Mathematics, Personal and Social Education. In support of this work the Assembly Government has established, in partnership with the FSA, a Welsh Financial Education Unit, which is now developing recommendations on a programme of support for schools and local authorities, by reviewing and disseminating best practice. The work of the Welsh Financial Education Unit should support and complement the work of credit unions wishing to further develop partnerships with schools throughout Wales.

The Assembly Government has also supported the Wales Co-operative Centre to develop and market the schools resource CU@theCU. This interactive learning tool has been developed to help make presentations on credit unions primarily to pupils in secondary schools.

www.cuinschools.org/ is a bilingual web based resource which includes mini-films that tell the story of young people finding out about credit unions, numerous learning points and a quiz. It encourages schools to set up collection points and make connections with their local credit union. Pupils from Dyffryn School in Neath Port Talbot helped design the resource with their local credit union, to help other students understand what they are. The students also successfully set up their own collection point in February 2009.

ABCUL is currently working on a major project, with the support of the Home Retail Group, which is learning from current work carried out by credit unions in schools and develop best practice

¹⁴ Centre for Co-operative Studies, National University of Ireland, Cork 1999.

¹⁵ Welsh Assembly Government, One Wales – A progressive agenda for the government of Wales, June 2007

guidelines and resources. We have been invited to share the results of ABCUL's work and we will work closely with them to inform the work currently being undertaken on credit unions and schools.

Action 17

To support credit union work in schools throughout Wales, the Assembly Government will continue to fund schools initiatives through existing and future SGEI agreements, within the limits of available resources and promote and support CU@theCU. We will also work closely with ABCUL to share examples of good practice in credit union and schools partnerships.

Post Offices

Post offices have a key role to play in promoting financial inclusion attracting, as they do, a high proportion of customers from vulnerable and disadvantaged groups such as the elderly, the disabled, the unemployed and low-income families. People from these groups are able to build a positive and supportive relationship with their local post office as a high proportion of them will be claiming some form of state benefit. Many credit unions have arrangements with their local post offices which allows their members to cash cheques given by the credit union at a local branch. This arrangement is convenient for the credit unions and benefits post offices by increasing footfall. Save-easy Credit Union in Llanelli has gone a step further than this and are now working with 9 local post offices. that are compensated for receiving deposits from credit union members that in 2008 totalled £204,000, making the credit union far more accessible to members and providing a source of income for the post offices. As a direct result of having larger common bonds served by credit unions many do find it difficult to provide sufficient access points to all the people they could potentially provide with affordable financial services.

A partnership between credit unions and the post office network which would enable credit unions to affordably access their services through the post office network would be of benefit to both parties with credit unions and their members benefiting from increased access, profile and convenience and The post office network benefiting from increased footfall in its branches and a potential new revenue scheme.

Action 18

The Welsh Assembly Government will work with credit unions throughout Wales and ABCUL to explore the potential of developing a single framework partnership agreement between Welsh credit unions and Post Office Ltd.

Objective 5: Credit Unions Promoting Financial Inclusion

The Assembly Government believes that achieving financial inclusion is vitally important because financial exclusion causes considerable hardship amongst those who are already the most vulnerable and disadvantaged members of our society. We also believe that financial inclusion is a key under-lying determinate of health and wellbeing for individuals, families and communities throughout Wales and as such it is essential that financial exclusion is tackled and challenged at every possible opportunity.

The Assembly Government firmly believes that credit unions are important players in the ongoing battle against financial exclusion and that as community focussed providers of financial services, they represent one of the few affordable options to people who are unable or unwilling to access mainstream banking services. We also believe that it is only possible for credit unions to effectively service the financially excluded market if they have strength in depth and have a diverse membership range which includes savers as well as borrowers.

Savings makes it easier to cope with unexpected slumps in income or the need to pay emergency expenses, such as the breakdown of fridges and washing machines. Savings also make it easier to plan for the events that we know will happen and be costly, such as Christmas, birthdays and the start of the new school year. People who survive on low incomes are the least likely to have any significant savings and this leaves them even more vulnerable and exposed to exploitation by predatory money lenders.

Child Trust Fund

The Welsh Assembly Government has already invested £350,000 in funding to support credit unions in Wales wishing to become Child Trust Fund (CTF) account providers. As a result of this funding there are now 17 Welsh credit unions registered as CTF account providers representing 62% of the all credit unions in Wales. UK wide there are around 70 UK CTF providers, 25% of which are Welsh credit unions. The CTF is a long-term savings account which children will not be able to access until they reach the age of 18 and on which, neither parents, or their children will pay any tax on income and gains from the account. The CTF accounts have been introduced to give children a head start as young adults and to help them better understand personal finance and the importance of saving for their future. Credit unions are able to offer competitive CTF accounts and encourage parents and families to build up a savings asset for their children's future.

The UK Government announced on Monday 24th May that it intended to reduce and then stop all government contributions to CTFs. Parliament has now passed the Regulations necessary to introduce the first stage of these changes with effect from August 2010. Parents of eligible children for whom Child Benefit is first paid from 3 August 2010 receive a £50 voucher from the government to start a Child Trust Fund account for their child (i.e. reduced from £250). Similarly, children in a low income family for whom Child Benefit is first paid from 3 August 2010 may be eligible to receive an additional £50 government payment into their account. There will be no Government payments into Child Trust Fund accounts when a child reaches age 7 for children whose 7th birthday is after 31 July 2010.

The Assembly Government's One Wales commitment has been addressed as the aim was to implement a scheme – this was achieved in the autumn of 2009 with the launch of the CTF Cymru. The scheme is continuing in 2010-11 as planned. Decisions on future years were always to have been dependant upon the priorities of the new Assembly Government in 2011.

Transactional Banking

Financially excluded people are at a financial disadvantage to the vast majority of the population by the fact of being unserved or at best, underserved by mainstream financial service providers. Despite the recent increases in the number of basic bank accounts being offered by the mainstream

banks, there is still evidence that these accounts are not being used to their full potential.¹⁶ Several credit unions in Wales now look set to offer the new fully functioning Credit Union Current Account (CUCA) service that has been developed by the Association of British Credit Unions Ltd. (ABCUL) and the Co-operative Bank plc.

With Assembly Government support Llandudno Credit Union is now offering the CUCA service to its members. Investment in the CUCA service in north Wales has been made on the basis that the proposed merger meant that the funding provided was “value for money” given that it should eventually incorporate the area covered by the existing five credit unions. However given the significant capital investment required to set up the CUCA service, a roll out of this initiative throughout Wales cannot be justified.

Following ABCUL’s recent announcement that they plan to offer “back-office” services to credit unions throughout the UK, the CUCA service could now be made available to credit unions without the need to find capital funding.

The benefits of the CUCA service to financially excluded individuals include a debit card which can be used in shops and to withdraw money from cash machines and the ability to set up standing orders and direct debits, giving them much greater control over their finances. However, there is no overdraft facility so account holders cannot incur charges for going overdrawn unlike most mainstream bank current accounts.

Action 19

The Welsh Assembly Government will work with ABCUL to ensure that Welsh credit unions are able to offer the CUCA service to their members should they wish to do so, once the “back-office” services have been established by ABCUL.

Pre-pay debit cards

Many credit unions in Wales are now investigating the use of pre-pay debit cards for use by members who do not have access to a mainstream bank account or who do have a bank account but may wish to keep their loan funds separate from their current account. The main customer benefits of such a service are the ability to use ATMs for cash withdrawals with the knowledge that they cannot go overdrawn and incur punishing bank charges. Pre-pay cards and other electronic payment cards such as PayPoint and AllPay will help credit unions in Wales to broaden their membership base, particularly among young people and those living in rural areas of Wales.

It should be noted that there are a number of consumer protection issues regarding the pre-paid card market, primarily concerning ‘open-loop’ cards. Currently there is a variation between providers on how the fees and charges associated with the use of the cards are applied. For example monthly fees; top-up fees; transaction fees; ATM withdrawal fees, some of which may be more openly advertised than others. More ‘hidden’ charges may include replacement card fees, due to the limited lifespan of most cards, inactivity charges and charges for refunding money held on a card. It is therefore critical that credit unions fully understand the fee/charging structure for their particular card at the point of issue from their credit union.

Formal Referral Systems

As credit unions develop and diversify the range of services that they offer to financially excluded individuals they will need to work more closely with key stakeholders to ensure that these services are reaching the right people. Referrals from organisations such as debt advice providers, social

¹⁶ Welsh Assembly Government, One Wales – A progressive agenda for the government of Wales, June 2007

landlords, Communities First partnerships and community development financial institutions.(CDFI) will be vital if credit unions are to attract those in most need of the services on offer.

Moneyline Cymru is a CDFI set up with support from housing associations in south Wales, which is targeted at those who might otherwise fall prey of doorstep lenders or illegal money lenders. One of the stated aims of Moneyline Cymru is to increase the take of habitualised saving amongst their clients through partnerships with credit unions. For the partnership between Moneyline Cymru and credit unions to succeed it is vital that robust referral systems are set up that actively encourage clients to join their local credit union to save and enhance their chances of receiving a lower cost loan in the future.

In recognition of this the Assembly Government is supporting the Financial Inclusion Champions for Wales and the Chartered Institute for Housing in the research and production of a good practice resource for social housing providers which will provide advice on developing effective relationships; a basic 'working together' introductory training module; and a reviewed and redrafted protocol between CDFIs and credit unions including Key Performance Indicators, as well as identification of areas for further working including monitoring systems and evaluation.

Action 20

To support the delivery of services to financially excluded people the Welsh Assembly Government and Financial Inclusion Champions will work to help facilitate more formal cross-referral mechanisms between credit unions and other advice and financial service providers. Examples of good practice in this field will be identified and placed on the Assembly Government's credit union web page.

Roles and Responsibilities

Welsh Assembly Government

The Assembly Government's Third Sector Unit leads both on financial inclusion policy and support for the credit movement in Wales. This role includes:

- communication with the movement through regular meetings of the all-Wales Credit Union Liaison Group, consisting of representatives from the credit union trade associations, independent credit unions and the Assembly Government;
- the operation of the all-Wales credit union support programme;
- development of policy to support the development and sustainability of the movement; and
- the marketing and promotion of the movement in Wales;

Credit Unions

Credit unions should be responsible for the provision of core financial services to members including savings and loans services, life savings and loan protection insurance, other insurance products as well as for the training and education for members. Additional services such as financial advice, budgeting advice and current account services may be provided as long as a credit union has sufficient resources to deliver these services. To help the movement realise its full potential credit unions must:

- prioritise both recruiting skilled board members and enhancing the skills of current members through further training
- carefully assess the risks and opportunities presented by forthcoming legislative and regulatory reform
- be mindful of legal duty to exercise 'due diligence' in reaching decisions on important issues such as mergers
- address the need to get more of their members' deposits out on loan as a way to generate more income and move towards financial sustainability
- collectively support the development of a unified Welsh credit union identity, in consultation with the Welsh Assembly Government
- collectively support communications with the Welsh Assembly Government by actively participating in consultations linked to the All Wales Credit Union Liaison Group
- prioritise the ownership of up to date business plan that is regularly reviewed and amended

Trade Associations

Trade associations provide credit unions in Wales with a strong central focus point and offer a wide range of services to their members including the provision and exchange of information, representation of the movement with Government bodies, influencing Government policy, providing regulatory support for credit unions and the provision of training. They are influential in being bodies that are consulted on all high level Government decisions that involve credit unions. To help the movement realise its full potential credit union trade associations must:

- provide the credit union movement in Wales with up to date information on all legislative and regulatory changes
- provide the credit union movement in Wales with high quality training that will improve governance standards
- work in partnership with Welsh credit unions and the Welsh Assembly Government to deliver new and innovative services that will benefit the movement

Local Authorities

Local authorities can make an important contribution to the work of credit unions operating in their areas and in particular to the work that they undertake to promote financial inclusion. Many local authorities already support the growth of local credit unions but more should:

- undertake to work in partnership with and support the development and growth of credit unions services in their area.
- support credit unions by offering the opportunity for employees to make credit union payments via payroll deduction

Housing Associations

Housing Associations are becoming increasingly aware of the financial problems that many of their residents face and the impact these problems have on their wider communities if they are left unchallenged.

They can take a lead role in combating financial exclusion amongst their tenants and residents by offering access to a range of financial services and impartial advice, particularly through the early detection of financial difficulties.

In support of credit unions in Wales housing associations should:

- work closely with local credit unions to encourage tenants to save and have access to a low cost source of credit.
- support credit unions by offering the opportunity for employees to make credit union payments via payroll deduction

Milestones

October 2009 – Launch of £1million Credit Union Capital Fund 2009-2010

November 2009 – Launch of Credit Union Awareness Raising Campaign

- £1million Credit Union Capital Fund allocations announced

December 2009 – All Welsh Assembly Cabinet members signed up as credit union members

September 2010 – Approval of Convergence funding for 2010-2013

October 2010 – Phase 2 of the all-Wales credit union funding programme commences

2011 - Launch of the UK Government's Legislative Reform Order for credit unions providing credit unions with growth opportunities including:

- expanding membership beyond previously restrictive borders
- offering membership to corporate and unincorporated bodies
- offering interest on deposits

Credit Union Action Plan – Summary of Actions

Action 1

The Welsh Assembly Government and the Financial Inclusion Champions Team for Wales will work with key stakeholders including Local Authorities, Housing Associations, Trade Unions, Trade Associations and Private Sector Businesses, with the aim of developing a volunteer recruitment programme with credit unions throughout Wales. The Welsh Assembly Government will also work in partnership with ABCUL to explore the development of a volunteer hub which will meet the needs of Welsh credit unions and be an attractive proposition for private companies and other employers to become involved in.

Action 2

The Assembly Government will support the provision of high level training for directors and managers of credit unions to strengthen their roles in strategic leadership and good governance. As part of this support package the Assembly Government will also investigate any accredited training that is available for credit unions and explore how this might be adapted to meet the needs of Welsh credit unions.

It is also vital that other credit union staff and volunteers receive appropriate levels of training to ensure that they are fit for purpose and able to deliver on the necessary competencies that their role requires. The Welsh Assembly Government will continue to support the undertaking of Training Needs Analyses with credit unions through the Social Investment Business delivering phase II of the all-Wales support programme for credit unions in Wales and will respond appropriately to identified needs. Credit unions will also be supported to engage in succession planning for individuals in key roles by the provision of appropriate training, through a relevant training provider, that addresses this concern.

Action 3

Working with the relevant training providers in Wales, the Welsh Assembly Government will investigate the development of a Financial Management Training programme that will be made available to all credit unions in Wales with attendance for those credit unions undertaking SGEI contracts being mandatory.

Action 4

The Welsh Assembly Government will work to identify examples of best practice and research in credit union governance and promote these throughout the credit union movement in Wales, for example the ABCUL Code of Governance¹⁷

Action 5

The Welsh Assembly Government will explore the development of a human resource toolkit for credit unions including industry standard salary scales, job descriptions and person specifications, identifying essential and desirable roles, tasks and skills.

Action 6

All credit unions will be required to submit an up-to-date 3 year business plan for scrutiny before any further Welsh Assembly Government funding will be approved.

¹⁷ ABCUL, "Governing for Success", 2008

Credit unions that do not have an up-to-date business plan will be offered necessary support required to help them become compliant. Business planning support will be made available available by the Social Investment Business through the all Wales support programme for credit unions in Wales. The Welsh Assembly Government will work with credit unions to identify suitable model business planning tools (such as offered by ABCUL, the Wales Co-operative Centre or the model adopted through the North Wales Merger Feasibility Study) which can be used across the Welsh credit union movement.

Action 7

The Welsh Assembly Government will continue to regard the financial support of credit unions as a long term investment and will direct funds at supporting sustainable organisations.

Future funding support for credit unions via SGEI agreements will continue to be targeted towards membership growth and will be directed to those credit unions that can demonstrate a commitment and capacity to achieve challenging financial and operational targets, focusing on membership growth and growth in savings, loans and assets over time. Support will be targeted on those credit unions with the capability to grow their membership and provide the range of services which they can show that (a) their members demand, and (b) will generate enough income to become self-sustaining in the medium term

Action 8

The Welsh Assembly Government will work closely with credit unions that wish to develop a partnership proposal for Community Asset Transfer programme funding to help them to provide a source of additional credit union capital investment.

Action 9

The Welsh Assembly Government is supportive of all well planned positive mergers between credit unions and of constructive proposals to share services between neighbouring credit unions, both of which will potentially enhance the long-term sustainability of the credit union movement in Wales. Support via SGEI agreements will be offered to credit unions wishing to plan for constructive “pro-active” mergers or shared services to reduce the cost of these services. Professional advice on mergers will be made available to credit unions wishing to explore such a course of action.

Action 10

The Welsh Assembly Government will work with the all Wales Credit Union Liaison Group to identify appropriate products and services that will support the credit union movement in Wales to offer appropriate financial services to all sectors of society in Wales

Action 11

The Welsh Assembly Government will encourage all credit unions delivering on SGEI agreements to maximise the level income that they generate through their lending activity by offering a wide range of loan products which serves the interests of both the member and the longer term future of the credit union

Action 12

As part of an increased membership campaign the recruitment of members from the public sector will be targeted. Credit unions participating in the year long campaign will be supported by the Assembly Government to help them succeed in recruiting public sector employees through payroll deduction schemes.

Action 13

The Welsh Assembly Government, the all-Wales Credit Union Liaison Group and Communities 2.0 will explore the use of digital technology to provide and promote credit union services.

Action 14

To support credit union membership growth in Wales the Assembly Government and Social Investment Business will support credit union efforts to recruit new members from the public sector. The Assembly Government will work with representative bodies to address some of the perceived barriers that credit unions have identified as being problematic which include:

- the length of time taken for member deposits to register in credit union accounts once deducted from the member's bank account;**
- supporting credit unions to influence at a high management level the introduction of payroll deduction; and**
- addressing the perception of credit unions as a lower priority compared to other groups which pay for the payroll deduction service.**

Action 15

The Welsh Assembly Government will undertake a mapping exercise of existing links between the public sector and credit unions to include number of employees, relevant contact points within the bodies, the area(s) in which they operate etc

Action 16

The Welsh Assembly Government will work with the public sector and credit unions to develop a generic service level agreement which can be endorsed and introduced at high management level of public sector boards.

Action 17

To support credit union work in schools throughout Wales, the Assembly Government will continue to fund schools initiatives through existing and future SGEI agreements, within the limits of available resources and promote and support CU@theCU.

Action 18

The Welsh Assembly Government will work with credit unions throughout Wales and ABCUL to explore the potential of developing a single framework partnership agreement between Welsh credit unions and Post Office Ltd.

Action 19

The Welsh Assembly Government will work with ABCUL to ensure that Welsh credit unions are able to offer the CUCA service to their members should they wish to do so, once the “back-office” services have been established by ABCUL.

Action 20

To support the delivery of services to financially excluded people the Welsh Assembly Government and Financial Inclusion Champions will work to help facilitate more formal cross-referral mechanisms between credit unions and other advice/service providers. Examples of good practice in this field will be identified and placed on the Assembly Government’s credit union web page.

Credit Union Communications Plan 2009-2010

Aim

The aim is to raise awareness of the credit union movement across Wales during the current economic climate, including those on low incomes who may be in financial difficulties and those looking for alternatives to the mainstream financial services sector.

Objectives

- To raise awareness of credit unions in Wales in the current economic climate.
- To encourage more people in Wales to join their local credit union.
- To encourage public, private & third sector organisations to raise awareness of Credit Unions amongst their staff & clients and to introduce and promote payroll deduction schemes.
- To encourage Welsh MPs, AMs and councillors to join their local credit union.

Target Audience:

- **the general public, particularly those on low incomes**
- **public, private and third sector organisations, including local authorities, local health boards, housing associations, trade unions, Community First Partnerships, Citizen's Advice Bureaux, community groups.**
- **Welsh MPs, AMs and local councillors.**

Key Messages

- Credit Unions are trustworthy, reliable, offer great value loans & can help customers manage their money.
- They are owned by their members rather than external shareholders looking to make a profit & are fully regulated by the Financial Services Authority and members are protected under the Financial Services Compensation Scheme.
- The Welsh Assembly Government will continue to champion the credit union movement over the coming years and will add significantly to the £2.75m that has been invested in the development of the movement since 2001.
- Credit unions throughout Wales will need to work together, ensuring that they are sending consistent messages, to achieve the proposed targeted market penetration level of 6% by 2020.

Action so far

2009 Credit Union Awareness Campaign

A 12 month campaign was launched on 11 November 2009 to raise awareness of the credit union movement in Wales and outline the benefits of joining a credit union. The following communications activity has been delivered:

- A national identity for credit unions in Wales – **Credit Unions Wales / Undebau Credyd Cymru**
- Credit Union Cymru logo & strapline - **Your local credit union – you can bank on us! / Eich undebcredddddyl lleol – lle'r ydych chi'n cyfril!**
- A single freephone telephone number - **0800 496 0865**.
- A URL which leads directly to the Assembly Government's credit union web page www.wales.gov.uk/creditunions www.cymru.gov.uk/undebaucredyd
- Adverts in local newspapers & on radio stations across Wales encouraging people to join their local credit union & flagging up freephone number & URL
- Credit Union Cymru Poster campaign throughout Wales.
- Assembly Cabinet support for awareness campaign.
- Message of support from Money Saving Expert Martin Lewis.
- Article on Welsh Assembly Government Intranet site.

- Generic posters for credit unions to advertise their own numbers.
- Credit union days at Welsh Assembly Government offices in Cardiff and Merthyr Tydfil.
- Ministerial visits to credit unions across Wales.

Communications activity 2010 – 21013

The aim is to continue raising the profile of the credit union movement in Wales and promote membership in the public sector employees through payroll deduction schemes. In support of this the Welsh Assembly Government will launch a campaign to ensure that all MPs and AMs, as well as a significant proportion of Welsh councillors, become members of their local credit union by the end of 2013.

To be arranged

- Ministerial visits to credit unions & public sector workplaces - tba
- CU@CU resource school visits – tba
- CTF deposit CUs – tba

Press Activity

- Target Welsh national and regional media, including local newspapers & local radio.
- Target Welsh consumer programmes
- Target specialist media.
- Target UK media.
- Ministerial interviews
- Articles on Assembly Government on-line newsroom & twitter

Online

- Further development of financial Inclusion pages on WAG website with links through to other organisations.
- Encourage Credit Unions with websites to link to WAG website.
- Articles on Assembly Government Horizon pages & Seren