



FINANCIAL MUTUALS AND MUTUALLY OWNED CO-OPERATIVELY RUN CREDIT UNIONS HAVE A NATURAL INTER-TRADING SYNERGY

Credit unions are financial mutuals, but the public and politicians don't always appear to recognise this! Credit unions are:

- Mutually owned: one (depositing owner) member - one vote.
- Co-operatively run: exercised through a fully participative owner member democracy
- Professionally managed: by individuals who are fit for purpose.
- Savings and loans 'firms', authorised to trade (money) by the Prudential Regulation Authority, and regulated (conduct) by the Financial Conduct Authority, and in the scope of both the FOS and FSCS

A credit union must have in place:

- A definitive restricted field of membership - the 'Common Bond': that exempts them from having to comply with full banking regulation capital adequacy and liquidity rules.
- A Fidelity/Surety bond: that at all times gives sufficient to protect *all* money deposited by owner members.
- Insurance for all its employees on duty, both paid and unpaid, as well as for the public who deal with it.
- General insurance: for its own goods, chattels, items pledged to it (for loans), any employee protection.

The Regulations that govern conduct of business of and by a credit union in Great Britain are governed by the 'objects' for it, set down by the Credit Union Act 1979 and Northern Ireland a decade before, i.e. only products and savings that directly relate to the core business of encouraging thrift by its owner members; providing them (only) with loans for 'prudent and provident purposes', based on some form of gearing/leveraging of their individual savings, is permissible.

A few credit unions are sufficiently large, financially robust, with proven quality management in place to have obtained mortgage and/or insurance issuing consent, "mediation", supplying both these products directly to their owner members - "Member Pay" products.

The great majority of credit unions do not have these privileges and so cannot supply or even directly recommend; credit unions and credit union organisation are not authorised regulated advisers and can only market financial products and services to their own members if there is a direct trading tie. Obviously this can limit choice, downgrade quality and suitability.

This means the credit union owner members, who might be financially uneducated, don't know of legitimate tax shelters, available by purchasing certain products from Friendly Societies.

SO WHAT IS THE POTENTIAL FOR FINANCIAL MUTUALS IN DOING BUSINESS WITH THE ENTIRE CREDIT UNION SECTOR?

The Bank of England produces quarterly statistics on credit unions, and reports around two million members at the end of 2018 (<https://www.bankofengland.co.uk/statistics/credit-union/2018/2018-q4>) – a new market!

As far as is known, there is only one organisation that is capable of communicating information to every credit union in Great Britain and Ireland, for whom it has the contact coordinates - the [International Credit Union Leadership Development Education Foundation](http://www.iculdef.org), a charitable company limited by guarantee that promotes the:

- '[Edward Filene Credit Union Awards for Performance Excellence - Great Britain & Ireland](#)' - the Credit Union 'Oscars: with three classifications - Leadership, Enterprise and Community - and 19 categories covering all the activity areas that should be undertaken by a 21st-century credit union; and the
- '[Joe Biden Awards for the Credit Union Development Educator of the Year from Africa, Asia, Australasia Caribbean, Europe and North America](#)'. Credit Union Development Educators are qualified credit union activists, who recognise societal shortcomings in their own communities and others, and using their own knowledge, trade skills and endeavour often enthuse others to assist, going out to try to heal the world every day.

The winners of these awards and other commendable performers are honoured at a celebratory [Awards Dinner](#), this year being held on 23 November at the Manchester Victoria & Albert Hotel. Details of previous years' Awards can be viewed [here](#). The Foundation's Co-Trustees, Barry and Marilynne Epstein appear in the attached photo.

So, to make the credit union sector aware of other organisations whose products and services are compatible with theirs, the event is sponsored and supported by donors, suppliers (or would be ones) to the credit union movement; that the Co-Trustees insist must have ethical and trading values in line with those of the credit union movement.

They must be:

- Whole of credit union market suppliers
- Not be in any exclusive ties or trading arrangements with any credit union or credit union organisation. (There's nothing wrong with any of this, but is it co-operative?)
- Not be in direct competition with credit unions for their core savings and loans business.

To ensure sponsors and donors get 'bang for their bucks', only one organisation or company is invited to represent their sector, other than with the consent of the Co-Trustees and the other sponsors; this is because the awards are celebratory event and not a trade fair. [This link](#) to our website takes you to the sponsors/donors hospitality offering.

To summarise, the Foundation offers the following:

- Notice of a sponsor/donor's support given to the Foundation is noted on all pre-publicity for the Awards event; this is continuous and includes a link to your company's website, which also appears on [ours](#).
- Electronic communication to the *entire* British and Irish credit union movement; our comprehensive database of credit union coordinates is thought to be unique.
- Communication back to your organisation of *general* information on the credit union sector that could be of interest to your organisation.

The Foundation is particularly keen to attract support for the credit union sector from Friendly Societies generally and specifically health and welfare product providers. If you would like to work with another part of the Mutual sector, please contact the Foundation via email: info@iculdef.org or call 020 8241 2736.