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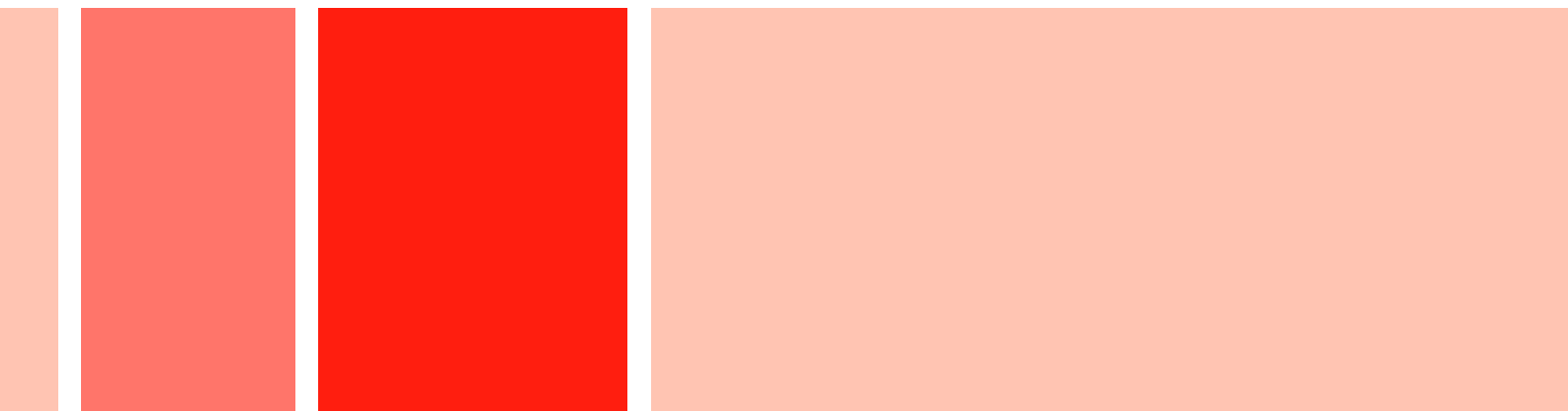


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An Evaluation of the Access to Financial Services through Credit Unions Project

FINAL REPORT 31 March 2014



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Nia Bryer, Old Bell 3 Ltd

Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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GLOSSARY OF ACRONYMS

ABCUL	Association of British Credit Unions Limited
ACE	Access to Credit Unions for Everyone
AFS	Alternative Financial Services
CMU	Cardiff Metropolitan University
CQFW	Credit and Qualifications Framework for Wales
CUCA	Credit Union Current Account
CUEP	Credit Union Expansion Project
DWP	Department for Work and Pensions
ERDF	European Regional Development Fund
FCA	Financial Conduct Authority
FSA	Financial Services Authority
KPI	Key Performance Indicator
LASA	Loans and Savings Abertawe
OPB	Operational Project Board
OFT	Office of Fair Trading
PEARLS	Protection, Effective Financial Structure, Rates of Return, Liquidity, and Signs of Growth
SGEI	Service of General Economic Interest
SLA	Service Level Agreement
TSIB	The Social Investment Business
UWIC	University of Wales Institute Cardiff
WEFO	Welsh European Funding Office

1. INTRODUCTION

1.1 Background

Old Bell 3 Ltd. was commissioned by the Welsh Government to undertake an Evaluation of the Access to Financial Services through Credit Unions Project (hereafter referred to as the Credit Unions Project).

Funded via the Community Economic Development strand of the European Regional Development Fund (ERDF), the Credit Unions project is nearing the end of its second phase of delivery, having been piloted for a one year period between April 2009 and June 2010. The first phase pilot was delivered on behalf of the Welsh Government by the Wales Co-operative Centre whilst The Social Investment Business (TSIB) delivers phase two.

1.2 Aim of the Review

The aim of this evaluation is 'to assess the impact and effectiveness of the access to financial services through credit unions project and the extent to which its aims and objectives have been met'¹.

The evaluation has involved three distinct stages: a formative evaluation (first stage); an interim evaluation (second stage) and a summative evaluation (third stage). The formative evaluation was carried out during 2011 and led to the publication of a First Year Report whilst the interim evaluation was conducted between May and November 2012 leading to the publication of the Final Interim Report².

The objectives of this third stage of work, as outlined in the original work specification, were:

¹ Invitation to Tender Specification, Page 4

² Both reports can be accessed at: <http://new.wales.gov.uk/statistics-and-research/evaluation-access-financial-products-through-credit-unions/?lang=en>

- To continue to assess the impact and effectiveness of the project in meeting its aims and objectives and the extent to which evaluation recommendations have been built into the project;
- To assess the value for money of the project and undertake a cost-benefit analysis of activities undertaken;
- To review project performance against what was expected (including WEFO funded targets) taking into account what would have happened in the absence of the project;
- To assess the economic impacts of the expenditure, taking account of additionality, deadweight and displacement;
- To identify any risks that materialised and the impact they had upon project performance;
- To review the extent to which the project has contributed towards the targets of the Credit Union Action Plan;
- To review the extent the project has developed and adapted in line with policy and legislative changes;
- To make recommendations on the future and to identify key components of any future provision for the sector.

It was further agreed that this stage of the work would include a desk-based review of literature on alternative sources of finance such as pay day lending and that benchmarking the efficiency and cost effectiveness of the project against similar organisations would be inappropriate due to the lack of suitable comparator organisations.

1.3 Method

This final evaluation report is based on a work programme undertaken between September 2013 and January 2014 which involved:

- Attending a planning meeting with the Evaluation Steering Group to agree the final evaluation phase work programme;
- Updating the literature review of UK and Welsh policy and legislation in respect of the credit union sector;

- Undertaking a review of alternative finance providers;
- Reviewing documents relating to the delivery of the Credit Unions Project;
- Reviewing project monitoring and output data with a view to assessing the extent to which phase two project targets have been met;
- Reviewing financial and performance data relating to credit unions in Wales;
- Updating semi-structured topic guides and undertaking consultations with a total of 16 stakeholders, including TSIB and Welsh Government officials;
- Updating semi-structured topic guides and undertaking visits to a total of 13 credit unions. In all interviews were conducted with 21 Board Members (across nine credit unions), 23 staff (including Managers), six volunteers and 11 members;
- Updating a semi-structured topic guide and re-interviewing managers of three 'control' or comparator credit unions not involved in the project³.

1.4 Structure of this Report

In the remainder of this report, we firstly update the policy context for the credit union sector at a UK and Welsh level (**Section 2**) before providing an overview of the alternative finance lending market across the UK (**Section 3**). We then give an overview of phase one and phase two of the Credit Unions Project (**Section 4**) and present the findings of our fieldwork undertaken across the three stages of this evaluation (**Section 5**), which also takes into account our analysis of project performance data, credit union financial performance and comparator credit unions. We then turn to discuss the extent to which the targets set in the Credit Union Action Plan are being achieved, whether recommendations from our Interim Report have been actioned and whether the project has offered value for money (**Section 6**) before finally presenting our conclusions and recommendations at **Section 7**.

³ One Welsh CU was selected (Bargoed, Aberbargoed and Gilfach (BAG) Credit Union) and two English credit unions were selected (Bristol Credit Union and Just (Shropshire, Telford and Wrekin) Credit Union)

2. POLICY REVIEW

2.1 First Year Report Policy Review Summary

Our First Year Report⁴ reviewed a number of key Welsh policy and strategy documents of relevance to the Credit Unions Project, including the Financial Inclusion Strategy for Wales⁵, the Credit Union Action Plan for Wales⁶ and the current Programme for Government⁷. The report also considered the UK context in relation to legislative reforms affecting credit unions across the UK and an evaluation of the Department for Work and Pensions' Growth Fund.

Our First Year Report concluded that the credit union movement in Wales was less well developed than in some other countries but that the Welsh policy context was highly supportive of credit unions as key mechanisms in tackling financial exclusion. We found that support for the development of credit unions in Wales was very evident and the project was well rooted in and aligned with key Welsh Government policies during its inception, not least the Financial Inclusion Strategy and the Credit Union Action Plan which between them set out a very detailed direction of travel for the movement in Wales.

We also came to the view that the expectations placed upon credit unions were very high and arguably unrealistic. We concluded that there appeared to be a disconnect between the capacity of the credit union movement in Wales and the aspirations for it to deliver the expected high level policy objectives spanning social justice, economic development and even education. We suggested that there was a need to develop the capacity, viability and governance arrangements of credit unions in Wales so as to enable and empower them to be able to fulfil their potential as community based financial institutions. We argued that legislative changes instigated by the UK Government should help simplify the environment in which credit unions were

⁴Welsh Government (2012) 'An Evaluation of the Access to Financial Services through Credit Unions Project – First Year Report' Available at: <http://wales.gov.uk/statistics-and-research/evaluation-access-financial-products-through-credit-unions/?status=open&lang=en>

⁵Welsh Assembly Government (July 2009) *Taking Everyone into Account. The Financial Inclusion Strategy for Wales.*

⁶Welsh Assembly Government (November 2010) *Raising the Profile: Meeting the Challenges An Action Plan for the Credit Union Movement in Wales*

⁷Welsh Government (September 2011) *Programme for Government (2011-2016)*

operating and enable a more flexible and commercial outlook which was likely to lead to greater competition between credit unions and commercial lenders. However, there was also a recognition that de-regulation would need to be complemented by on-going support, for example to improve the skills and capacity of directors, staff and volunteers involved in running credit unions.

We concluded that tackling financial exclusion was a major challenge and credit unions could not be expected to achieve this working in isolation. Both the Financial Inclusion Strategy and the Credit Union Action Plan stressed the importance of local authorities, housing associations, Communities First partnerships and other local stakeholders working in collaboration with and supporting credit unions to achieve this goal.

2.2 Second Year Report Policy Review Summary

Our second year review⁸ found that the Welsh policy context had remained supportive of credit unions, albeit ambitious. The annual report on the Programme for Government⁹ noted that the Welsh Government was still making available financial support to the sector but the twin focus upon tackling poverty and developing the long term sustainability of credit unions outlined in this document encapsulated the arguably conflicting policy goals set by the Welsh Government for the sector.

At the UK level our second year review found that there had been significant policy and legislative developments since the Credit Unions Project was first launched. These included:

- the introduction of the Legislative Reform Order which came into force in November 2011 and allowed credit unions to extend their geographical common bond area and offer services to a wider client base. However we concluded that whilst many Welsh credit unions had

⁸ Welsh Government (2013) 'An Evaluation of the Access to Financial Services through Credit Unions Project – First Year Report' Available at: <http://wales.gov.uk/statistics-and-research/evaluation-access-financial-products-through-credit-unions/?status=open&lang=en>

⁹ Welsh Government (May 2012) *Programme for Government Annual Report*

- extended their common bond area the take up of the power to offer service businesses and social enterprises had been fairly limited;
- the introduction of the UK Government's Welfare Reform programme which proposed to simplify the benefits and tax credits system and included the introduction of Universal Credit as a single monthly streamlined benefit payment. This development offered credit unions potential opportunities such as managing jam-jar accounts for individuals in receipt of benefits and ensuring rent payments were made to landlords such as housing associations. Our fieldwork during 2012 revealed that credit unions were generally only starting to explore these opportunities at the time and that it was still very early days to identify what impact the developments would have upon the sector;
 - the abolition of the discretionary elements of the Social Fund by the Department of Work and Pensions which resulted in the Welsh Government having to decide what to put in place in Wales with the Funds that were transferred. The Discretionary Assistance Fund came into being and this is managed by an independent contractor¹⁰ on behalf of the Welsh Government. The role that credit unions would have to play in supporting the work of this contractor was initially unclear but as the scheme has bedded down it has become clearer how credit unions can contribute as a network partner, should they chose to do so;
 - the possibility that the Department of Work and Pension would make available further funding to the credit union sector to expand, modernise and develop sustainable operations following the withdrawal of its Growth Fund, as outlined in a feasibility study published in May 2012.

2.3 Current Welsh Government Policy

Since the publication of our second year report there have been two Ministerial changes to the (current) Welsh Government Communities and

¹⁰ Northgate Public Services, in partnership with Family Fund Trading and Wrexham County Borough Council

Tackling Poverty portfolio. Huw Lewis AM, who replaced Carl Sargeant AM¹¹, held the ministerial position for a short period between March and June 2013 and was then replaced by Jeff Cuthbert AM (in June 2013).

Tackling poverty remains a key commitment in the Welsh Government's Programme for Government and in its second annual report the Welsh Government notes that by December 2012 12,629 financially excluded adults had received financial services through credit unions¹² and that 59,795 people were members of credit unions at the end of 2012 – up from 47,634 in 2010 to 54,253 by 2011¹³.

One of the key developments over the course of the year was the announcement by the then Minister¹⁴ on 13 June 2013 of additional funding to support the development of the sector in Wales. The announcement, which coincided with an event which brought together representatives from credit unions across Wales, made clear that the Welsh Government intended to fund the work of Welsh credit unions so as to encourage 'more people to use credit unions' and support them to become 'a more visible and widely available source of affordable financial services'¹⁵. Of the £2 million funding made available, it was intended that £612,000 would support the work of Welsh credit unions for a six month period between October 2013 and March 2014, effectively extending the existing funding arrangements which were due to come to an end in September 2013. The remaining funding was intended to be made available to the sector on the basis of credit unions submitting a joint, acceptable business case to the Welsh Government which showed that they would 'significantly extend their reach and services'. It was intended that this funding be used by the end of March 2014.

On the 15 January 2014 the Minister for Communities and Tackling Poverty, Jeff Cuthbert, announced that this additional funding was being awarded to a

¹¹ Minister for Local Government and Communities

¹² <http://wales.gov.uk/docs/strategies/130604progress9en.pdf>

¹³ <http://wales.gov.uk/about/programmeforgov/data?code=TR131&lang=en>

¹⁴ Huw Lewis AM

¹⁵ <http://wales.gov.uk/newsroom/communities/2013/130613-credit-union/?lang=en>

total of 19 projects, seven of which were national schemes¹⁶. The projects included a publicity campaign to be managed by North Wales Credit Union with the objective of increasing credit union membership by 2,000 above the expected growth levels, an IT related project led by Cardiff Credit Union to develop its website and improve online access and a project led by Merthyr Tydfil Credit Union to train two people to provide financial education courses to 500 secondary school children and recruit 300 junior credit union members.

At the time of our fieldwork Welsh Government funding for the credit union sector was in place up until the end of March 2014. On 18 March 2014 however the Welsh Government announced that a further £1.7 million was being made available to the sector for the next three financial years up until March 2017¹⁷.

It is worth noting that there has been no specific and detailed Welsh Government Policy Statement set out for credit unions despite the work programme outlined in the Credit Union Action Plan having come to an end during 2013. The Welsh Government has however regularly conveyed its policy objectives for the sector over the course of 2013 - initially during the then Minister's speech at the Credit Union Summit held in June 2013, then in a letter from the Director of the Communities Division in November 2013 and more recently during a Ministerial announcement on future funding in March 2014... The key message in these communications point to the Welsh Government's ambitions for the credit unions to be 'a key part of the local network of support that should exist in all communities'¹⁸. The then Minister's speech also highlighted the importance of developing a sustainable network of credit unions that also extends services to the financially excluded: 'I want to prioritise the sustainability of Credit Unions so that we have a sector that is supporting our communities across Wales' that would be 'strong enough to provide a service for all – including those on the lowest incomes'¹⁹.

¹⁶ <http://wales.gov.uk/newsroom/communities/2014/funding-boost-to-increase-credit-union-membership/?lang=en>

¹⁷ Taken from <http://wales.gov.uk/newsroom/communities/2014/140318-credit-union-funding-package/?lang=en> accessed 24 March 2014.

¹⁸ Taken from the then Minister's Speech at the Credit Union Summit 13 June 2013 Page 1

¹⁹ Pages 3 and 4

In the letter to credit unions (November 2013) prior to committing additional Welsh Government funding to the sector, the Welsh Government's Director of Communities Division called upon credit unions to collaborate and deliver the Welsh Government's vision for the sector:

'Our vision is of a financially resilient Credit Union movement in Wales that works together in a collaborative and effective way and in partnership with the Welsh Government to offer a range of services that also assist those who find it difficult to work with other financial institutions. We are prepared to invest resources to realise this vision but can only do so if there is a clear desire on the part of Credit Unions to participate in achieving this.'

The letter also stated that the Welsh Government required a commitment from credit unions to:

'work together in a collaborative and effective way to support the Welsh Government to address its Tackling Poverty and Financial Inclusion agendas. This commitment to provide effective support to our financially excluded members of society is needed before any further significant investment of resources can be made by Welsh Government'.

Finally the most recent announcement (March 2014) reinforces the Welsh Government's policy objective of developing sustainable credit unions:

'... our latest support is aimed at creating a financially sustainable credit union network with a strong membership base that supports the work they do and continue to help those communities who need it the most.'

2.4 Current UK Policy and Legislation

Since our previous report, which covered developments up until the end of 2012, further developments have been witnessed in terms of UK policy – notably in terms of the Department for Work and Pensions (DWP) Expansion Fund and Welfare Reform.

2.4.1 DWP's Credit Union Expansion Project (CUEP)

In June 2012 the DWP announced that it was taking forward the findings of the Credit Union Feasibility Study and that it was investing a further £38 million in UK credit unions over a three year period via its Credit Union Expansion Project (in addition to the £13 million it was investing anyway in 2011/12) following the removal of the previous financial inclusion Growth Fund which ended on 31 March 2011. Following an invitation from DWP to consortia of credit unions to tender for the delivery of the project, the Association of British Credit Unions Limited (ABCUL) was contracted by the DWP to deliver the project and appointed Cornerstone Mutual Services, ABCUL's service company for credit unions, to manage its delivery. Six Welsh credit unions have become part of the Expansion Project, namely Bridgend Lifesavers, Cardiff and Vale, Merthyr Tydfil, Neath Port Talbot, North Wales and Smart Money Credit Unions. In addition Moneyline (Cymru) is also involved. The project commenced in May 2013 and will run for a period of two years. Incentive funding is made available to credit unions on the basis of them collectively meeting agreed milestones for collaboration, modernisation and expansion. Credit unions who are involved with the project are working towards growth related targets such as additional new members, growth in savings and loans and the introduction new products and services.

2.4.2 Welfare Reform

The UK Government has been pressing ahead with its welfare reform agenda over the last year and one of the key developments as part of this reform has been the introduction of Universal Credit, which brings together six benefits and tax credits into one. The UK Government piloted the scheme for single claimant groups in the Greater Manchester area as from April 2013, rolling out to seven areas across the country by the end of 2013. Roll-out has been slower than expected and as Wales has not been directly involved as yet, the introduction of the Universal Credit has yet to impact upon the work of Welsh credit unions.

One key development aligned to the introduction of Universal Credit which is likely to impact upon the work of credit unions in the future relates to the introduction of Direct Payments of housing benefits to claimants. This has raised concerns amongst housing providers that tenants would find it difficult to pay rent. These changes in a sense provide credit unions with an opportunity to support tenants to manage their funds.

Finally another key aspect of the welfare reform agenda that was introduced in April 2013 was the removal of the Spare Room Subsidy (termed the 'bedroom tax') which meant a reduction in the housing benefit awarded to people in cases where the number of people living in the household was smaller than the size of accommodation available. In the context of the credit union sector this development may result in placing additional demand upon the services of credit unions from members affected by the cut-backs.

2.4.3 Other developments

At a more general level it would appear that support and recognition for the work of credit unions has been catapulted into the media lime-light over the last year or so – not least because of the increasing interest in the growth of alternative finance providers across the UK but also because key community leaders such as the Archbishop of Canterbury, Justin Welby, have called upon the UK Government to ensure that a viable alternative to pay-day lending be made available via the credit union movement. In a speech delivered at the House of Lords in June 2013²⁰ the Archbishop of Canterbury argued that:

'A mixed economy of geographically based credit unions and professional ones, and other forms of finance such as CDFIs will give the best chance of developing good, alternative sources of finance'.

²⁰ <http://www.archbishopofcanterbury.org/articles.php/5083/payday-loans-archbishops-speech-in-the-house-of-lords>

He went on to outline his vision for an 'alternative credit movement' where pay-day provision would not be required and to achieve this he argued that:

'For the credit union movement to be successful and sustainable, and other forms of local finance to develop, we need a bottom-up movement of local organisations working to change the sources of supply. It will take many years—10 to 15 years—but it must start now. The new institutions must develop flexibility in order to demonstrate their ability to meet the new needs'.

Of course it could be argued that the increasingly high expectations now being placed upon the sector at the UK level has created a situation where credit unions are possibly viewed unrealistically as a panacea for poverty and financial exclusion.

3. ALTERNATIVE FINANCE PROVISION

3.1 Introduction

This section explores the recent developments that have taken place across Alternative Financial Services (AFS) and the implications of these developments for the credit union sector.

3.2 AFS Developments

AFS is finance mediated via non-bank channels including services provided by co-operative banks, mutuals and credit unions. Payday loans, pawnshops, traditional moneylending by door-to-door collection, non-bank cheque cashing, and money transfers are also examples of AFS. The supply of AFS has been catalysed since the financial crises across the UK largely because of the increased regulation imposed upon the banking system which has resulted in tighter bank lending practices. Other consumer trends have also fuelled the growth of AFS including the growing acceptance of online transactions in financial products which has enabled AFS to access a wider potential customer base as well as the desire for greater choice and quicker decisions on the consumer's part. As a result the AFS market has grown substantially from £900 million in 2008/09 to more than £2 billion in 2011/12²¹.

Payday loans are an increasingly popular source of short term finance. Found on the high street and online, they offer an individual the opportunity to borrow a sum of a few hundred pounds for a short time whilst providing a post-dated cheque to the lender to cover the eventual repayment, plus interest. There are no official figures but the Office of Fair Trading (OFT) estimates that approximately £1.8bn is borrowed annually via this route and The Public Accounts Committee estimates that around 2 million people across

²¹Office of Fair Trading, Payday Lending: Compliance Review, Final Report, March 2013 (accessed 13 September 2013)
(http://www.oft.gov.uk/shared_of/Credit/oft1481.pdf)

the UK use payday loans²². The OFT discovered that the typical payday loan borrower “was more likely to be a young male, earning more than £1000 monthly, and in rented accommodation. Many are unmarried with no children”.

In November 2012, 240 payday loan companies were operating in the UK according to the OFT with the largest three accounting for 55% of the market by their turnover. Two thousand high street payday loan shops exist across the UK, of which some are national chain stores e.g. The Money Shop and others also operate as pawnbrokers offering money transfer and cheque cashing.

Within Wales the take up of pay day loans has increased dramatically in line with UK trends and data from Citizens Advice Cymru suggests that the number of individuals with payday loan debts seeking their support increased six-fold (from 93 to 609) between the first quarter of 2011-12 and the first quarter of 2012-13²³. Many of those seeking support had multiple loans despite having a poor credit history.

The role of and place for payday loans has been the subject of heated debate for the last three years and the OFT has recently undertaken a formal review of compliance by payday lenders with its relevant legislation and guidance. Of particular concern has been the lack of affordability assessments undertaken by providers given that as many as one in three loans taken out via this route are not repaid on time. Also of relevance has been the UK Government’s decision to cap the rate of interest for Payday Loan Companies. The level of the cap has yet to be announced and will be set by the new regulator, the Financial Conduct Authority (FCA) when in April 2014 it replaces the Financial Services Authority (FSA).

Other services which fall into the AFS include pawnbroker and home credit (or ‘doorstop lending’ as it is more commonly referred to). Pawnbrokers operate

²²BBC News, Q&A: Payday loans, 31 May 2013 (accessed 13 September 2013)

(<http://www.bbc.co.uk/news/business-16067283>)

²³ <http://www.walesonline.co.uk/news/wales-news/number-people-wales-large-debts-4031865#.UayM3VE65tQ.twitter> (accessed 5 February 2014)

in two ways: an individual may leave a valuable item as a security for a loan or simply sell the item to the pawnbroker in order to receive money quickly without needing credit checks. Doorstep lending is often associated with borrowing small sums of money (typically between £50 and £500) with steep interest rates which can be as high as 1,500% APR²⁴. If an individual applies for a loan, the money is delivered to the borrower's house by an 'agent' who usually takes a payment every week. The Provident Financial comprises almost 66% of the UK home credit market with around 2.7 million customers and is considered to have a near monopoly on door-to-door lending given that its agents are embedded in deprived communities.

It appears that some payday lenders are adapting to widespread concern that they are "profiting from the misery of the poor"²⁵. According to their website, Reddies Direct "are responsible lenders" with "various 'checks and balances' in place that give us a good idea as to whether you can easily afford to repay your payday loan".²⁶ Zebit state on their website that "borrowing of this type is an expensive form of credit that may be appropriate for short term financial needs but is not appropriate for longer term borrowing or if you are in financial difficulty"²⁷.

3.3 Lessons for Welsh Credit Unions

Online platforms are commonly used by AFS which has made them easily accessible to anyone with internet access. Whereas the traditional banking sector and AFS allow lenders to apply for loans online, few Welsh credit unions provide this facility at present.

²⁴ The Money Advice Service, Home credit or doorstep lending (accessed 13 September 2013) (<https://www.moneyadviceservice.org.uk/en/articles/home-credit-or-doorstep-lending>)

²⁵ Mail Online "Wonga profits hit £1.2million a week: Number of payday loans soars 70% in a year" (accessed 13 September 2013) (<http://www.dailymail.co.uk/news/article-2410676/Wonga-profits-hit-1-2million-week-number-payday-loans-soars-70-year.html>)

²⁶ Reddies Direct "Reddies Direct are Responsible Lenders" (accessed 13 September 2013) (<https://www.reddiesdirect.co.uk/responsible-lending>)

²⁷ Zebit (accessed 13 September 2013) (<http://www.zebit.com/>)

The growth of AFS is also partly a result of the quick and easy methods they offer consumers to access money, albeit that the OFT found that few lenders conduct satisfactory affordability assessments prior to lending funds. However credit unions cannot be expected to compete with the quick turnaround offered by such providers given that they require borrowers to provide information in order to assess if they are suitable and what size of repayment is affordable.

The volume of marketing and the methods of advertising deployed by payday lenders have contributed to its growth in recent years and whilst we appreciate that credit unions (either on an individual or collective basis) could never match the level of investment made in mass marketing by such providers, their approach offers some lessons to consider. In particular many pay day loan providers have implemented national on-going advertising campaigns and utilised memorable imagery, characters and music. Also it is interesting to note that some pay day lenders (as well as mainstream banks such as NatWest, Barclays, HSBC, Santander and Lloyds Bank) use a slider tool that potential customers may adjust to show the repayment cost of a loan. Whilst payday providers tend to emphasise the speed at which funds can be transferred mainstream banks tend to emphasise that loans are subject to credit assessment and eligibility issues.

At this point it is worth stressing that since credit unions cannot charge more than 26.8% interest their basic 'offer' is highly competitive compared to that of high rate AFS lenders. To exploit this key advantage credit unions in Wales might not only consider drawing upon the approaches used by payday lenders in promoting/advertising their products, but they might also consider ways to match the convenience typically associated with high rate AFS providers. While, with their local presence within communities, credit unions are well placed to challenge high rate AFS's on this front,²⁸ a review of their typical operating arrangements reveals that most might benefit from being more accessible in terms of their opening hours (most credit unions are only open

²⁸ Carl Packman "Payday lenders have lessons to learn from credit unions", New Statesman, 14 May 2012 (accessed 13 September 2013)
(<http://www.newstatesman.com/blogs/interest-rates/2012/05/payday-lenders-have-lessons-learn-credit-unions>)

for a few hours a day and few remain open until the end of the working day) and continuing to expand their outreach services.

4. PROJECT BACKGROUND

4.1 Introduction

In this section we first discuss the phase one pilot (Section 4.2) before moving on to discuss phase two (Section 4.3).

4.2 Phase One

The Credit Unions Project was first introduced in April 2009 and during its initial phase one pilot £1.9 million was made available via Welsh Government and EU Convergence region funding (both capital and revenue) to support the expansion and sustainability of 22 credit unions. The Wales Co-operative Centre was procured by the Welsh Government to administer the credit union funds and to provide support to the sector. Our First Year Report²⁹ found that the EU funded project either met or exceeded four of its WEFO targets but failed to meet the fifth and final target of supporting 2,847 individuals to access financial services. The main challenges identified during our First Year evaluation of phase one related to the disconnect between the targets of the Credit Union Action Plan, the WEFO Business Plan³⁰ and credit union contractual targets, as well as the lack of consistency in terms of defining WEFO funded targets.

4.3 Phase Two

The second phase of the EU funded project commenced in October 2010 and came to an end in December 2013, although EU project funding for credit unions came to an end in September 2013. The total funding made available for phase two was just under £3.5 million with £1.62 million of this being made available by the Welsh Government and £1.88 million via Convergence

²⁹ Welsh Government (2012) 'An Evaluation of the Access to Financial Services through Credit Unions Project – First Year Report'

³⁰ The key targets set out in the Credit Union Action Plan (such as increasing credit union market penetration, increasing credit union asset base, increasing public awareness and increasing credit volunteer numbers) were not reflected in the WEFO Business Plan or individual credit union contractual targets.

European Regional Development Fund (ERDF) funds. Welsh Government only funding continued to be made available to credit unions as from October 2013 onwards and although this was expected to come to an end in March 2014 a recent announcement by the Welsh Government (March 2014) has made funding available to the sector until 2017.

The aim of the phase two project, as set out in the business plan for the ERDF funding, was:

‘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, and especially those in greatest need’³¹.

Whilst the business plan was prepared in advance of the publication of the Credit Union Action Plan, the aim was nonetheless consistent with the eventual aims of the Action Plan. The objectives however, were somewhat less specific than those of the Action Plan³²:

‘To

- Strengthen the governance and compliance standards of credit unions in Wales;
- Support the long-term sustainability of the credit union movement;
- Raise the profile of the credit union movement;
- Encourage membership growth – achievement of a significant growth of 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
- Support credit unions in delivering financial inclusion initiatives’³³.

The targets approved by WEFO for the three year period of the phase two project were as outlined in Figure 1:

³¹ Access to Financial Services through Credit Unions (Phase Two) Business Plan prepared by Welsh Government and submitted to WEFO (Case ID 806617) Page 3

³² See First Year Report Section 2.2 for Credit Union Action Plan’s objectives

³³ Ibid., p.3

Figure 1: Credit Unions Project Phase Two WEFO Targets

	Target
Social enterprises financially supported	17
Social enterprises assisted	17
Number of jobs created	7
Social enterprises created	1
Number of people accessing services (financial services)	7,500
Enterprises adopting or improving Environmental Management Systems	17
Enterprises adopting or improving equality strategies and monitoring systems	17
Net social enterprises created	1
Net jobs created	1

The target for one new social enterprise to be created (and one net social enterprise created) related to the merger of a number of credit unions in north Wales to create one new credit union. This is significant in the sense that it demonstrates a policy of consolidating and strengthening the existing credit union base, rather than focusing on creating additional, new ones.

A specification for the delivery of the Credit Unions Project (phase two) was issued by the Welsh Government. The specification noted that funding of £3 million would be made available to a service provider to deliver the project but that it was expected that no less than 70% of this budget would be made directly available to credit unions and no more than 30% retained by the delivery organisation to meet the costs of administering the project and providing the relevant support. In the event TSIB was contracted to deliver the phase two project.

In preparation for phase two of the project, the Welsh Government invited credit unions to apply for further funding and issued a second tranche of one year Service of General Economic Interest (SGEI) Agreements to 19 credit unions covering the September 2010 – August 2011 period. Revenue only funding of just over £750,000 was made available with individual funding amounts varying from £21,260 (Brecon Credit Union) to £50,000 (Clwyd Coast, Gateway, Credcer, Romcul and Smart Money), as presented in Figure 2 overleaf. No Welsh Government funding was available to offer capital funds to credit unions during this period. In addition, funding for two specific projects was made available to be delivered across the four credit unions of Smart

Money, Gateway, Newport and Merthyr Tydfil Credit Unions - namely to fund a Debt Recovery Officer based at Smart Money credit union (£27,464) and a Financial Harmonisation project and Document Scanning project (based at Gateway credit union and amounting to £22,937).

Offers were made on the basis of one year, with an option to extend for further years subject to an assessment of the first year performance achieved. Similarly to phase one, funded credit unions had specific targets to meet, which are discussed in detail in Section 5.3.3 of the report.

During August 2011 the Welsh Government issued a third set of credit union SGEI funding agreements covering a two year period from October 2011 to September 2013. The revenue only amounts confirmed are presented in Figure 2 below. It is worth noting that funding was extended to a total of 17 credit unions during this period following the inclusion of Llynfi Valley and Islwyn credit unions for the first time during 2012 and the merger of five north Wales based credit unions (Caledfryn, Clwyd Coast, Llandudno and District, Wrexham and Y Llechen) in early 2011. As would be expected the funding made available to the newly merged credit union was much greater than for other, smaller ones but overall the funding values were largely based on historical patterns and level of need rather than a clear formula aligned to project outputs.

Figure 2: Phase Two SGEI Funding Agreements for Credit Unions³⁴

Credit Union	Phase Two First Year Funding (1 Oct 10 – 30 Sept 11) (£)	Phase Two Second and Third Year Funding (1 Oct 11 - 30 Sept 13)	Total Phase Two Funding
Brecon and District	21,260	42,520	63,780
Bridgend Lifesavers	34,453	89,906	124,359
Caledfryn	35,537	-	35,537
Cardiff and Vale	22,374	44,748	67,122
Clwyd Coast	50,000	-	50,000
Credcer Credit Union	50,000	90,000 ³⁵	140,000
Dragonsavers	46,000	92,000	138,000
Gateway	50,000	132,276	182,276
Haven	30,000	70,000 ³⁶	100,000
Islwyn Community	-	47,000	47,000
LASA	24,406	48,812	73,218
Llandudno and District	34,676	-	34,676
Llynfi Valley	-	20,000	20,000
North Wales	n/a	396,178	396,178
Merthyr Tydfil Borough	39,431	81,377 ³⁷	120,808
Neath Port Talbot	45,558	91,116	136,674
Newport CU	35,000	72,500	107,500
Hafren (previously Robert Owen Montgomery (Romcul))	50,000	n/a	n/a ³⁸
Save Easy	30,453	60,906	91,359
Smart Money	50,000	102,500	152,500
Wrexham	46,876	-	46,876
Y Llechen	31,000	-	31,000
Total	£727,024	£1,481,839	£2,158,863

4.4 Post Phase 2

As is outlined in Section 2 of this report, the Welsh Government confirmed that further funding to those 17 credit unions involved in the project would be made available for a period of six months between October 2013 and March 2014 and the allocations for each credit union is presented in Figure 3. Credit unions were allocated additional targets for this six month period and these targets were set at 25% of the previous two year targets agreed for Phase 2.

³⁴ Revenue Funds only

³⁵ Includes a debt recovery supplement of £10,000

³⁶ Includes a debt recovery supplement of £10,000

³⁷ Includes a debt recovery supplement of £2,500.

³⁸ Hafren Credit Union was awarded £62,100 funding outside of the SGEI project in October 2012 for the period October 2012 and September 2014. The funding breakdown was £47,100 in 2012/13, £10,000 in 2013/14 and £5,000 in 14/15.

Figure 3: Additional Funding for Credit Unions (October 2013 – March 2014)

Credit Union	Revenue Funds
Brecon and District	10,630
Bridgend Lifesavers	17,226
Cardiff and Vale	11,187
West Wales Credit Union ³⁹	20,000
Dragonsavers	23,000
Gateway	25,000
Haven	15,000
Islwyn Community	11,750
LASA	12,203
Llynfi Valley	5,000
North Wales	99,044.50
Merthyr Tydfil Borough	19,715.50
Neath Port Talbot	22,779
Newport CU	17,500
Save Easy	15,226.50
Smart Money	25,000
Total	£350,262

³⁹ Renamed from Credcer

5. FINDINGS

5.1 Introduction

In this section we report on the findings from our desk review and fieldwork. We first consider views on the initial and continuing rationale for the project (Section 5.2), before turning to review project and individual credit union targets and achievements (Section 5.3). We then explore project delivery arrangements (Section 5.4) and the nature of the support provided to credit unions (primarily via TSIB but also directly via the Welsh Government and Cardiff Metropolitan University) (Section 5.5 and 5.6). Section 5.7 looks at the key developments that have taken place across the sector and the contribution made by the project to these developments. Finally we present the views of individual members interviewed during the fieldwork about the difference made by credit unions (Section 5.8),

5.2 Views on Project Rationale

5.2.1 Welsh Policy

Our fieldwork during 2014 reinforced many of the points made during previous stages of this evaluation in that it was thought that the Welsh Government continued to be supportive of the credit union sector but that there was still a significant conflict in Welsh policy expectations of credit unions. In particular, credit unions stressed that the Welsh Government's policy of using credit unions as a tool to combat poverty as well as wanting to see credit unions develop as sustainable operations presented them with conflicting tensions. It was suggested by many interviewees that the funding agreements which were geared towards supporting financially excluded groups would not necessarily lead to the formation of financially sustainable organisations (with some arguing that the focus on providing services to the financially excluded had made some Credit Unions less sustainable). However a minority of interviewees were keen to stress that it was feasible for credit unions to pursue both objectives, receiving public funding as compensation for

providing uneconomic services to the financially excluded while also developing their membership base so as to build greater resilience.

Having said this, credit unions also argued that there had been some notable changes over the course of the year. On the one hand it was thought that the importance of credit unions, particularly in offering an alternative to pay-day lending which had grown over the last few years, had increased in the minds of Welsh Government officials and Ministers recently and that support for the sector had actually been strengthened. However on the other hand some credit unions argued that there had been a lack of Welsh Government strategic direction for the sector which had resulted in a strategic 'vacuum' and 'a lack of guidance' for the future. This, it was claimed, had not been helped by the change of officials and Ministers responsible for the credit union sector over the course of the year.

A few contributors evidenced what they perceived as a lack of Welsh Government direction in the way additional funding had been made available to credit unions: several contributors argued that there had been no clear objectives or outcomes attached to the recent additional funding announced and it had been left to the sector to identify its own priorities for making use of this money. Several credit unions called for clearer leadership and a more definite course of action from the Welsh Government. Indeed it was argued that this had become increasingly more important for the sector of late given the growing perception that credit unions were the 'silver bullet' for resolving a wide range of issues including alleviating poverty and addressing payday loan provision. In its defence however Welsh Government officials argued that one of the key objectives of making available the additional funding in the way that it had done was to see if it would encourage credit unions to collaborate and develop a unified voice for the sector.

Furthermore other credit union representatives were critical of the fact that the Welsh Government was taking a very short-term view of supporting the sector

financially, with no further financial commitment having been made post March 2014 at the time of our fieldwork⁴⁰.

More positively, it was suggested by several contributors that the Welsh Government had become much more flexible in allowing credit unions to concentrate on growing their general membership base, as opposed to focusing only upon financially excluded members for which credit unions had been contracted to deliver under their SGEI Funding Agreements – although the Welsh Government had been clear that they did not want the proportion of financially excluded members to shrink in any way. This increased flexibility was thought to have come about as a result of credit unions having already achieved their contractual target for new financially excluded members. Whilst credit unions welcomed this move as it enabled them to focus upon developing sustainable operations, other stakeholders were somewhat more critical noting their concerns that credit unions were moving away from what these stakeholders saw as credit unions' core remit of supporting the most vulnerable within society.

At the heart of this point was recognition that each credit union was unique and that the movement included both the traditional community focused credit union as well as larger, more ambitious ones, with a stronger focus on tackling poverty. Credit unions felt that the Welsh Government had come to acknowledge these differences over the course of the project.

Interviewees from the sector continued to argue for further Welsh Government support post March 2014. Whilst there had been a lack of clarity during our fieldwork in 2012 about what this support should look like, contributors during our last stage of fieldwork had clearer ideas. Although reasonable (and in some cases good) progress had been made by several credit unions over the course of the project it was argued strongly that should support to the sector be ended in March 2014 many credit unions would revert to previous arrangements and many benefits from the progress made over the SGEI funding period would be lost. For instance one credit union explained that

⁴⁰ An announcement on future funding was made by the Welsh Government in March 2014. .

their satellite collection points, which had been introduced with SGEI funding, would have to close if funding was withdrawn.

In terms of policy expectations (as expressed in the Credit Union Action Plan) it was widely acknowledged that many of the targets set for the sector were no longer relevant, as they had been set to be achieved by 2013. Whilst we deal with the success, or otherwise, of the project in achieving these targets at Section 6.1 it was still argued by many contributors that the remaining target relating to credit union market penetration (at 6% by 2020) still remained challenging. It was thought that some, but not all, credit unions would be able to achieve this target provided they continue to receive Welsh Government support to do so. Again, as was the case during 2012, whilst it appeared that the policy objective of providing all-Wales coverage had been achieved, in reality this was not the case as several credit unions did not fully service their 'common bond' areas -particularly in rural areas. Some progress was reported however in increasing access to services via on-line methods but in reality such cases were few and far between at the time of our fieldwork.

Finally in response to the Welsh Government's announcement of additional funding to the sector there was a general view that the funds could provide a short term injection of funding to implement some development such as improved IT systems and a swift marketing campaign. Many conveyed their reservations about the potential value of this additional funding, given that the process of bidding for it had been fraught with difficulties (discussed later) and that the funds would have to be spent within a very tight timescale. A few contributors were concerned for instance that the marketing activities proposed would not prove effective as the credit union sector in Wales did not have a common bond or a common product to promote.

5.2.2 UK Policy

The introduction of the Legislative Reform Order 2010 had started to have a greater bearing upon the credit union sector by the time of our fieldwork during 2013 in that a greater number of credit unions had extended their common bond areas, and perhaps more importantly, started to function

across these wider areas. This had resulted in the opening of new branches and/or the changing of the credit union name in some cases (e.g. Credcer changed its name to West Wales Credit Union and opened a branch in Carmarthen to serve its extended common bond area).

Whilst the introduction of the legislation also enabled credit unions to admit corporate members it was still the case that not many Welsh credit unions had taken full advantage of this opportunity. Furthermore the raising of the interest cap had been helpful but did not seem to have had a major impact upon Welsh credit unions provision as yet.

As outlined in Section 2, six Welsh credit unions were participating in the DWP's Expansion Project and although it was still very early days the main issue raised by credit unions related to payment in that despite individual credit unions achieving their targets they would not receive payment until the project's collective targets were met. The other key message of relevance to emerge from our fieldwork related to the need to ensure that Welsh Government funding to the sector added value to developments funded via the Expansion Project. Whilst it was acknowledged that the Welsh Government made clear in its funding letters to credit unions that SGEI funding should not be used to duplicate any provision funded via the DWP's Expansion Project and that there had been close contact between Welsh Government and DWP officials, interviewees were keen to ensure that the impact of both funding streams be maximised.

It was still the case that Welsh credit unions believed that the UK Welfare Reforms would have an adverse impact upon their customers and indeed, several examples were cited of customers who had approached credit unions for loan support due to welfare cutbacks such as the 'bedroom tax'. Credit unions were also concerned about the impact upon their operations for those customers who opted to receive their monthly welfare benefits into another financial services provider. Likewise, it was thought that members who elected to have their Universal Credit paid into their credit union account would 'put pressures on [name of credit union] in terms of supplying cash'.

However whilst credit unions had anticipated that the introduction of Universal Credit would have created opportunities for them to work with housing providers to manage rent accounts on their behalf, in reality only a small number of (the larger) credit unions have been successful with these developments. In the majority of cases credit unions have spent a significant amount of time pursuing these opportunities only to find that either housing providers have not been prepared to pay for such services or are only prepared to engage with credit unions which have adequate capacity to manage their whole portfolio. It is also worth noting that credit unions were aware of the pressures being placed by housing providers on the UK Government at the moment to change the welfare reforms (i.e. so that housing associations will get rent paid directly for those tenants deemed to be most at risk). It was thought that should housing associations succeed with this campaign then the opportunities for credit unions to step in with rent-deduction services could disappear.

One such credit union illustrated these issues particularly well - it had run a demonstration project aimed at helping social landlords deal with the changes to the way in which housing benefit would be paid in the future. The project would involve the credit union collecting rents on behalf of landlords for a charge of £5 per tenant. Local housing associations had been very reluctant to get involved with the project despite being concerned about the implications of the introduction of direct payment. Even when the credit union reduced the tenant fee to £2 it was found that housing associations were still reluctant to get involved and would rather wait to see whether the UK Government would implement changes to the reforms.

5.2.3 Other External Impacts

Feedback from contributors during this evaluation points to the raising of credit union profile generally across the UK – particularly as a result of the key church leaders' advocacy of the sector during 2013 and the UK Government's objective of doubling credit union membership via the DWP's Expansion Project. The increased media coverage was thought to have helped to raise

awareness and interest in credit unions (e.g. one credit union reported a spike in website visits following comments made by the Archbishops of Canterbury and Wales) and this had been of benefit in attracting new savers. However it was not thought that the increased media attention had necessarily translated into increased credit union lending – largely as the Tier 1 and Tier 2 customers who responded either did not need to borrow or did not see credit unions as a credible lending provider.

It was also highlighted by many within the sector that the significant increase in the availability and use of payday lending had had an impact upon the credit union sector – however, any perceptions that policy makers had that credit unions would be able to tackle the growth of payday lending was thought to be ‘naïve’. A few suggested that it was not realistic to expect credit unions to compete directly with payday providers as they did not provide an equivalent product. Neither did many credit unions think that they could take the same level of risk as pay-day companies – to do so would require them to offer higher rates of interest on their loans.

Many contributors, both credit unions and stakeholders, thought that lessons could be learnt from the approach adopted by pay-day lending providers. These included their methods and content of advertisements and also in the way their services could be accessed easily and quickly on-line. A couple of credit union representatives commented upon the need to ensure that advertisements were easy to understand and pitched at the right level.

In the case of one credit union that was located in a busy high street premises the Manager commented that they had seen three pay day providers opening branches within the town over the last three years and this had meant that the credit union had needed to ‘up its own game’ in response to the competition. As a result the credit union had made considerable efforts to process loan applications quicker in an effort to attract more members.

5.3 Project Targets and Performance

In this section we discuss the project's performance to date. This includes a brief summary of phase one as well as a detailed account of phase two performance.

5.3.1 Phase One Targets

Our First Year Report found that the phase one project was able to either meet or exceed the majority of its WEFO funded Convergence targets although there was a lack of evidence to substantiate some outputs and a lack of consistency in the definitions adopted. Our First Year Report also revealed a fairly weak out-turn in terms of credit unions performance against their individual targets for phase one. The main issue related to the fact that credit unions adopted a wide range of ill-defined targets (and that the overall number of targets in different credit unions' funding agreements varied tremendously) which meant that assessing value for money proved impossible. Furthermore our First Year Report found that there had been a lack of alignment between targets agreed with individual credit unions and project level targets agreed with WEFO.

Our First Year evaluation found that the Wales Co-operative Centre was contracted to deliver upon six key areas of activity in terms of supporting credit unions as well as administering the SGEI funding agreements. We concluded that the Wales Co-operative Centre was largely able to fulfil its contractual obligations during phase one and deliver the support provision required, albeit that the focus of work was weighted towards the administration of the SGEI funding agreements. However given the lack of specific Key Performance Indicators for the Wales Co-operative Centre to deliver in phase one we concluded that it was very difficult to assess its success, or otherwise, in meeting Welsh Government objectives.

5.3.2 Phase Two Project Targets

The phase two project had nine high level targets to achieve by the end of December 2013 in the Convergence area and a review of data supplied by

the Welsh Government, summarised in Figure 4 shows that three of these were achieved or exceeded. Excellent outputs were reported against the headline target of increasing the number of people accessing financial services. Initial progress against this target was slow (as noted in our First Year Evaluation) but the Welsh Government's decision to realign credit union SGEI funding agreements with this target during 2011 proved effective and the target was exceeded by three times the original target set. In addition 4,338 junior members have been supported within the Convergence area alone.

Figure 4: Final Convergence Area Performance Against Phase Two Targets (December 2013)

	Target	Achieved (interim report)	Achieved end of project
Social enterprises financially supported	17	13 ⁴¹	13
Social enterprises assisted	17	13 ⁴²	13
Number of jobs created	7	13	13
Social enterprises created	1	N/A ⁴³	N/A
Number of people accessing services (financial services)	7,500	9,016 ⁴⁴	23,052
Enterprises adopting or improving Environmental Management Systems	17	4	12
Enterprises adopting or improving equality strategies and monitoring systems	17	7	11
Net social enterprises created	1	N/A	N/A
Net jobs created	1	13	19

Source: WEFO Progress Report submitted by the Welsh Government for period ending December 2013

In terms of the number of social enterprises financially supported, the project reported that 13 credit unions had been supported across the Convergence area⁴⁵. However, in total, this target was met over the duration of phase two (thus meeting WEFO's target) as four credit unions covering north west Wales (as well as the Wrexham credit union) merged into one credit union in January 2011. One new credit union (Llynfi Valley) was also recruited to the project

⁴¹ Despite this output being lower than the original target, this target has been achieved in that the project has worked with four credit unions covering the Convergence area in north Wales which merged into north Wales Credit Union in January 2011.

⁴² Ditto.

⁴³ It was agreed with WEFO that the indicator for Social Enterprises Created (and Net Social Enterprises Created) would be removed on the grounds that the newly formed North Wales Credit Union was a merger of five former credit unions in north Wales, four of which were in the Convergence area.

⁴⁴ In addition to these 3449 junior savers have been recruited since the start of the project.

⁴⁵ The project also currently supports a further four credit unions who operate solely outside of the Convergence area namely Brecon, Cardiff, Newport and Romcul bringing the total number of credit unions involved in the project across Wales to 17.

late 2011/early 2012. Thus in total, 17 credit unions within the Convergence area were supported over the lifetime of the project.

The quarterly report submitted to WEFO in December 2013 states that the 'net gain in credit union employment is 19'. Data on jobs created (and net jobs) was collected from credit unions and reported to the Welsh Government via TSIB. We understand that evidence of employment is retained by the reporting credit union to ensure the safeguarding of personal information.

The final progress report to WEFO⁴⁶ states that 11 credit unions had achieved the Green Dragon level two environmental standard and all but one of the credit unions had reported adopting or improving their environmental management systems. Furthermore all but two credit unions had reported adopting or implementing new equality strategies. These outputs represent a significant improvement on the cross cutting outputs reported in our Interim Report and it is clear that priority has been allocated to this area of work over the last year of the project delivery.

5.3.3 Phase Two Credit Union Targets

Our First Year Report stated that the credit union targets which formed part of their SGEI funding agreements were wide-ranging and varied significantly in number and type for each organisation. Data made available to us for the October 2010-June 2011 period showed that the progress made by individual credit unions was mixed.

Our Interim Report found that collectively SGEI funded credit unions had exceeded their all Wales target for increasing financially excluded members which had been set at the outset of phase two of the project and that a key factor had been the Welsh Government's decision to simplify credit unions SGEI Funding Agreements and to align them more closely with project level targets. By September 2012 Welsh Government funded credit unions had

⁴⁶ Up to December 2013

recruited 10,922 (against a target of 9,198) new financially excluded adults and a further 3,827 (against a target of 1,205) new young savers.

However we found that the performance of individual credit unions against their contracted targets at that time had varied – with those such as Neath Port Talbot, Merthyr Tydfil, Newport and Smart Money having far exceeded both of their contractual targets whilst others such as Save Easy, Credcer, Brecon and Cardiff credit unions appeared to be performing relatively poorly against their targets.

The targets set for contracted credit unions were later revised by the Welsh Government and Figure 5 below illustrates the extent to which these have been achieved over the last two years of the project between October 2011 and September 2013⁴⁷. The table shows that 15,131 new financially excluded members had been recruited over this two year period on a collective basis and that this was nearly three times above the target set at 5,989. However as was the case with individual credit union performance in previous years, some performed exceptionally well against their target (e.g. Neath Port Talbot, Smart Money and Dragon Savers) whilst three failed to meet their contracted target (namely Save Easy, Brecon and Hafren).

⁴⁷ The outputs achieved by credit unions over the one year period between Oct 11 – Sept 12 would of course have been considered against the original targets set for each credit union within the Interim Report but are considered here again as a new set of two year targets were issued by the Welsh Government mid way through Phase Two.

Figure 5: Achieving Phase II Targets (as at September 2013)

Credit Union	New financially excluded adults		
	Target	Achieved	Variance
Bridgend	371	629	258
West Wales	156	205	49
Dragon Savers	472	1,555	1083
Haven	118	277	159
Islwyn	120	326	206
LASA	194	1,202	1,008
Llynfi Valley	100	220	120
Merthyr Tydfil	286	1,223	937
Neath Port Talbot	400	3,287	2887
Save Easy ⁴⁸	366	103	-263
Gateway	576	951	375
North Wales	1,445	1,705	260
Smartmoney	569	1,869	1300
Brecon	156	76	-80
Cardiff	260	278	18
Newport	200	1,159	959
Hafren (Romcul)	200	66	-134
All Wales Total	5,989	15,131	9,142

Source: TSIB

5.3.4 Phase Two TSIB Targets

TSIB was contracted by the Welsh Government to manage and distribute the SGEI grant payments to credit unions as well as deliver support and advice to credit unions over the second phase of the project. Our Interim Report found that the majority of the KPIs set for TSIB had been achieved during their first year of delivery and needed to be reviewed (upwards) as well as made SMARTer to reflect the provision made available. The Welsh Government subsequently took a decision to revise the Key Performance Indicators for TSIB and this involved reducing the original 20 KPIs to a more manageable number (seven), outlined below (Figure 6). Whilst not specified in Figure 5, each of the activities outlined had set deliverables and estimated completion or frequency dates in place, which in our view represented a positive development.

⁴⁸ Save Easy outputs relate to their provision in Pembrokeshire only.

Figure 6: Phase Two (Second and Third Year) Key Performance Indicators for TSIB⁴⁹

- To provide business support to credit unions to improve business planning and governance arrangements to comply with requirements imposed by the Financial Services Authority.
- To provide quarterly progress reports on credit unions participating in the project covering financial health and solvency, SGEI activity and business developments.
- To provide intensive business stabilisation support where there is an identified risk of business failure based on the information contained within the credit union quarterly report.
- To develop and implement a programme of training designed to improve and maintain the capacity, ability and professionalism of directors, volunteers and paid employees of Welsh credit unions.
- To facilitate closer collaboration between Welsh credit unions by supporting regular regional meetings for the purpose of exploring opportunities for collaboration and sharing of notable practice. Where appropriate, [to] support the merger of credit unions when in the best interest of the members and the communities served by those credit unions.
- To develop and implement a marketing and communications strategy.
- To process claims from credit unions in accordance with the provisions contained within the agreements to provide Services of General Economic Interest.

Our document review and fieldwork findings reveal that TSIB was able to fulfil its contractual obligations and a discussion around the extent to which these have been effective is presented in Section 5.5.

5.4 Project Delivery Arrangements

In this section we review the effectiveness of project management and operations. For the sake of comprehensiveness we summarise our view on the delivery arrangements adopted for phase one (Section 5.4.1) before turning to discuss phase two processes (Section 5.4.2).

5.4.1 Phase One Delivery Arrangements

Our First Year Report found both strengths and weaknesses to the phase one approach taken by the project – for example the National Credit Union Liaison

⁴⁹ Taken from a Welsh Government Letter dated 4 November 2011 address to TSIB

Group was regarded as being an effective mechanism for credit union dialogue and several lessons had been learnt which were later adopted in phase two. In terms of the negatives we reported that the resources available within the Welsh Government to manage the project had not been consistently adequate. Furthermore the contracted provider (Wales Co-operative Centre) had primarily focused upon the administration of the SGEI funding agreements and questions were raised about the effectiveness of the credit union development work undertaken.

5.4.2 Phase Two Delivery Arrangements

Phase two of the project was overseen by a Welsh Government project team based within the Communities Division. Staff changes within this team has meant that the team has not always been fully staffed over the course of the project and new staff appointed have been required to develop their knowledge of the credit union sector very quickly. Since the end of the EU project the work of the credit union sector has been overseen by two members of staff.

Phase two was delivered by a core small team at TSIB (comprising a Project Manager, Project Administrator and a team of advisors) working as sub-contractors directly with credit unions. In addition a member of Welsh Government staff was seconded to TSIB for the duration of the second phase to work with specific credit unions.

An Operational Project Board (OPB) was established by the Welsh Government during 2010, with members drawn from internal staff, to oversee the delivery of the Credit Unions project. Feedback suggests that this group worked effectively over the duration of the project.

Our fieldwork during 2012 suggested that relationships between credit unions and the Welsh Government had improved significantly over the initial delivery period of phase two, with several credit unions at the time referring to a close working relationship and increased trust between them and the Welsh Government – for example one noted that Welsh Government staff ‘call in

casually now' to their own premises, while others argued that the team had a good grasp of the key operational issues facing credit unions. There was also a general recognition that Welsh Government officials were much more prepared to listen to the sector at the time and a view that they regarded themselves as 'champions' for the sector. Consequently one added that 'we don't have to play games any more'.

However in light of the Welsh Government staff changes which took place during 2013 it would appear that working relationships between credit unions and the Welsh Government had become once again more distant. Several credit union representatives felt that the sector knowledge which previous Welsh Government staff had acquired had been lost and that as a result the Welsh Government now lacked a thorough understanding of credit union operations.

A few also claimed that, since the ending of SGEI capital funding in 2010, Welsh Government officials had sometimes discussed and then retreated from the possible provision of capital funding which had served to weaken trust and relationships.

It was generally thought that the National Credit Union Liaison Group had been an effective group for sharing good practice between credit unions and liaising on a joint basis with the Welsh Government despite it only meeting twice a year. However this group last met in May 2013, largely due to the pressures upon credit unions to collaborate on a joint bid to the Welsh Government, and since then it would appear that there has been a lack of an open forum for engaging with the Welsh Government on a joint basis.

5.5 Phase II Support

In this section we discuss the key support elements that have been made available to credit unions during phase two, including TSIB's contribution (Section 5.5.1 and Section 5.5.2), the training via Cardiff Metropolitan

University (Section 5.5.3) and the project's marketing and promotional campaign (Section 5.5.4).

5.5.1 TSIB Support

Our interim report found that the majority of credit unions had received advice and support from TSIB but that they held mixed views about the value of interventions and training provided. Perhaps unsurprisingly, those credit unions which had received intensive support were generally more likely to state that the TSIB intervention had made a difference to their operation. Those which had received little support tended to suggest that it had not made that much difference to their organisation. This continued to be the case during 2013.

TSIB has continued to provide support to credit unions involved in the project and the nature of this support has included both intensive, individual support as well as more general advice and information services.

In terms of training opportunities offered over the course of the year TSIB facilitated a few training sessions covering themes such as marketing and human resources. However the response from within the sector was low (with only around six participants at each session) and as such TSIB took a decision to only offer bespoke training to the sector in response to what it demanded e.g. courses on the CURTAINS software used by credit unions.

In addition to these training sessions TSIB continued to facilitate a credit union summer school which was well attended in 2013. Feedback from a few attendees suggested that this summer school had been fairly well received and 'interesting' with the key note presentation by the Business Doctor Dr Paul Tomas identified as the main highlight. Attendees noted that they had been able to benefit from the networking opportunities but were less able to cite particular examples of how they had put any learning into practice. A couple of contributors were more critical adding that 'we were already doing the stuff that they talked about' and 'compared to ABCUL's ... I expected it to be of a higher quality'.

Furthermore TSIB arranged a visit to Glasgow based credit unions and representatives from across seven Welsh credit unions participated. The feedback from credit union representatives suggests that the visit to Glasgow (as well as the previous one to Northern Ireland) were extremely well received with one commenting that both had been 'phenomenal trips ... very great learning experiences'.

TSIB has worked with a small number of credit unions intensively and the feedback from these cases had been positive. For instance in the case of one credit union a member of the TSIB team had been supporting them as a 'quasi-manager' and a significant transformation was thought to be taking place within this organisation as a result. Over the last year or so the credit union had secured a high street presence, Board membership had expanded, governance arrangements had improved and in the view of TSIB representatives the organisation had become more 'financially aware'. It was suggested that the input of the TSIB advisor had helped to steer the organisation towards a more sustainable business operation and that the Board and staff had a greater understanding of what was now required in order to achieve financial sustainability. In another instance a credit union had made considerable use of the support available from TSIB's team of consultants and this had included a recent facilitation of a Board Development session which had set a new course of direction for the organisation. In this case the credit union representative argued that the advisors has been able to bring wide experience and good practice from elsewhere which they would not have been able to access from their immediate rural area.

In a third the credit union acknowledged that they had received a significant amount of support from TSIB in that they had introduced new ideas for them to implement e.g. the Family Loan Scheme. A representative at this credit union noted that they had appreciated support being made available by an advisor who was himself 'a director of a credit union ... which means he understands the problems we face'. Furthermore at a fourth credit union a representative noted that a TSIB advisor had undertaken a thorough review of

their credit union which had involved interviewing ‘many of the volunteers, asking them about their role, the skills they have, the skills they don’t have, what’s working well, what’s not working well. It was a real eye-opener ... quite scary’. The advisor had then worked with the Board to explore sustainability issues and consider new ways of generating income. In this case the support made available was regarded as having been a catalyst to change and the methods deployed suitable for the credit union concerned: ‘I think what was important was that it wasn’t all imposed on us. They worked with us. They gave us ideas for us to then develop. I think that’s why the Board were open to listening to them.’

Other credit unions that received less support from TSIB were more critical of their role and approach. One such credit union for example which had received training for its supervisory committee members noted that the training content appeared dated and was not deemed specific enough to their circumstances adding that ‘you’d have had the same training ten years ago ... the training hasn’t moved on as credit unions have moved on .. other than updating things to do with legislation’. In this case the credit union representative suggested that TSIB needed to reflect upon the growing experience of the sector in Wales within its training courses. In this particular credit union representatives did not think that the TSIB support had ‘made any difference’ to their organisation. Another credit union questioned whether the funding made available to TSIB could have been deployed more effectively had it been given directly to credit unions.

Overall however the sector thought that TSIB had undertaken a useful function – particularly in terms of having someone in place to turn to for guidance:

‘There is a case for having a SIB resource in place. There is certainly a need for a professional person going from credit union to credit union and helping them strengthen their ongoing business plan. It would help someone like me because often I feel I could do with some back up, some support’.

Over the second half of 2013 TSIB's efforts have been directed towards the facilitation of a joint proposal to the Welsh Government on behalf of the sector to utilise the additional funding awarded. Some suggested that this had detracted from TSIB's ability to effectively support the sector over this period as 'all resource moved towards this objective'. One such commentator noted that TSIB had 'gone quiet in recent times'. Others pointed to TSIB having done a good job in this respect in that they had been placed in a difficult position in trying to develop a joint proposal from a very diverse credit union base. Others were more critical adding that it had been wrong to interpose another organisation between the Welsh Government and the credit union movement in trying to bid for this additional funding. It was suggested that TSIB ought to have worked through existing collective organisations such as ABCUL and ACE rather than directly with each credit union – an approach which had been considered to be divisive by some from within the sector.

5.5.2 Cardiff Metropolitan University Training Programme

We reported in our interim report that two short courses had been designed by Cardiff Metropolitan University (CMU) - formerly the University of Wales Institute Cardiff (UWIC) - for delivery to credit union volunteers, staff, managers and directors. In the event CMU delivered one of the courses (the Management and Governance course) on a monthly basis from September 2011 onwards via a mix of internal CMU lecturers and external experts. Thirteen credit union representatives from across seven credit unions attended the sessions and feedback from three individuals who were interviewed by ourselves raised issues relating to the large work load involved with the course and poor management of the course by CMU.

There had been no demand from the credit union sector for further training to be made available by CMU during 2013 and as such the second course for volunteers and administrators was not delivered.

5.5.3 Project Marketing and Promotion

In our Interim Report we noted that the main elements of marketing and promotion undertaken during 2012 had been a day time TV advertisement

campaign, a programme of credit union road shows, the production and distribution of resources such as a promotional DVD and a generic promotional leaflet and the appointment of a PR company (MGB PR based in Swansea) to assist with media coverage and preparation of case studies for use in the media.

Data made available by the Welsh Government showed that in all 122 calls were made to the telephone hotline as a result of the TV advert with 20% of these from people within the area covered by Cardiff credit union and 16% from those covered by North Wales Credit Union. Rural credit unions received the fewest enquiries with six taking no calls at all. In all, credit unions reported having recruited 90 new members as a direct result of the TV advert (at £123 per new member). ABCUL also reported an increase in website traffic for Welsh credit unions during the January to March 2012 period. Whilst it may be the case that some of this increase would have come about anyway due to the general media coverage for credit unions at the start of 2012 as a result of legislative changes and the establishment of ABCUL's new website 'find your credit union'⁵⁰, it was argued by some consultees that the recruitment had been sustained in Wales for a longer period of time when compared to English recruitment trends.

In contrast to the positive data made available by the Welsh Government, credit unions who were interviewed at the time argued that at best they had only received 'a handful of referrals' as a result of the TV advertisement campaign. It was generally recognised that the TV campaign had been the first major step by the project to actively market the credit union provision in Wales and whilst welcome, a few suggested that it had not really scratched the surface in terms of what was required to generate a step change in awareness and understanding of credit unions.

⁵⁰ www.findyourcreditunion.co.uk

Several voiced their concerns that this campaign had been aired slightly late in the project and others expressed their criticism about the quality of advertisement itself. Many would have welcomed a more sustained campaign.

Since our Interim Report the main promotional activities undertaken at a project level have been:

- The broadcasting of a radio advertisement over the 2012 Christmas period;
- The production and distribution of credit union case studies;
- The production of a second promotional DVD;
- Production and circulation of a generic Savings and Loans leaflet.

Credit unions argued that the effects of these promotional activities upon membership recruitment have been fairly limited, other than a few credit unions who had found the radio advertisements to be helpful in drumming in up some interest in the run up to the Christmas period.

5.6 SGEI FUNDING

5.6.1 SGEI Funding Administration

Stakeholders and credit unions continued to argue that TSIB had administered the SGEI funding effectively, and according to some credit unions TSIB had adopted much more rigorous processes than those of the Wales Co-operative Centre during phase one.

It was still the case that a small number of credit unions, whilst accepting that they had to meet WEFO's reporting requirements, argued that the financial reporting requirements were too onerous and time consuming and called for these to be simplified.

5.6.2 Use of SGEI Funding

Our fieldwork revealed that SGEI revenue funding has been used primarily to fund staff salaries with smaller amounts used for operational expenses in

some cases. SGEI funding can account for up to 50% of income for some credit unions and there was a consensus view that credit unions could not operate in the way that they currently did without this revenue funding. Whilst most credit unions interviewed had only two forms of income (SGEI funding and loan interest) a few had been able to secure other income streams including Rural Development Funds, Communities First and Local Authority funding.

In the main credit unions who had received capital funding during the first phase had used these funds to purchase and renovate new or existing premises. In some cases this had provided credit unions with a high street presence for the first time.

The feedback from credit unions strongly suggested that these changes in terms of new or additional staff as well as investment in premises would not have come about had it not been for the SGEI funding.

5.7 Credit Unions Development and Performance

This section discusses the financial performance of supported and non-supported Welsh credit unions (Section 5.7.1) and also presents the key developments implemented and experienced by supported credit unions over the last year or so (Section 5.7.2). It then explores ways in which credit unions work together (5.7.3) before finally turning to discuss comparator credit union performance and development (5.7.4).

5.7.1 Financial Performance Analysis

This section builds upon our analysis of credit union performance undertaken for both our First Year and Interim Report. Again we assess credit union performance against the standardised PEARLS measure⁵¹ and each of the six measures of PEARLS are discussed for the 17 credit unions involved in the project at an all-Wales level. It is worth noting that the financial performance

⁵¹ PEARLS stands for Protection, Effective Financial Structure, Asset Quality, Rates of Return, Liquidity, and Signs of Growth.

of credit unions is affected by a number of factors not least the wider economic environment within which they have been operating, and that the contribution made by the Credit Unions Project is only one factor. Where data have been made available we have compared the performance of supported credit unions with non-supported Welsh credit unions⁵².

The first measure, Protection, is measured by the credit union's solvency ratio i.e. the degree of protection that a credit union has for the savings of its members in the event of liquidation. The PEARLS standard is that net assets should be equal to or greater than 111% of savings (shares and deposits). An analysis of the data shows that:

- Eight⁵³ of the 17 credit unions achieved the PEARLS solvency ratio target⁵⁴ in September 2013 (compared with nine in September 2012, five in June 2011, two in September 2010 and none in September 2009). A further two only narrowly missed this target by less than 1% in September 2013.
- 12 of the 17 credit unions had managed to increase their solvency ratio between September 2010 and September 2013 (one more than the 11 who had achieved this at September 2012);
- In comparison, all five non SGEI supported Welsh credit unions achieved the PEARLS solvency ratio required in September 2013 (averaging a ratio of 119%) and these ratios have remained fairly static over the last year (with the six non SGEI supported Welsh credit unions in existence achieving the solvency ratio required in September 2012).

Secondly, two calculations are used to assess Effective Financial Structures of credit unions – Net Loans to Total Assets Ratio and Institutional Capital to Total Assets Ratio. The net loans to total assets ratio measures the percentage of total assets invested in making loans. Loans to members

⁵² For consistency we have compared the data available for five control credit unions namely All Flintshire, BAG (Bargoed and Aberbargoed), Red Kite, St Therese and Plaid Cymru. The Marches Credit Union was used in our Interim Report comparisons but has since ceased trading.

⁵³ West Wales, Dragon Savers, Gateway, Islwyn, LASA, Romcul, Smart Money Cymru and North Wales credit unions

⁵⁴ Bridgend and Merthyr Tydfil

generate income for the credit union through interest⁵⁵. The PEARLS target is for a 70% to 80% loan to assets ratio. Analysis of the data reveals generally weak performance on this measure and no improvement since 2010. In particular:

- Only two credit unions⁵⁶ achieved the 70-80% target in September 2013 and a further one credit union⁵⁷ was very close in achieving this measure at 69.6%. This compares to three achieving the target in September 2012⁵⁸. No improvement has been experienced when comparing with the baseline data for September 2010⁵⁹.
- Credit union performance continues to weaken against this measure when comparing data between September 2010 and September 2013 (i.e. 11 credit unions whose ratios were outside the recommended target moved further away from the target range over the project duration between September 2010 and September 2013). It continues to be very concerning that four credit unions⁶⁰ have a ratio of under 30%;
- In comparison, none of the non SGEI funded credit unions achieved the 70-80% target in September 2013⁶¹ - one had a high ratio of 84% whilst the remaining ones had ratios of between 38% and 55%. Their performance had not changed much since September 2012.

The Institutional Capital to Total Assets is a measure of the institutional capital – or statutory reserves – held by the credit union as a means (of last resort) for meeting liabilities. Credit unions involved in the project have made acceptable improvements to this measure as seven⁶² of the 17 credit unions achieved the 10% PEARLS target in September 2013 compared with five (of 14) in June 2011, two in September 2010 and none in September 2009.

⁵⁵ If loans to assets are too high then the credit union may be over exposed to risk on re-payment.

⁵⁶ Cardiff and Save Easy

⁵⁷ Newport

⁵⁸ Gateway, Newport and Save Easy

⁵⁹ Three credit unions (Cardiff, Newport and Save Easy) met this measure in September 2010

⁶⁰ Merthyr Tydfil, Llyfni, Romcul and North Wales

⁶¹ Based on data available for four credit unions

⁶² West Wales, Dragon Savers, Islwyn, LASA, Romcul, Smart Money and North Wales

However it represents a slight drop compared with the ten⁶³ that achieved the target in September 2012. Three credit unions continue to report very low ratios under 3%⁶⁴. Overall twelve credit unions reported increases in their capital-assets ratio since September 2010.

Thirdly, the Asset Quality measure is calculated as a credit union's bad debt provision (total delinquency to loans ratio). This measures the percentage of loan balances on the books that are vulnerable to default and write-off. The PEARLS target is that the delinquency ratio should be no more than 5% of loans one month or more in arrears. In September 2013, 12 of the 17 credit unions had achieved this target (compared with 11 in September 2012 and five (of 14) in June 2011). A further two were within less than 1% of this target. Overall the level of bad debt had dropped in 10 credit unions between September 2010 and September 2013. Three who had experienced an increase were still within the 5% threshold yet four who had experienced an increase were worryingly over the acceptable ratio.

Fourthly, the Rates of Return measure is calculated as the credit union's Operating Expenses to Average Assets ratio. Operational efficiency is measured by comparing expenses with average assets i.e. the cost associated with the management of a credit union's assets. The PEARLS target is 5% or less - although the sector, which regards this as an unrealistic target, tends to view credit unions with a ratio of 15% or under as being efficient operations. The latest data which is available for the credit unions shows that only one of the 17 credit union⁶⁵ achieved this 5% PEARLS targets (compared to none of the 14 credit unions whose data was available for September 2010). A further 11 had a ratio of under 15% (compared to ten in September 2011). Credit union performance on this measure has improved in the majority of cases but in three cases operating costs remain over 20% of average assets, and in a further three, the ratio is between 15% and 20%.

⁶³ Bridgend, Credcer, Dragon Savers, Gateway, Islwyn, LASA, Merthyr, Romcul, Smart Money and North Wales

⁶⁴ Newport, Save Easy and Haven.

⁶⁵ Islwyn

Fifthly, a credit union's Liquidity measure is taken as the Short Term Payables to Total Deposits ratio. This measures whether credit unions are holding adequate liquid cash reserves (i.e. to satisfy savings withdrawal requests and all payment obligations for the next 30 days). The PEARLS ratio target is for cash reserves to be between 15-20% of total savings deposits. The findings reveal that none of the credit unions achieved this target range in September 2013 (although one did do so as at September 2012⁶⁶) and all 17 credit unions continue to hold very much more cash reserves than desired under PEARLS, as was the case in June 2011. The data shows that ten credit unions hold more than 50% of total deposits and seven hold more than 70% - no real change has been experienced over the project's duration when looking at this measure. Whilst this position means that all credit unions have strong short term liquidity positions it does point to an overcautious approach to lending or difficulties in delivering loans as well as sub-optimal performance in terms of making assets work efficiently for the organisation.

The sixth and final PEARLS measure, Signs of Growth, is calculated as the credit union's Growth in Total Assets and the data suggests:

- 14 of the 17 credit unions⁶⁷ experienced a growth in their asset base during the year ending September 2013 in nominal terms, compared with all but one who reported growth during the previous year to September 2012 and generally good levels of annual growth since September 2009. However when inflation and a 10% industry standard growth is taken into account, only seven credit unions reported an annual asset base increase in real terms between September 2012 and 2013 compared to eight who did so between September 2011 and 2012. Over the course of the Credit Unions Project SGEI funded credit unions have grown at a slightly quicker rate than non SGEI supported credit unions - although the growth between 2012 and 2013 was only marginally greater (at 13.9% compared with 9.1% although the pace of growth during 2011-2012 was more marked - 18.2% compared with 11.7%.) By comparison the growth across UK credit union asset base

⁶⁶ Gateway

⁶⁷ Not West Wales (Or Credcer as it was previously known), Haven or Romcul.

over the six month period between September 2012 and March 2013 at 6.7%⁶⁸ was similar to that of the supported credit unions.

- Adult membership had grown in 16 of the 17 credit unions⁶⁹ between September 2012 and September 2013 (compared to growth across 15 credit unions during 2011-12⁷⁰, eight of the 14 credit unions between September 2010 and June 2011 and 11 of 15 from September 2009 to June 2011). On average supported credit unions had experienced an annual growth rate of 19% and this compares favourably with the 16% growth reported during the previous year and with the membership growth reported by non-supported credit unions for the year ending September 2013. It also compares favourably with the 3.2% membership growth reported by ABCUL⁷¹ for the UK credit union sector for the six month period between September 2012 and 2013.
- Junior membership had grown in 13 of the 17 credit unions⁷² between September 2012 and September 2013. This is lower than the 14 credit unions who reported junior membership growth in the previous year ending September 2012 but higher than has been reported in previous years. On average supported credit unions experienced an annual growth rate of 17% in junior membership numbers - a lower proportion than the 25% reported in the previous year but a higher proportion compared with non-supported credit unions.
- All but one of the 17 credit unions managed to increase their loan portfolio in the year leading up to September 2013 which compared favourably with the 11 who had done so in the year leading up to September 2012 and 10 who had done so in previous years of the project. On average an annual loan portfolio increase of 15.6% was experienced amongst supported credit unions in the year ending September 2013 – an increased growth rate compared with the 10.8%

⁶⁸ ABCUL Facts and Statistics <http://www.abc.ul.org/media-and-research/facts-statistics> (accessed 5 February 2014)

⁶⁹ Not Romcul

⁷⁰ Not Credcer and Islwyn

⁷¹ ABCUL Facts and Statistics <http://www.abc.ul.org/media-and-research/facts-statistics> (accessed 5 February 2014)

⁷² Not West Wales, Dragonsavers, North Wales and Llynfi Valley credit unions.

reported in the year ending September 2012. The increase compared favourably with the 11% average across non-supported credit unions⁷³.

To summarise our analysis of credit union financial performance shows that SGEI supported credit unions are still fairly weak in terms of their financial structures (net loans to total assets), still maintain very high operating costs and continue to hold more cash reserves than desired. Whilst there have been improvements to credit unions' capital-assets ratios and a reduction in bad-debt provision the overall picture presented by the PEARLS data is one of rather mixed progress. This mixed progress must however be considered within the difficult economic climate within which credit unions have been operating and which has had bearing upon their ability to advance loans to members.

5.7.2 Key Developments

It remains the case that each of the credit unions involved in the Credit Union Project is unique and that credit unions are very different to each other in terms of their products and services as well as their financial positions. Despite this, the fundamental objectives of credit unions remain similar, and were summarised effectively by one contributor:

'[credit unions are about] more than giving someone some cash at a reasonable interest rate. It is about educating them, about getting them to change the way they think about money. It's about encouraging them to save some money. It's about getting them to understand that with taking out a loan comes responsibility. It's about getting them to understand that loans should be the exception not the rule. They are not for paying for holidays ... they are for essentials. It is about changing the culture of these communities ... changing the way people think about money.'

Our fieldwork has revealed that significant developments have taken place across the sector over the last year to 18 months and we have observed that

⁷³ Based on data available for four credit unions

there has been a real shift in attitudes and mind-set in terms of the importance attached to financial sustainability. Indeed it was noted by one such credit union that while their 'headline figures' would not suggest that they had made much progress in becoming self-sustaining, there had been a transformation in the board's attitudes over recent years which meant that there was a much more focused drive towards self-sustainability.

Other examples of the key developments which have taken place across the sector are presented below:

Over the project period significant improvements have been made to the physical premises within which credit unions are based. Several credit unions have been able to purchase new high street premises and now present a professional image of their operations to the general public. Despite this there are still examples of credit unions based within inappropriate premises which tend to reinforce the perception that credit unions are a poor man's bank. For instance one credit union was still based in a port-a-cabin whilst another still operated from a semi-derelict arcade in a city centre location. In the case of the latter it was argued that it would be impossible for it to expand its membership further without securing better premises which, without Welsh Government capital funding, was regarded an impossible goal given its limited financial resources.

Several credit unions noted that they had opened new collection points over the project duration and a few also noted that they had introduced a more 'automated' system of processing loans and paperwork. This had been helped in many instances where staff had been appointed for the first time as illustrated by this following example:

'Prior to my post the collection sheets from all the collection points would be sent to us and would be completed as and when they could be. Now when we receive them in this office they are done systematically: we process them as soon as we receive them. It's a much better system. It's smoother, less disjointed. I also handle the loan from start to finish. So for the first time

responsibilities are clear and there is if you like ownership of each [loan] application. I do the checks on income and outgoings and present this information to the Credit Committee and they take the decision. What I'm doing also allows the credit committee to do their job more efficiently because all the paperwork is completed and ready for them by the time of their meeting'.

Our fieldwork revealed that all credit unions have been able to implement some changes to the services or products on offer, although given the huge diversity in what was already available the nature of these developments have varied significantly from one operation to the next.

Amongst the most recent developments to individual credit unions' products and services highlighted during our 2013 fieldwork were:

- The introduction of Family Loan schemes and Family Loan Savings Accounts whereby loans are provided and repaid through child benefit payments made directly to credit unions;
- The introduction of budget accounts (although where these have been introduced the demand to date has been slow);
- The introduction of pre-paid debit cards which have been instrumental in enabling members to withdraw cash without having to access the credit union branch;
- The ability to accept payments on loans over the telephone (this has helped reduce the instance of late payments for those members who had difficulties getting to the branch);
- On-line services such as being able to view account balances on-line and receive mobile updates (e.g. on account balances);
- Pay-roll deduction schemes – a few credit unions noted that they had established new pay-roll deduction schemes with local authorities and private employers over the course of the year;
- The establishment of a website (where this did not exist previously) with members now being able to apply to join online and access their account balance.

Credit unions' work with schools has varied. Some have fully embraced this (e.g. one credit union had been able to establish 26 collection points across schools, including all secondary schools, within its local authority area) whereas others have looked to engage with schools on a much smaller scale. Our fieldwork revealed that school based outreach work absorbs a significant amount of time and resources on the credit union's part and as such a small number of credit unions admitted that it has not been at the top of their priorities. In one case a credit union admitted that working with schools 'just hasn't been a priority – it just would take up too much of our time'. Several credit unions also reinforced the point that work with schools was unlikely to help them reach their objective of self-sustainability in the short to medium term and called for the Welsh Government to recognise that these activities needed to be funded on an on-going basis.

The majority of credit unions visited had attempted to promote payroll deduction schemes particularly to public and third sector employers, albeit that their success in doing so had varied. Several credit unions noted that such work had been challenging e.g. in one case a credit union argued that it had been a 'hard slog to get into some local authorities and the NHS'.

Our fieldwork revealed some unique project developments across some of the credit unions, including:

- In one rural credit union, the organisation has introduced a Fuel Savings and Fuel Budget accounts for its members with the objective of alleviating fuel poverty. The credit union runs a syndicate to purchase oil supply in bulk directly from an oil provider which not only provides some cost savings for members but also gives others the opportunity to re-pay for the fuel via their budget accounts.
- In another credit union the organisation has been the first in Europe to offer Sharia compliant savings and loan products to its members. In this case the Muslim community had approached the credit union to explore whether it make its savings and loan products Sharia

compliant. The credit union has since obtained a Sharia Scholars certificate to enable it to provide services to the Muslim community.

- At least two credit unions (Bridgend, LASA) have collaborated with prisons in Parc Prison and Swansea to establish saving schemes for prisoners so that prisoners can save the small amount of money they can earn whilst working in prison. These funds are made available on their release from prison which was thought would help their re-integration into the community. It was also hoped that this approach would help reduce re-offending on their immediate release from prison particularly in cases where the ex-offenders' benefits had yet to be paid.

It was widely thought by credit union interviewees that the availability of SGEI funding had helped many credit unions to extend their products and implement key improvements to their customer services. Having said this it is important to point out that credit unions were starting from very different situations and it remains the case that there is a marked difference in the range of products and services which can be accessed across credit unions and the customer services provided.

All but one of the credit unions visited during both rounds of fieldwork acknowledged that the impact of the SGEI funding upon their organisations has been significant – it was stressed that the funding has been particularly beneficial in helping credit unions establish solid business foundations from which they can grow. One such credit union representative stated that 'without the funds we would not be where we are now'. However the extent of improvement and success obtained across the credit union sector does vary, which led to some credit unions and stakeholders questioning whether 'good money has gone after bad' following Welsh Government's decision to fund all credit unions, regardless of their contractual performance or financial situation.

Feedback from within the sector suggests that SGEI funding has enabled credit unions to grow in terms of increasing their membership numbers and

asset base as well as reducing levels of bad-debts. However the picture in terms of self-sustainability amongst credit unions continues to remain varied although several credit unions have demonstrated progress over the duration of the project. A key change which was observed during the 2013 fieldwork however related to an increased focus amongst credit union board members and managers towards the need to become financially sustainable.

A review of the financial positions of credit unions supported by the project conducted by TSIB over the summer of 2013 suggested that without further funding support from October 2013 onwards then:

- One credit union would be self-sustainable by the end of the 2013 financial year;
- The withdrawal of Welsh Government funding across another three credit unions would have a minimal impact in that these credit unions would be able to reduce their expenditure on specific areas of activities which would not damage their overall trading position;
- The impact would be easily managed across another two credit unions which were only showing small annual financial deficits of £5k or under;
- Five credit unions would be able to continue at their current operating levels for a limited period of time due the strength of their capital reserves but their long term survival would depend upon whether they could secure continued membership growth and increased income generated from loan activity despite the cut in revenue funding;
- Three credit unions would struggle to trade if funding was withdrawn in that they were deemed to be in an extremely vulnerable financial position due to a range of issues such as high bad debts, financial losses and the lack of capital reserves to draw upon. These three credit unions would most likely cease to trade if the funding be withdrawn.

It is worth noting that two of these credit unions deemed to be in a financially insecure position are based in rural areas and face additional costs in servicing a large geographical area. In one case for instance a collection point

run in a village location which was being poorly used was under pressure to close because of the burden of paying mileage to a volunteer to operate it.

Feedback from those credit unions visited during 2013 echo these findings but some credit unions were more pessimistic about their financial outlook arguing that the immediate withdrawal of funding would have a significant impact upon their operations.

At the most, SGEI funding accounted for around 65% of the income of one credit union visited during 2013 and given that this credit union was struggling to increase its lending it did not look likely that loan income would increase in the future. In another case, the SGEI funding accounted for 50% of the credit union's operating costs. In this case it was the board's intention – should all revenue funding cease - to use capital reserves to fund the operating deficit for the two year period between March 2014 and mid-2016, by which time it expected to be financially sustainable. In another, SGEI funding accounted for around a quarter of the credit union's operating costs and in this case the credit union was considered to be 'more or less self-sustaining' though it was recognised that a higher percentage of assets would need to be loaned if full sustainability was to be achieved. In another case, the credit union admitted that they would 'manage' but only by issuing some staff redundancies 'but we'd survive ... we've got quite good reserves'.

A small number of credit unions continued to make a financial loss – in one case a financial loss of £25k was reported during the 2012/13 financial year however the credit union was hopeful of breaking even during 2013/14. Another credit union reported a loss of £10k and as a result noted that it would be likely to fail the PEARLS capital assets test for credit union. In this case the credit union acknowledged that its recent loan book expansion to offer loans of up to £300 to individuals with no previous saving history at the credit union had been a mistake as the sharp increase in defaults had led to increased bad debt provision.

Overall the situation on bad-debt remains varied according to credit unions visited during 2013 although there are clear signs that bad-debt levels are dropping. In terms of going forward several credit unions talked of becoming more stringent in the way loans were being awarded in an effort to try to reduce bad debts. One credit union had seen its bad debt provision reduced from 4% to 2.5% of loans and the main reasons for this reduction were thought to be a result of improved training of loan officers, writing off bad debts after three rather than 12 months, improving underwriting rules and a reduction in the number of loans being made to tier three members. Another noted that levels of bad debt had improved as a result of them utilising additional Welsh Government funding (for £5,000) to deal specifically with this issue. In a third credit union bad debts had been reduced from a crisis point some two or three years ago due to a change of lending policy away from a benevolent approach which largely responded to need to one based on people's ability to repay the loan. However at the other end of the spectrum another credit union put its bad debt levels at a high level (9%) whilst another had seen its bad debt increase over the last 12 months.

Credit unions were aware of the need to increase the number of larger loans they awarded, in order to subsidise the costs of administering smaller ones, if they are to become financially sounder in the future. One such credit union noted that around 90% of its loans at present were for less than £1,000 adding that the small loans incur the same transactional costs as larger loans. The credit union noted that 'unless credit unions are sustainable, they won't be able to offer financial products to financially excluded people ... it's as simple as that'.

Credit unions argued that they have been able to achieve good growth in their membership over the project duration. Significant efforts have been deployed to attract a wider membership base over the last year or so with a particular emphasis being placed by many on attracting more Tier 1 and Tier 2 members. Indeed some of the changes being implemented by a few credit unions (e.g. on-line services, the offering of larger loans to less risky members and the promotion of payroll deduction schemes) reflect the effort to appeal to

these audiences. Most of the credit unions visited during 2013 reported significant increases in their membership – for instance, one reported 85% growth in membership numbers since 2010 to a current level of around 2,600 active members and a fourfold increase in junior members over the same period to around 650 by 2013. There were one or two exceptions however – one credit union in particular argued that membership growth (as well as other metrics such as the value of the loan book) has plateaued over the last couple of years.

5.7.3 Governance

Several examples were identified during our 2013 fieldwork of governance related improvements which had been implemented by credit unions – some of which had been supported by TSIB. Indeed a few credit unions noted that they had been able to increase and broaden the experience held by their Board membership. In one case it was thought that the Board had been transformed with the appointment of a new Chair, coupled with a new Manager, over the last year or so and this had been reflected in the way the credit union was now being led and governed. Yet we also found cases where the credit union thought that they had taken a step back in this respect – in one case it was thought that the Board had lost excellent business experience as a result of a member having become disillusioned with the constraints and culture of the organisation.

5.7.4 Collaboration between Credit Unions

We noted in our Interim Report that relationships between Welsh credit unions were generally good although there was clear scope for greater collaboration across the sector building upon pilot collaborative initiatives such as those between Smart Money, Gateway, Newport and Merthyr Tydfil Credit Unions who shared a Debt Recovery Officer and a Financial Harmonisation Officer (and indeed, the creation of the North Wales Credit Union).. We also highlighted the fact that the introduction of the Legislative Reform Order, which had allowed credit unions to extend their common bond areas, had resulted in some mistrust between those credit unions which found themselves operating and competing in the same area.

Our fieldwork during 2013 highlighted four key issues:

First, it would appear that relationships between credit unions became increasingly more strained after the Welsh Government's announcement that additional funding would be made available to the sector because of the need to agree amongst themselves on the projects which would be submitted for funding approval. Feedback suggests that the need for the sector to reach an agreement on the type of initiatives that ought to be included within TSIB's proposal to the Welsh Government for future funding has been problematic. Negotiations were thought to have been far from a smooth process and meetings which had been convened to try to agree upon the options were described by some credit union interviewees as an 'absolute shambles' which had served re-ignite old divisions across the credit union movement.

Second, the continued alignment of credit unions with either ABCUL or ACE has given rise to some feuding within the sector (which has possibly been exacerbated due to the need to agree upon how additional Welsh Government funds ought to be used). Some credit union representatives argued that these allegiances to one or the other of the trade associations had not been particularly helpful during the negotiations. Indeed the relationships between ABCUL, ACE and TSIB on occasion were described as 'shambolic' with petty infighting regarded as a restriction to the development of the movement in Wales. Whilst some contributors would have preferred for TSIB to have worked through the existing collective organisations of ABCUL and ACE, others were more sensitive to TSIB's position of having to deliver a difficult task. Aligned to this issue, some contributors were concerned that the involvement of some, but by no means all Welsh credit unions, in the ABCUL led Expansion Project had made it even more challenging to develop specific all-Wales projects via the additional Welsh Government funding.

Third, it was argued that tensions within the sector had mounted over the last year or so due to some recent merger discussions, notably between Cardiff and Smart Money and Haven and West Wales credit unions. Whilst these

discussions were considered by some interviewees to be constructive neither merger had gone ahead.

Fourthly, some developments were experienced across regional fora of credit unions. For instance the North Wales Chapter had all but been disbanded in the wake of the creation of the North Wales Credit Union and the option of a Wales wide credit union forum was being explored. It was thought that the establishment of a Wales wide forum might help to 'heal some rifts' between credit unions which had emerged lately. In contrast the mid Wales working group forum, established since 2001, has continued to meet and now includes the four credit unions of Hafren, Red Kite, Brecon and District and more recently West Wales Credit Union. The four credit unions had jointly formed a limited company with a view to exploring how shared back office and marketing functions could be taken forward. These developments were put on hold whilst West Wales Credit Union pursued a possible merger with the Pembrokeshire based Haven Credit Union but have been recently instigated again, with the support from a TSIB advisor, to explore how the limited company could deliver some of these shared services across the four credit unions.

It continued to be the case that most of those consulted agreed that greater cross-organisation working could take place within the sector and whilst the additional Welsh Government funding was considered as a vehicle for achieving this in principle, in reality the tight timescales for utilising the funding has meant that collaborative initiatives will not be as well thought out as could be.

5.7.5 Comparator Credit Unions: Key Messages

Whilst we have used the financial performance data of non-supported Welsh credit unions in the preceding section we recognise that such data may be skewed as those credit unions not involved in the project would have a different profile and growth ambitions to supported ones e.g. they may be less inclined to want to grow or prefer to develop organically without government intervention. We therefore present some of the main findings from our

fieldwork undertaken during 2012 and 2013 with control credit unions (two being based outside of Wales) in this section.

Changes in Membership: All three comparator credit unions had experienced a growth in their adult membership in recent years. Both of the English Credit Unions had grown rapidly over recent years, with Credit Union One having quadrupled its membership between 2004 and 2012 (from 800 to 3,500) but reporting a more modest growth in membership over 2013. Credit Union Two had achieved an adult membership of 8,500 members (a 13% increase over the last year) and an asset base of £5.2 million (a 30% increase from its £4 million base during 2012).

The Welsh comparator credit union had experienced a smaller and more organic growth in membership numbers over the last few years at around 100-200 additional members per year with its current membership standing at around 3,000. Of these around half were deemed to be active borrowers and just over 400 were junior members. The growth in membership was being managed carefully by this credit union so as to ensure that the organisation could cope with the additional demand generated. It had largely come about as a result of the credit union extending its common bond area with new members primarily coming to hear about the credit union via informal channels such as word of mouth.

Both English credit unions attributed much of their earlier rapid growth to the DWP Growth Fund. In both cases this had created issues for them – Credit Union One reported that as a result of the Growth Fund the majority of their members were now from relatively deprived backgrounds and both credit unions stated that their key objective in moving forward was to obtain a more balanced member profile. More recently Credit Union Two (which had experienced significant growth during 2013) attributed much of this to their involvement with a newly introduced local currency within the city it was based. The scheme to date had involved some 400 shops and around 900 customer accounts and the currency in circulation was being held by the

credit union. Another factor for this credit union had been a move to new premises and greater space to accommodate five more volunteers.

Self-Sustainability: The three comparator credit unions were at different positions in terms of self-sustainability: the Welsh based credit union continued to be wholly self-sufficient primarily as it perceived itself to be a volunteer-led organisation with very low overhead and staffing costs. Indeed the credit union had reported a profit for the 2012-13 financial year. The growth experienced by the credit union was being carefully managed with a clear objective of not wanting to compromise on its core ethos of providing a service to community members. Indeed it was the need to retain this ethos and associated objectives that meant the credit union did not want to become reliant upon revenue grant funding from the Welsh Government although at the time of our fieldwork the credit union was engaging in the discussion on utilising Welsh Government capital investment for IT related developments.

Both of the English based credit unions expressed a desire to become self-sustaining organisations. In Credit Union Two, the Board of directors was particularly committed to developing the organisation into a self-sustaining organisation and were arguably closer to this point than the second as the overwhelming majority of its income currently came from loan interest and fees. By comparison Credit Union One continued to remain reliant on direct and indirect support from its local authority in that the Council covered the salaries and on-costs of two members of staff as well as providing rent free accommodation and IT related services. In the last year the Council in this case had provided the credit union with new premises, in a town centre location. Whilst the credit union had grown modestly over the last year in terms of its loan book and savings being invested it was felt that there was still scope to grow the loan book and achieve sustainability on the basis of continued steady growth. However the timescales for achieving this objective could at best take three years but even longer (possibly five or six years) were the Council to remove all financial support in the form of rent-free accommodation.

It continued to be the case during our 2013 fieldwork that Credit Union One needed to increase its loans to assets ratio and increase lending to 'better quality of borrowers'. In this case the credit union had decided to engage in the DWP's Expansion Project, despite some initial reservations about doing so given their previous negative experience of the DWP's Growth Fund which had led them to taking on more Tier 3 customers without consideration of their longer term sustainability. In getting involved with the Expansion Project the credit union intended to grow its membership and cut costs – largely by moving more towards on-line services (which would also lead to attracting a new type of customer who would be accustomed to accessing financial services on-line). The credit union had decided to join the DWP's Expansion Project – not so much for the financial income – but rather because the targets set were ones which the credit union needed to pursue for its own sustainability and it was considered an effective way of encouraging them to move into the direction they wanted to pursue anyway.

Products and Services: Similarly to the situation for SGEI supported credit unions, there was a significant difference in the range of products and services offered across the three comparator credit unions.

We found that the products available at the comparator Welsh credit union were still limited to traditional/ordinary savings and loans although the credit union had recently introduced a few changes such as the introduction of a pay point card scheme to enable members to pay in to their accounts at designated points and the offering of making BACS payments to customers. The pay point card had been well received but the take up of the BACS payments had been lower than anticipated.

In the English based Credit Union One, there had been no major changes to the services being offered over the last year. In this organisation it was acknowledged that one real weakness was the lack of any on-line services to members. The main issue for this credit union was its reliance upon its host Council IT services which could not accommodate the software required for administering on-line services.

Credit Union Two offered a wide array of services including the Credit Union Current Account (CUCA), 'jam jar' accounts for ring fencing rent for private landlords and savings and loan accounts which are comparable with provisions available within the most advanced of Welsh supported credit unions. Over the last year this credit union had also introduced cash ISAs - at a relatively low interest paying rate and only open to existing members - and were planning to launch a payroll loan account for local city council employees.

Strengths and Weaknesses: Both English credit unions referred to their main strengths as having highly committed and forward thinking Board members) as well as having capable and skilled staff in place. Interestingly one referred to the lack of public awareness as a weakness whilst another referred to the poor image of credit unions in that they were deemed to be 'a poor man's bank'.

During our 2013 fieldwork one of the English based credit unions had interestingly established ad-hoc advisory panels as a means of tapping into local expertise without requiring individuals to make the necessary commitment to become Board members. This, it was argued, was proving an useful mechanism to aid the Board to address specific issues such as profitability and systems on a task and finish basis.

Interestingly neither of the English based credit unions had been able to progress their relationships with Housing Associations to develop budget accounts largely as a result of the lack of enthusiasm on the part of housing providers. One of these credit unions was more optimistic about the future for this opportunity however, believing that it was only a matter of time before housing providers would have to yield to the use of contracted rent ring fencing services.

5.8 Feedback from credit union customers

A cross-section of 36⁷⁴ credit union members were interviewed at seven credit unions over the course of our fieldwork during 2012 and 2013.

We found that members had come to hear about their credit union via a variety of ways but the most popular method of was by word of mouth – in many instances members knew of another member, staff or volunteers before joining. A smaller number of those interviewed mentioned that they had attended a presentation about the credit union at their place of work or a community venue such as a local Church. The reasons for using their credit union were also mixed in that around half of those we spoke to considered themselves as savers whilst the remaining members' main purpose of using the credit union was to borrow. We also spoke to a couple of members who were enquiring about the services of the credit union for a relative e.g. a member who had come into the branch that day to get a paper loan application for her son.

As was the case with our fieldwork during 2012, members argued that one of the strengths of credit unions was friendly staff and volunteers who could offer a personal service, particularly when compared to mainstream banks: 'the staff are nicer ... they don't look down their noses at you' and 'they know your name ... and your [membership] number'. The other main strength of the credit union was deemed to be ethical lending practices and low interest rates on loans when compared with the alternative, for example one member said 'the interest rates are fantastic ... you couldn't get it cheaper anywhere ... and those quick loans on TV all rob you'. A few were prepared to admit that they had been turned down for loan funds by mainstream banks but that the credit unions had been prepared to offer them a loan.

A few case studies illustrate these points:

⁷⁴ 25 during 2012 and 11 during 2013

Case Study Member A

This young mother, with two young children, and who was in receipt of benefits had come into contact with the credit union via a friend who had volunteered there in the past. She was in need of a small loan at the time and had been awarded a £500 loan by the credit union on the understanding that she opened a savings account with them at the same time. She agreed for her child benefit payments to be paid into her savings account, from which the credit union would use to re-pay the loan on a regular basis. She has repaid the loan in full but has continued to receive her child benefit payments into the credit union account arguing that it has been useful to keep these funds separate from her bank account funds.

Case Study Member B

This female in her early thirties had come to hear about the credit union through a friend. She had been in need of financial support to help pay for the cost of her mother's funeral, who had just passed away. The credit union had made an exception to the rule in this case and provided her with an upfront loan, without the need to open a savings account and build upon some savings initially. In this case the customer had been able to pay off her debt in time for Christmas, and had been thrilled with this. Overall she had been really pleased with her experience of the credit union and had appreciated the personal face to face contact with staff and volunteers.

The vast majority of members which we spoke to during both 2012 and 2013 had been satisfied with the services offered by their credit union and several referred to recent improvements to either credit union premises or the services being offered. A few members suggested that further improvements could be made, particularly around the location of branches (e.g. the lack of parking facilities nearby, the proximity to the bus stop and high street shops) as well as extending opening hours of credit unions and providing private interview space to be able to discuss personal financial matters in privacy.

Member Case Study C

This male credit union member had joined his local credit union a couple of years ago having been introduced to the concept of a payroll deduction scheme at his place of work – a large private sector employer. He had decided to join and open a savings account with the credit union on the basis of ‘all my mates were getting involved ... everybody was doing it.’ He has continued to save on a monthly basis and has begun to value the fact that he has a separate savings account to use as he wishes: ‘it’s nice to have a bit of cash set aside’. He tends to use the savings for ‘weekends away’ or ‘work’s Christmas do’ without impacting upon his everyday budget. This member had been very happy with the services provided adding that his experience of opening the account and withdrawing money had been straight forward and hassle free. As a working person however he would value the credit union being open for longer – possibly opening for one or two days a week until the end of the working day at 5 or 5.30pm.

Case Study Member D

A male in his forties who was employed on a full time basis had been using the credit union as his bank. He had been attracted to credit unions on the basis that his wife was Irish ‘and they all use credit unions instead of banks over there’. It was important to this member that monies stayed within the community and be put to good use. He also had a lack of trust of mainstream banking providers and regarded credit unions in a more positive light. He did feel that improvements could be made to his particular credit union such as greater use of card transactions (rather than the use of traditional passbooks) and adoption of on-line and electronic processes such as on-line loan applications and electronic transfer of funds.

6 ASSESSING ACHIEVEMENTS

6.1 Introduction

In this Chapter we first (at Section 6.2) discuss the extent to which recommendations made in our first year report have been taken forward before turning to explore the extent to which the project is on track to meet the targets set in the Credit Union Action Plan for Wales (Section 6.3). We then (at Section 6.4) discuss the value for money provided by the credit unions project.

6.2 Extent to which Interim Report recommendations have been actioned

Our Interim Report made seven recommendations in all and in this section we discuss the extent to which each has been actioned.

Firstly, we recommended that the Welsh Government clarified its priorities for credit unions and the provision of financial services to excluded individuals so as to reduce the current conflicting demands placed upon the sector.

In our view, whilst the Welsh Government has continued to demonstrate its support for the sector at a general level it has not clarified its priorities for credit unions. Indeed we would argue that a clear policy statement from the Welsh Government on how it wishes to see the credit union sector evolve in the future is urgently needed.

Secondly (in light of the first recommendation and subject to budgetary pressures) we recommended that the Welsh Government should commit to providing on-going funding for the provision of financial services to financially excluded people but should undertake a scoping study to investigate whether in practice other relevant (i.e. FSA licensed) institutions would be prepared to tender to provide such services alongside credit unions.

The Welsh Government has implemented this recommendation in part, in that funding has been made available to the sector in return for the provision of financial services to excluded people until March 2017. However it has continued with the current model of provision via the credit union movement without considering whether other alternative methods would be more cost-effective.

Our **third** recommendation related to the development of a financially sustainable network of credit unions post 2013. We argued that should the Welsh Government decide that this was a policy objective in its own right then a more ruthless approach needed to be adopted to ensure better value for money, with funding for this purpose allocated separately to any funding for services to the financially excluded and provided on a strict tapering basis.

In our view the Welsh Government has not stated outright that it wishes to adopt this policy objective yet the provision of additional funding for the sector suggests that this agenda is being pursued implicitly. Our fieldwork found that the Welsh Government has merely extended the previous funding arrangements to cover the short term period until March 2014 albeit that more stringent arrangements have been put in place with one struggling credit union. It remains the case therefore that greater policy clarity is required around this issue and that future funding, if aiming at securing credit unions able in the longer term to function without subsidy, needs to be better linked to effective performance in terms of growth and the achievement of financial sustainability over the medium term. .

Fourthly, we recommended that the project, through its contracted provider TSIB, continued to provide governance and compliance support to credit unions for the remaining period of the project.

This recommendation has been implemented.

Fifthly, we recommended that those credit unions which had achieved their contractual SGEI funded targets be given greater flexibility by the Welsh

Government to attract a wider membership base and increase their loan portfolio so as to increase their propensity to achieve long-term sustainability.

Feedback from credit unions suggests that this has been the case and the Welsh Government has allowed credit unions a greater degree of freedom to recruit members from both tier 1 and tier 2 – however the extent to which credit union financial sustainability has improved has varied from one credit union to another.

Our **sixth** recommendation related to the need to focus project marketing upon raising people’s understanding of credit unions and attracting a wider membership base to the credit union movement in Wales. We also recommended that consideration be given to strengthening the common credit union brand for Wales.

In our view the Welsh Government has continued to make a moderate effort through the project to increase awareness of credit unions but in reality no significant progress has been made in respect of a common brand: indeed, recent developments seem to have increased rifts between different credit unions in Wales.

Finally our **seventh** recommendation focused upon the need for the project to provide support to credit unions to address key financial performance weaknesses, particularly around bad debt and reducing operating costs.

In our view TSIB has provided appropriate support in this respect, although the number of credit unions who have engaged with the in-depth support available has been fairly low. Our analysis of the PEARLS data shows that bad debt levels have been reduced and evidence suggest that credit unions in the main are showing signs of financial improvement (albeit often failing to achieve an appropriate balance between savings and lending).

6.3 Extent to which the Project is achieving The Credit Union Action Plan targets

An analysis of Welsh credit union membership numbers⁷⁵ shows an increase of just under 19,000 members since the outset of the project in September 2010 – from 41,571 to 60,772 by September 2012 (see Figure 7). This represents annual rises of 10.8% for 2010/11, 12.4% for 2011/12 and 16.6% for 2012/13. When considering the data for SGEI contracted credit unions only, the annual 2010/11 increase was slightly greater at 12.8% whilst the 2011/12 and 2012/13 increases were significantly so at 19.0% and 18.2%. The inclusion of two credit unions who joined the project at some point during the period distorts the data somewhat – Llynfi and Islwyn had just over 2,000 members in September 2011 when they were reported as non-supported credit unions and just over 2,100 members in September 2012 when they were reported as supported credit unions. The decline in non-supported credit union members during 2011/12 can be fully attributed to this change.

Figure 7: Changes in Credit Union Adult Membership Numbers

	Sept 10	Sept 11	Sept 12	Sept 13
Total Welsh Adult Membership	41,572	46,062	51,752	60,344
Credit union market penetration ⁷⁶	1.69%	1.84%	2.08%	2.41%
SGEI Contracted Credit Union Membership	34,970	39,437	46,945	55,494
Non SGEI Contracted Credit Union Membership	6,602	6,625	4,807	4,850

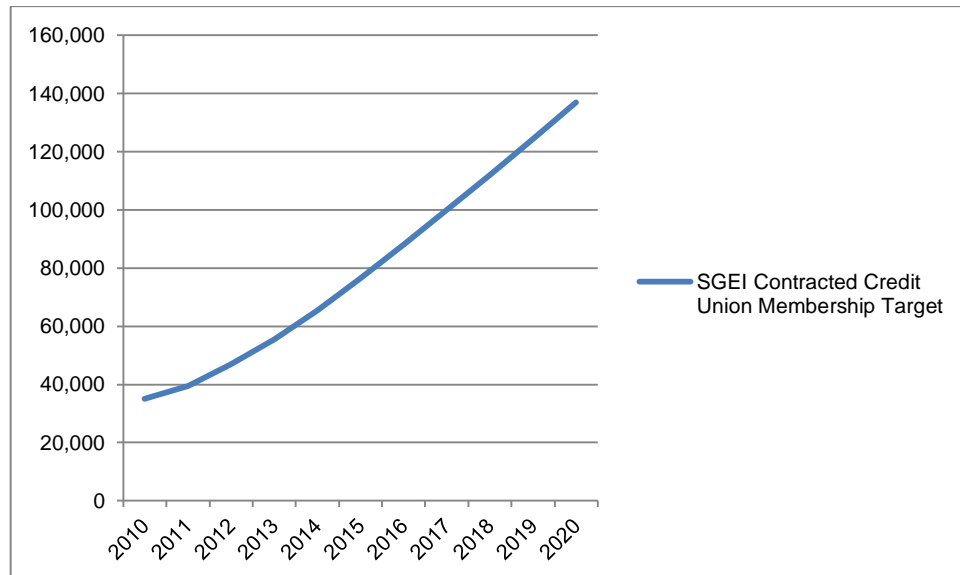
In the light of the rate of increase in the number of credit union members over the last two years amongst SGEI funded credit unions it does not seem impossible that the Credit Union Action Plan target of recruiting 142,000 members by 2020 (and likewise a penetration of around 6%) could be achieved. However, this will depend on annual increases continuing at a similar rate as over recent years (representing an annual increase of between 10,000 and 12,500 members – see Figure 8) and it is not clear whether this

⁷⁵ Provided by TSIB

⁷⁶ As a proportion of all population aged 16+ as provided by ONS. Total population 16+ as at 2011 Census was 2.507 million

can be achieved if public funding is discontinued or radically curtailed. It also assumes that there will be no reductions in the number of members attached to non SGEI funded credit unions of course.

Figure 8: SGEI Contracted Credit Union Membership – Required Targets



The Credit Union Action Plan does not give a specific target for increasing credit union junior membership for Wales so as to measure the project's effectiveness. However it is worth noting that there has been a reasonable increase in junior membership numbers since the start of the project from 9,090 in September 2010 to 11,218 by September 2012 and 12,195 by September 2013. SGEI contracted credit unions have performed better than their counterparts during this time. As shown in Figure 9 there was a marked growth in junior membership numbers between 2011 and 2012 but the pace of the growth between 2012 and 2013 has been much slower and largely reflects the reduced focus given to work across schools by a number of credit unions.

Figure 9: Changes in Credit Union Junior Membership Numbers

	Sept 10	Sept 11	Sept 12	Sept 13
Total Welsh Junior Membership	8,090	9,078	11,218	12,195
SGEI Contracted Credit Union Junior Membership	6,582	7,361	10,100	11,228
Non SGEI Contracted Credit Union Junior Membership	1,508	1,717	1,118	967

The Credit Union Action Plan's second target was to increase the asset base of Welsh credit unions from its baseline of £21m to £75m by 2020. There have been steady annual increases in the asset base of Welsh credit unions since 2010 from £23.8 million to £35.0 million, with the growth amongst SGEI contracted credit unions accounting for this change (even when data for the two credit unions who joined the project in 2012 are disregarded, as shown in Figure 9). The drop in non SGEI contracted credit unions' asset base between 2011 and 2012 is explained by the inclusion of two credit union's data in SGEI contracted data by 2012.

Figure 10: Changes in Credit Union Asset Base

	Sept 10	Sept 11	Sept 12	Sept 13
Total Welsh Credit Union Asset Base	£23.8m	£27.5m	£30.7m	£35.0m
SGEI Contracted Credit Union Asset Base	£19.1m	£22.2m	£26.3m ⁷⁷	£30.4m
Non SGEI Contracted Asset Base	£4.7m ⁷⁸	£5.2m ⁷⁹	£4.4m ⁸⁰	£4.6m ⁸¹

If the Credit Union Action Plan target of £75m is to be achieved (and assuming that the asset base of non SGEI contracted credit unions remains static) the project has to ensure a 14% annual increase in the asset base of its supported credit unions (as shown in Figure 11). We believe that this annual growth rate is only achievable if financial support is made available over this duration – without funding achieving the Action Plan's target remains highly unrealistic.

⁷⁷ Includes Islwyn and Llynfi Credit Unions who joined the project later. Discounting these two credit unions, the figure would be around £25.4 million

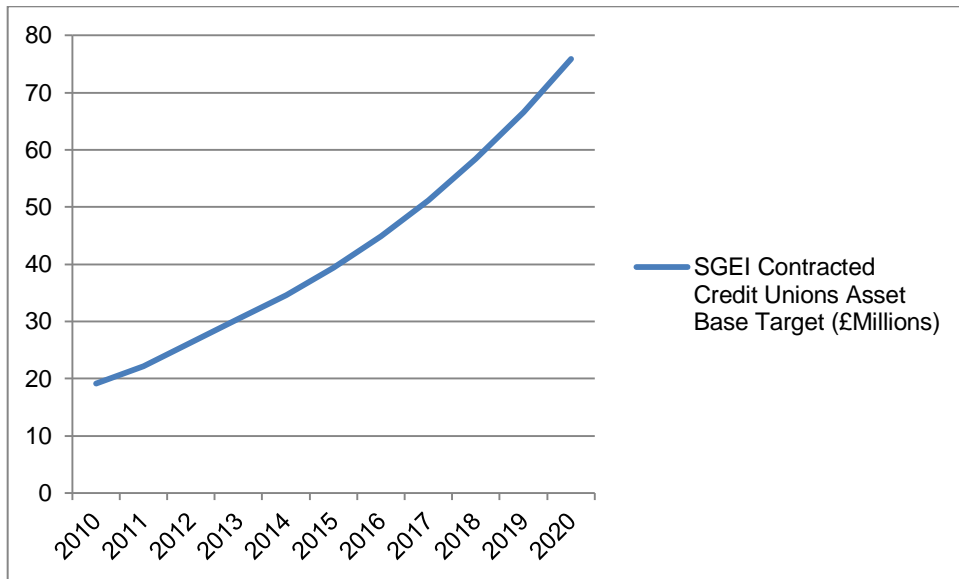
⁷⁸ Based on eight credit unions – including Islwyn and Llynfi credit unions who later joined the project

⁷⁹ Based on eight credit unions

⁸⁰ Based on six credit unions – by 2012 Islwyn and Llynfi credit unions had joined the project

⁸¹ Based on five credit unions – by 2013 the Marches credit union had ceased to trade.

Figure 11: SGEI Contracted Credit Union Asset Base– Required Targets



The third key target of the Credit Union Action Plan was to increase public awareness of credit unions in Wales by September 2013. As the Action Plan did not provide any baseline data on awareness of credit unions the Welsh Government set out in 2011 to measure and monitor public awareness via the Wales Omnibus Survey. The Welsh Government commissioned a series of questions to be asked of the general population via the Wales Omnibus Survey undertaken by Beaufort Research Ltd in November 2011⁸² and again in June 2012⁸³. Whilst it was the Welsh Government’s intention to continue to deploy this survey to track changes in public awareness no further work has been undertaken in this respect making it very difficult to assess whether awareness levels have increased over time.

The research found that levels of awareness amongst the general public were reasonably good – with just over half of those surveyed during 2011 and 2012 saying that they were aware of credit unions (at 52% and 51% respectively). Awareness appeared to be higher in North Wales, amongst older groups and those from managerial and professional occupations. Awareness was lower in the Valleys, amongst young people and semi-skilled and unskilled manual workers. The research found that awareness of credit unions does not

⁸² 1008 interviews were undertaken with the adult population resident in Wales aged 16 and over

⁸³ 1006 interviews were undertaken with the adult population resident in Wales aged 16 and over

necessarily translate into membership however with only between 6% and 7% of those surveyed during 2011 and 2012 who were aware of credit unions actually being a member.

In terms of increasing the number of active credit union volunteers (from a base of 754 in 2009 to 1,000 by March 2013) data made available by the project showed that 893 volunteers were involved as at September 2012 but that this had dropped to 844 by September 2013. Whilst the overall increase represents a healthy increase on the baseline figure it is impossible to know for certain whether the 2013 target has been met without accessing data from the five non SGEI supported credit unions. Our fieldwork revealed for instance that one of the non-supported credit unions had around 22 volunteers which would suggest it would be unlikely that the four remaining credit unions would draw upon a volunteer capacity of over 100 people.

The fifth and final target contained in the Credit Union Action Plan related to the provision of support to credit unions in receipt of Welsh Government funding. This target has been achieved largely via the delivery of the support put in place by TSIB.

6.4 Value for Money

The value for money achieved by the Credit Unions Project can be assessed by exploring the cost of outputs achieved against overall expenditure. Overall project expenditure for Phase II of delivery since October 2011 is shown in Figure 12 and shows that £3.9 million had been spent on the project by the end of January 2014, representing a small overspend of £154,481. As anticipated, a significant proportion of the funding (at 86%) was spent on a contracted delivery provider and of this £3.32 million expenditure we can assume that at least 70% (£2.32 million) was allocated directly to the credit unions involved in the project. We have also assumed that £996,000 would have been retained by TSIB for administering the project and providing direct support to credit unions.

Figure 12: Credit Unions Project Income and Expenditure

Income	
WG	£2,193,418
ERDF	£1,520,128
Total Income	£3,713,556
Expenditure	
WG Staff Costs	£452,184
WG T&S Costs	£13,170
TSIB Payments	£3,320,341
Research and Evaluation	£61,264
Audit	£21,079
Total Expenditure	£3,868,037
Balance income/expenditure	-£154,481

We make the following observations on the value for money achieved via the project:

- Over a third of project expenditure (i.e. nearly £1.5 million) has been spent on project management and business support related costs between the resources employed at the Welsh Government and at TSIB. This in our view seems to be a fairly high proportion and others means of providing financial services to excluded individuals could have provided a more cost-effective solution;

- The cost of supporting each additional financially excluded individual reported by credit unions has been at a cost of £168⁸⁴ each. This compares favourably to the original cost of supporting each financially excluded individual at £467⁸⁵ each as approved by WEFO;
- It is impossible to gauge whether the £168 spent per financially excluded individual supported represents good value for money or not as no data can be made available by the project on the nature of services accessed by these individuals. For instance, it is not known at a project level whether these individuals accessed credit union savings and/or loan services and if the latter, what the total value of loans awarded had been. We were regularly informed by credit unions that the value of loans awarded to financially excluded members were low, often up to £300 or £500 at the most, and on this basis therefore it would not be incorrect to assume that the cost of supporting each individual could equate to around half of the value of a loan awarded, which in our view appears to be a relatively costly intervention;
- There have been other significant outcomes and developments that have been observed across the credit union sector over the project delivery period and these achievements must be considered in any value for money calculations. In particular improvements to the financial sustainability of supported credit unions, a cultural shift in attitudes, improvements to credit union governance and the increase in products and services offered has been aided by the investment made within the sector – albeit it is impossible to quantify in any value for money calculation.

Should data have been available another mechanism for assessing the value for money achieved from the project would have been to consider the additional interest on loans that financially excluded individuals would have had to pay for had they secured a loan from an alternative financial provider with a higher loan interest. Such an exercise could be undertaken if project level data was available on the overall value of loans awarded over the project

⁸⁴ £3.868 million expenditure against an achieved output of 23,052 additional financially excluded individuals

⁸⁵ £3.5 million funding against an original target of 7,500 additional financially excluded individuals

lifetime. Anecdotal evidence provided by one credit union for instance would put this as a saving of £1.5 million over an 18 month period had those members who had accessed a loan done so via payday providers such as Wonga. Evidence from another credit union puts this saving at a minimum of £227,000 over a six month period (based upon the provision of 154 new loans to both financially excluded and non-financially excluded members) and this saving could potentially increase further if late payments on pay day loans were taken into consideration.

7. CONCLUSIONS AND RECOMMENDATIONS

In this section, we outline our overall conclusions as well as make recommendations for the future.

We conclude that the Credit Unions Project has been relatively successful in meeting its overall aims and objectives, as outlined in its original business plan. Our fieldwork has shown that reasonable progress has been made towards the objective of providing ‘an accessible, affordable and comparable, high quality financial service’ and that the funding provided has made significant contribution to the developments that have taken place.

However it remains the case that there are significant differences in the way financial services have been made available to the target audience via the project suggesting that this objective has not been achieved in a consistent manner. It remains the case that credit unions are unique operations and are extremely different to each other in terms of their products, services and operations.

We are not convinced that the project has in fact fully achieved one of the project’s objectives namely developing a ‘strong, sound and effective credit union movement’, given the continued evidence of rifts within the movement. Having said this, our evaluation has shown that improvements across the credit union sector have been made over the course of the project and feedback from those consulted suggests that the funding which has been invested has contributed significantly to these developments particularly in terms of a shift in attitude towards self-sustainability and improvements to credit union governance arrangements.

In our view the Credit Unions Project has performed well against its WEFO funded targets – particularly in terms of exceeding the target set for the number of financially excluded individuals supported and reasonable progress has been achieved in terms of meeting the cross cutting themes targets. Indeed one of the key highlights of the project has been the fact that it has

supported over 23,000 financially excluded individuals over its delivery. At an individual credit union level all but three of the 17 funded credit unions achieved or exceeded their contracted targets and on a collective basis the all Wales output reported was three times that of the contracted target. Credit unions are to be commended for their efforts, particularly over the last eighteen months or so, to increase their membership amongst this particular group.

Reasonable progress has been made against the Credit Union Action Plan targets over the project delivery period. Provided past membership and asset growth can be sustained into future years then it is possible that 142,000 Welsh credit union members and an asset base of £75 million be achieved by 2020, but in our view, these targets will be highly challenging without further financial support from Welsh Government, at least in the medium term.

We conclude that TSIB has effectively administered the funding agreements for supported credit unions. The nature of their support has been appropriate and evidence from the sector suggests that the support has been valued – albeit that it has impacted upon a small number of credit unions.

We reiterate our view from our Interim Report that project promotion and marketing activity started somewhat late in the day but despite this, promotional activities have been appropriate and reasonably effective in raising the profile of the movement in Wales. This has been aided of course by increased political and media interest in the sector over the last year or so – which no doubt has raised the profile of the sector but has also led to increased expectations from potential members. We do think however that the project's marketing efforts have been hampered by the lack of a common credit union identity and consistent products and services across Wales – which has not helped to withstand competition from the alternative financial provision market which has increased exponentially over the last couple of years.

We conclude that the growth in credit union membership over the project duration has been very positive, and at a higher rate than ABCUL data suggests for UK credit unions. Likewise there has been reasonable growth in supported credit union asset base and loan portfolios. The feedback from the sector suggests that much of this growth can be attributed to the SGEI funding support in that without the additional resources to employ staff, credit unions would have been unable to develop to the same extent.

However, a further analysis of credit union financial performance continues to show that they are still fairly weak in terms of their financial structures (net loans to total assets), still maintain very high operating costs and continue to hold more cash reserves than desired. There have been improvements to credit unions' capital-assets ratios and a reduction in bad-debt provision, but overall the picture presented by the PEARLS data is one of rather mixed progress.

During the fieldwork for this final report, it was clear there has been a radical shift in attitudes towards becoming financially sustainable organisations across those credit unions currently in receipt of SGEI funding. This has been helped by the flexibility offered by the Welsh Government to those credit unions that had already achieved their targets for recruitment of financially excluded members to diversify their customer base. It has also been encouraged by the focus given by TSIB to help credit unions plan towards this objective. However, this has come about rather late in the day and although we evidenced progress towards this objective across a number of credit unions visited it remains the case that many credit unions would have had to retrench in terms of their provision whilst others would have struggle to continue at all in the absence of ongoing Welsh Government funding.

Both UK and Welsh Government policy has remained supportive of the credit union sector, and to some extent this political support has intensified of late in response to the growing issues associated with pay day lending. In our view the Welsh Government policy for the sector requires further clarity given that it has on the one hand increased the flexibility it has offered to funded credit

unions over the last year or so to work with non-financially excluded individuals whilst reinforcing the role that credit unions have to play in alleviating poverty. While the additional funding provided to the sector for the period from September 2013 to March 2014 was no doubt welcome, we have some reservations about the capabilities of the sector to use this in a strategic way, given the short time scales within which the funding had to be disbursed.

In terms of value for money, there are severe limitations to the data available which would enable a definitive judgement. Assessing the economic impact of the project's expenditure has proven problematic given the lack of project level data on the value of loans awarded by the project and this is a challenge which ought to be addressed in any future provision. Moreover, the fact that the objectives of the funding had two separate goals – to grow the financial sustainability of the credit unions in Wales, so as to reduce or eliminate long-term dependency on future grant funding, and to increase services to the financially excluded – which were experienced by many credit unions as in tension with one another, adds to the difficulty of making such a judgement. In our view, the project has succeeded in increasing the number of financially excluded people accessing financial services through credit unions, but has had much more mixed results in terms of encouraging financial sustainability (as shown by the PEARLS and other performance data). Given this, we do not believe the project has been an unqualified success, although it has met many of its targets.

As we made clear in our Interim Report, we believe that a more cost-effective model (based around a separation of funding streams related to the two goals of providing services to the financially excluded and building a sustainable credit union movement) could be deployed in the future. We also think that a more equitable formula ought to have been deployed for funding this type of work – a formula which would have been more directly linked to the number of financially excluded individuals supported (albeit we accept that a premium for factors such as rurality might need to be adopted).

We make the following set of recommendations:

Recommendation 1: We recommend that the Welsh Government clarify and publish its intentions for the credit union sector in Wales via a Policy Statement which would build upon its communication to the sector during 2013, ensuring that these intentions are well aligned with those of DWP for the credit union sector. As part of this Policy Statement we believe that the Welsh Government should give due consideration as to whether its goal of supporting the provision of financial services for financially excluded individuals can only or most appropriately be addressed by credit unions.

Recommendation 2: Should the Welsh Government wish to continue its policy objective of supporting the provisions of financial services to financially excluded individuals then we recommend that it reviews the way in which these services are funded to ensure the best value for money. To achieve this we suggest that funding be made available on a competitive basis via Service Provision Contracts and that the value of each contract awarded be closely aligned with anticipated outputs relating to the number of financially excluded individuals and the value of loans provided to this group. We further suggest that the Welsh Government acknowledges that supporting financially excluded individuals requires ongoing funding, particularly within the context of the dramatic increasing debt and use of payday loans.

Recommendation 3: We further recommend that the Welsh Government requests that service providers contracted to deliver services to financially excluded individuals report upon the number of financially excluded individuals supported, the number of loans awarded to these individuals as well as the value of loans issued to this group in order to be able to better report upon the economic impact of intervention and the value for money achieved.

Recommendation 4: We do not think it unrealistic for the Welsh Government to expect service providers to meet minimum operating criteria as part of any future Service Provision contracting requirements. This would mean for instance that the Welsh Government could expect service providers to offer accessible services to customers be that in the form of longer opening hours

(e.g. between 9am and 5.30pm on at least two days a week) or via on-line platforms (e.g. the ability for customers to apply for loans on-line and to view on-line statements etc).

Recommendation 5: Should the Welsh Government wish to continue its commitment to developing financially sustainable credit unions then it ought to provide Investment Support to credit unions accordingly, and separately from funding for the provision of services to financially excluded individuals. Future funding for this purpose, both capital and revenue, ought to be dependent upon credit unions submitting acceptable business plans which clearly outline how they intend to become sustainable operations within a time bound period and which provide assurance of good governance. We suggest that this funding be provided on a tapered basis for a further three years, dependent upon overall credit union membership growth, asset growth and increase in earned income from loan activity. We further recommend that the Welsh Government takes a much more ruthless approach to ensure better value for money is obtained from such investment and withdraw funding from any credit unions which fail to deliver against agreed targets.

Recommendation 6: We recommend that the provision of support services to credit unions (including in relation to strengthening governance) be maintained in the future and that this be made available via the Welsh Government Investment Support provided to credit unions. We suggest that credit unions identify via their business planning process what capacity building support they would require and budget accordingly within their submitted business plans. This would enable credit unions to draw upon support to meet their specific needs from a range of providers.

Annex 1: List of Interviewees (2013 fieldwork)

Name	Organisation
Stakeholders	
Chris Gittins	Welsh Government
Charlotte Anscombe	Welsh Government
Michael Harmer	Welsh Government
Bill Hudson	TSIB
Ceryse Fear	TSIB
John Chell	TSIB
Ian Rees	TSIB
Teej Dew	Wales Co-operative Centre
Jo Lovell	Wales Co-operative Centre
Lucia Galespi	Wales Co-operative Centre
Lee Phillips	Money Advice Service
Delyth Morgan	Citizen's Advice Cymru
Alun Taylor	Chair of South Wales Chapter, ABCUL
Elizabeth Emmons	Illegal Money Lending Unit, Trading Standards
Ryan Evans	Illegal Money Lending Unit, Trading Standards
Russell Smith	Cardiff Metropolitan University
Control Credit Unions	
Just (Shropshire and Telford and Wrekin Credit Union)	
Bristol Credit Union	
BAG (Bargoed, Aberbargoed and Gilfach Credit Union)	
2013 visits were undertaken to the following Credit Unions	
Brecon and District Credit Union	
Bridgend Credit Union	
Cardiff and Vale Credit Union	
Gateway Credit Union	
Hafren Credit Union	
Islwyn Credit Union	
LASA	
Llynfi Credit Union	
Neath Port Talbot Credit Union	
North Wales Credit Union	
Newport Credit Union	
Smart Money Wales Credit Union	
West Wales Credit Union	