

People Select Committee

Scrutiny Review of Tees Credit Union

Final Report
June 2022

People Select Committee
Stockton-on-Tees Borough Council
Municipal Buildings
Church Road
Stockton-on-Tees
TS18 1LD

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Select Committee – Membership

Councillor Marilyn Surtees (Chair)
Cllr Jean O'Donnell
Cllr John Gardner
Cllr Niall Innes
Cllr Eileen Johnson
Cllr Lee Spence
Cllr Mrs Sylvia Walmsley
Cllr Bill Woodhead MBE
Cllr Barry Woodhouse

Acknowledgments

The Committee would like to thank the following people for contributing to its work:

Margie Stewart-Piercy - Consultation and Corporate Affairs Manager
Phil Goad, Diane Patterson, and Annie Murphy- Moneywise – Moneywise Credit Union
Katie Hindmarsh - Coordinator A Fairer Stockton-on-Tees
Ian Bartlett and Rhys Stephens - Stockton Advice and Information Service
Lisa Pickard and John Fettes - Five Lamps
John Carling- Chief Executive, Catalyst
Neeraj Sharma - Daisy Chain

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Glossary

CHB	Child Benefit
ILMT	Illegal Money Lending Team
MCU	Moneywise Credit Union
NPS	Net Promotor Score
ROI	Return on Investment
SDAIS	Stockton and District Advice and Information Services
SMT	Senior Management Team
TCU	Tees Credit Union
VCSE	Voluntary, Community and Social Enterprise
YHN	Your Homes Newcastle

Original Brief

Which of our strategic corporate objectives does this topic address?

The review will contribute to the following Council Plan 2021-24 priority:

To develop a new approach to tackling inequality in the Borough and to ensure that we deliver targeted support and help to those currently living in poverty to improve their outcomes, including around health inequalities and emotional health and wellbeing.

What are the main issues and overall aim of this review?

Tees Credit Union merged with Moneywise Credit Union Ltd in September 2017. The aim of this review would be to consider the operation of the Credit Union since the merger to ensure that it is serving the needs of the people of the borough and specifically supporting the vulnerable who rely on it for the provision of loans, banking services and savings accounts at reasonable rates. The review is timely because it would be approximately two years after the merger and this would be a good time to ensure that the changes made to support the merger have been completed successfully.

In December 2018 Moneywise Credit Union Ltd was appointed to operate the new Community Bank in Middlesbrough and Redcar and Cleveland. The review would provide a good opportunity to consider whether any opportunities for collaboration arise from this new operation which may generate further benefits for the Moneywise customers in Stockton on Tees.

The review would also provide an excellent opportunity to consider whether increased support and collaboration can be achieved with businesses and VCSE organisations in the borough in terms of payroll giving and collaborative working. The opportunity through the scrutiny process to illicit the views of partners and businesses would be valuable.

The review could also consider opportunities for generating greater take up of the Moneywise services with Council employees and seek to ensure that we have a healthy and high performing credit union in the Borough which is helping to tackle financial exclusion.

The Committee will undertake the following key lines of enquiry:

- Is the Credit Union operating well following the merger in 2017 and have all opportunities associated with the creation of the new Community Bank in Middlesbrough and Redcar and Cleveland been explored?
- What is the Credit Union business model and is it clear, robust and future proofed?
- Are there plans to expand?
- Is the Credit Union maximising the opportunities available for advertising it's products and are messages clear? How well known is the Credit Union and its benefits? Are incentives offered?
- Is the Credit Union meeting the needs of all vulnerable customers in the Borough is there anything we can do to assist with this?
- Have all opportunities for collaborative working with the Council and other agencies been explored?
- How many companies are signed up for payroll deductions? Is there a strategy for increasing this?

<ul style="list-style-type: none"> • How easy it is for customers to sign up and access services, including online and other methods? • What is the management/ staffing structure/ numbers? • How do customers pay in and access their savings? • What is the optimum ratio between savers and borrowers? What interest rates apply to loans and savings? • Has the COVID-19 pandemic affected demand for services? Have there been any positives/negatives as a result of the pandemic? 	
<p>Who will the Committee be trying to influence as part of its work?</p> <p>Cabinet, Tees Credit Union and local employers.</p>	
<p>Expected duration of review and key milestones:</p> <p>5 months: Approve scope and project plan – 10 January 2022 Receive evidence – 24 January 2022 14 March 2022 11 April 2022 Draft recommendations – 9 May 2022 Final report – 13 June 2022 Report to Cabinet – 14 July 2022</p>	
<p>What information do we need?</p> <p>Existing information (background information, existing reports, legislation, central government documents, etc.):</p> <p>Financial Statements Staffing Structures</p>	
<p>Who can provide us with further relevant evidence? (Cabinet Member, officer, service user, general public, expert witness, etc.)</p> <p>Phil Goad, Moneywise</p> <p>Citizens Advice Bureau/ Infinity Partnership Local organisations Catalyst</p>	<p>What specific areas do we want them to cover when they give evidence?</p> <p>{ Operation of the Credit Union since the merger Is the business model clear, robust and future proofed? Have all opportunities for collaborative working been explored? Are the Credit Union clear about their customer base? Take up of services and payroll giving</p> <p>{ Opportunities for collaborative working and payroll giving Are products available appropriate? Are there areas of unmet need? How well is support advertised/ signposted?</p>

How will this information be gathered? (e.g. financial baselining and analysis, benchmarking, site visits, face-to-face questioning, telephone survey, survey)

Committee meetings, desk top research, mystery shopping, feedback from VCSE via Voice Forum.

How will key partners and the public be involved in the review?

Partners in the voluntary and community sector will be involved.

How will the review help the Council meet the Public Sector Equality Duty?

The review will consider the impact of support in preventing discrimination for those with Protected Characteristics (including – but not limited to – age, gender, disability, ethnicity), and advance equality of opportunity for those with Protected Characteristics.

How will the review contribute towards the Joint Strategic Needs Assessment, or the implementation of the Health and Wellbeing Strategy?

The review would support the policy principle of protecting the vulnerable through targeted intervention, particularly those people in our communities who are subject to, or at risk of harm, people who are homeless or at risk of becoming homeless and those who are financially excluded or whose circumstances make them vulnerable. The review would also support the promotion of equality of opportunity through targeted intervention, specifically in relation to financial inclusion.

Provide an initial view as to how this review could lead to efficiencies, improvements and/or transformation:

- Improved support/ products and take-up
- Improved communication and connections with businesses and VCSE organisations in the borough
- Improved collaborative working

Executive Summary

This report presents the outcomes of the scrutiny review of the Tees Credit Union.

The aim of this review was to consider the operation of the Credit Union since the merger with Moneywise in 2017 to ensure that it is serving the needs of the people of the Borough and specifically supporting the vulnerable who rely on it for the provision of loans, banking services and savings accounts at reasonable rates. The review has provided an opportunity to consider whether any opportunities for collaboration arise from this new operation which may generate further benefits for the Moneywise customers in Stockton on Tees.

The review has also provided an excellent opportunity to consider whether increased support and collaboration can be achieved with businesses and VCSE organisations in the Borough in terms of payroll giving and collaborative working. In addition, opportunities for generating greater take up of the Moneywise services with Council employees would seek to ensure that we have a healthy and high performing credit union in the Borough which is helping to tackle financial exclusion.

Key Findings

Background

- A credit union is a financial co-operative which provides savings, loans and a range of services to its members. It is owned and controlled by the members, and not by external shareholders or investors. Therefore, the emphasis is always on providing the best service to members – not maximising profits
- Membership of a credit union is based on a common bond. This can be working for a particular employer or in a particular industry, or simply living or working in a specified geographical area which could be as small as a village or as large as several local authority areas
- Tees Credit Union merged with Moneywise in 2017 with them being appointed in 2018 to operate a new Community Bank in Middlesbrough and Redcar and Cleveland
- Moneywise Credit Union offers a range of service including:
 - Personal loans
 - Savings
 - Payroll savings
- The Council provides funding of £40,000 pa to the Credit Union for ongoing support which covers 'making every contact count', working in deprived areas and offering advice and guidance. In addition, a one off £20,000 grant was made for the Train the Trainer approach to working with Thirteen and also with BMBF

Moneywise Tees Credit Union

- Moneywise Credit Union has been serving the communities of the Northeast for over 30 years with branches in Newcastle, Stockton, and Teesside
- Moneywise Credit Union is a non-profit organisation owned by their members with over 12,500 members, over £6.3 million in savings and over £3.2 million in loans
- The organisation pre-merger had been in financial decline. The current financial position is significantly improved with increases in loans, savings and membership
- Large loans are not promoted by the Credit Union with only a few being offered to long standing members. The majority of personal loans were £1,000 – 2,000 and the family loan was capped at £750. The minimum loan offered was £100 due to processing costs
- To support customers in financial hardship due to Covid, payment holidays had been offered; trading is now back to normal

- Monthly interest rates are capped at 3% APR by Government; the annual maximum is 42.6%. This starkly contrasts with many other lenders operating excessive interest rates
- All customers are encouraged to save; savings start with a minimum £5 deposit; payroll savings are also offered; interest is not paid on savings but an annual dividend paid
- The Credit Union do not have the same marketing budgets enjoyed by the rest of the financial sector. Members acknowledged that they could play a role in promoting the Credit Union through their Facebook pages and ward newsletters
- A digital pack is used to promote the Credit Union; however, footfall at branches illustrates the ongoing need for face-to-face services
- Loan applications are subject to credit score and affordability checks and it is recognised that many customers are still seeking loans from other lenders. Work is ongoing to establish if more flexibility could be offered in the loan products whilst retaining affordability

A Fairer Stockton on Tees

- Nine of Stockton on Tees' wards are in the 10% most deprived wards in the country and there is a gap of 21 years in average life expectancy amongst men, between the most and least deprived wards
- A Fairer Stockton-on-Tees is an ambitious ten-year vision that involves five key interventions:
 - Tackle Borough-wide, fundamental issues
 - Reduce inequalities faced by disadvantaged communities
 - Focus on deprived neighbourhoods – building on work started in Targeted Action Areas
 - Better help for our most marginalised individuals
 - Review our role as employer, commissioner, and provider
- Moneywise Credit Union provides debt consolidation loans where the individuals' loan repayment contains an amount that is paid into a Tees Credit Union savings account, creating an amount that can be accessed at the end of the loan term

Stockton Advice and Information Service

- The Stockton Advice and Information Service in 2021-2022 had assisted 1,334 clients with 7,201 debt issues and £7.96 million of debt
- Some Credit Union loans require Child Benefit to be paid directly to them which limits choice on spending as the loan is deducted at the source before priorities such as gas or electric bills
- In 2022 199 children and 3145 adults held an account with the Moneywise Credit Union
- Loans are taken out for a variety of reasons with the most significant reasons being for Christmas and household items
- SDAIS have 22 clients who have Moneywise Credit Union debts with the average debt being £520
- The Credit Union make up 90% of all credit union debts for SDAIS clients
- 60% of clients were not aware of the Credit Union with only 5% of clients having used credit union services
- More engagement with clients was needed to raise awareness of benefit entitlement, as many were unaware of what they were entitled to, and this could have a significant impact
- The Credit Union were regulated by the Financial Conduct Authority and the Prudential Regulation Authority
- Moneywise Credit Union were active members of the Infinity Partnership and provided local, accessible, and flexible support
- SDAIS proposed that:

- Moneywise Credit Union should carry out credit checks for all customers taking out a loan in order for the lender and individual to make informed decisions
- referral of all debt clients to SDAIS (not just signposting)
- more scrutiny of loans for Christmas and budgeting advice
- more collection points and promotion

Five Lamps

- Five Lamps have three main strands: home care, youth and community engagement and financial inclusion
- Conduit had disbursed £11.4 million in the last three years
 - The average loan was £590 over nine months
 - 2357 loans had been issued to the TS16-TS21 postcodes with 8178 applications being received
 - £1,712,666 have been disbursed to Stockton on Tees residents accounting for 14% of all activity
 - On average it takes 24 hours for a loan to go into a customer's account
 - Conduits Annual Percentage Rate range from 99.8% to 200%
 - A Conduit loan saves customers approximately £78 per calendar month
- Five Lamps lend to the most vulnerable:
 - 6/10 clients with loans live in rented housing
 - 82% of clients have an income of less than £2,000 per calendar month
 - 89% of clients are in the bottom decile credit score
- 8 million families did not access £16 billion of benefits in the last year. A benefit entitlement checker app was being developed costing 20p a check, with the app was being rolled out to 50,000 in the next year; the app could be adaptable to suit the needs of Stockton on Tees
- Five Lamps have had a limited relationship with the Credit Union and felt that both organisations would benefit from closer working as their customers were those who could not get finance from banks. This could include referring customers to each other where products or likelihood of securing credit were more favourable (“up and down stream”); there were also opportunities for jointly advertising

Catalyst

- The Credit Union is well thought of by members but some feedback suggests that the on-line service seems to predominate, and some locally based face-to-face services may have been lost
- What does this mean for...
 - the most marginalized?
 - Those without access to digital technology?
 - The risk of people using loan sharks or pay-day lenders?
- Catalyst identified collaborative opportunities including
 - Community-based organisations amongst over 300 VCSE organisations in Stockton, many very locally focused or focusing on specific demographic groups
 - Community Partnerships
 - Catalyst Forums
 - The offer could be around:
 - Promoting the service
 - Use of community buildings
 - Availability of volunteers

Daisy Chain

- There were opportunities to raise awareness of Credit Union finance options for the purchase of large furniture items (recognising that Daisy Chain can't recommend a particular product)
- Potential for a white goods scheme for discounted but "still in warranty" stock
- Scope for greater collaboration/signposting of clients on financial education/ income maximisation sessions and employability programmes
- Need for greater advertising and publicity – people need to know they have alternatives to loan sharks and high interest lenders

Conclusion

The Select Committee concluded that the Credit Union provide provided local, accessible, and flexible support and noted that since their merger with Moneywise, their financial position had significantly improved with increases in loans, savings and membership. The Credit Union is well thought of by its members and all customers are encouraged to save. As well as the online service, the Credit Union maintains a valuable high street presence which has excellent footfall.

The review has revealed a huge potential for increasing collaboration with other financial providers, local organisations, the voluntary and community sector and local charities both in terms of marketing and services provided to local residents.

Recommendations

1. That further opportunities to promote the Credit Union are explored, including:
 - Member Newsletters and social media
 - Council promotion through Stockton News and social media
 - Voluntary and Community Sector/ community centres
 - Charities and Charity Shops
2. That partnership working with other financial providers and sectors is strengthened, including:
 - Outreach through community-based organisations and volunteers
 - Reciprocal referral arrangements between financial providers operating locally
 - Strengthening of arrangements to refer Credit Union customers to SDAIS
 - Working to support the Fairer Stockton on Tees framework
3. That the Credit Union consider whether the name reflects the ambition of the organisation and might be better re-badged Community Bank or People's Bank.
4. That the app to assess benefit entitlement is investigated to understand its value and application and be promoted as appropriate alongside other sources of advice.
5. That Councillors and all Council staff are encouraged to set up payroll savings with the Credit Union and become members of the Credit Union.
6. That the membership of the Infinity Partnership be reviewed to ensure that it includes all relevant financial support organisations operating within the Borough.

1.0 Introduction

1.1 This report presents the outcomes of the scrutiny review of the Tees Credit Union.

1.2 The aim of this review was to consider the operation of the Credit Union since the merger with Moneywise in 2017 to ensure that it is serving the needs of the people of the Borough and specifically supporting the vulnerable who rely on it for the provision of loans, banking services and savings accounts at reasonable rates. The review has provided an opportunity to consider whether any opportunities for collaboration arise from this new operation which may generate further benefits for the Moneywise customers in Stockton on Tees.

1.3 The review has also provided an excellent opportunity to consider whether increased support and collaboration can be achieved with businesses and VCSE organisations in the Borough in terms of payroll giving and collaborative working. In addition, opportunities for generating greater take up of the Moneywise services with Council employees would seek to ensure that we have a healthy and high performing credit union in the Borough which is helping to tackle financial exclusion.

1.4 The Select Committee examined the following key lines of enquiry:

- Is the Credit Union operating well following the merger in 2017 and have all opportunities associated with the creation of the new Community Bank in Middlesbrough and Redcar and Cleveland been explored?
- What is the Credit Union business model and is it clear, robust and future proofed?
- Are there plans to expand?
- Is the Credit Union maximising the opportunities available for advertising its products and are messages clear? How well known is the Credit Union and its benefits? Are incentives offered?
- Is the Credit Union meeting the needs of all vulnerable customers in the Borough is there anything we can do to assist with this?
- Have all opportunities for collaborative working with the Council and other agencies been explored?
- How many companies are signed up for payroll deductions? Is there a strategy for increasing this?
- How easy it is for customers to sign up and access services, including online and other methods?
- What is the management/ staffing structure/ numbers?
- How do customers pay in and access their savings?
- What is the optimum ratio between savers and borrowers? What interest rates apply to loans and savings?
- Has the COVID-19 pandemic affected demand for services? Have there been any positives/negatives as a result of the pandemic?

1.5 The Select Committee has taken evidence from MCU, A Fairer Stockton in Tees, SDAIS, Five Lamps, Catalyst and Daisy Chain.

2.0 Evidence

Background

2.1 A credit union is a financial co-operative which provides savings, loans, and a range of services to its members. It is owned and controlled by the members. Credit unions are owned by the people who use their services, and not by external shareholders or investors. So, the emphasis is always on providing the best service to members – not maximising profits.

2.2 Membership of a credit union is based on a common bond. This can be working for a particular employer or in a particular industry, or simply living or working in a specified geographical area which could be as small as a village or as large as several Local Authority areas.

2.3 All credit unions are regulated by the Financial Conduct Authority, and the Prudential Regulation Authority.

2.4 Tees Credit Union merged with Moneywise in 2017. In December 2018 Moneywise Credit Union was appointed to operate a new Community Bank in Middlesbrough and Redcar and Cleveland

2.5 The Credit Union offers a range of service including:

- Personal loans
- Savings
- Payroll savings

2.6 The Council provides funding of £40,000 pa for ongoing support which covers 'making every contact count', working in deprived areas and offering advice and guidance. In addition, a one off £20,000 grant was provided for Train the Trainer working with Thirteen and with Bright Minds, Big Futures (BMBF).

Evidence from Moneywise Credit Union Phil Goad – Interim Chief Executive

2.7 The Credit Union has been serving the communities of the North East for over 30 years with branches in Newcastle, Stockton, and Teesside. They provide in branch, online and a telephone service. Moneywise Credit Union is authorised and Regulated by the Prudential Regulation Authority and the Financial Conduct Authority.


2.8 It is a non-profit organisation owned by its members with:

- Over 12,500 members
- Over £6.3m in savings
- Over £3.2m in Loans
- Over 30 company payroll partners

Tees Credit Union Pre Merger 2017

2.9 The organisation pre-merger was in financial decline with the reserves were not being sufficient to support a continuation of this pattern. It was difficult to recruit good staff at a senior level with the membership base containing a proportion of dormant accounts and a high level of arrears and delinquent accounts.

2.10 The following illustrates the increase in membership and loans since the merger:

	2017	2022	
 Members	2,100 (excluding dormant and arrears)	2,700	28%
 Loan Book	£533K	£722K	35%
	£710K	£815K	14%

2.11 The Moneywise Board and Governance is as follows:

- Chairman
- Vice Chair
- Finance Director
- Internal Audit/compliance/secretary
- Remainder of Board x 4
- Ethics sub com
- Finance and compliance sub com
- Remco sub com
- Nominations sub com

Strategy

2.12 The Moneywise' Business Plan 2020 – 2023 sets out seven strategic objectives, to:

- Increase loans issued in value and number by ensuring our loan products remain relevant to members' needs, are competitively priced and marketed effectively within an ethos of responsible lending
- Reduce bad debt and increase debt recovery through improved processes and controls.
- Increase profitability by increasing revenue streams through product growth and robust cost control
- Increase the membership, particularly in workplaces where members pay via payroll.
- Develop savings products to meet members needs and encourage sound financial management
- Maintain a capital ratio of at least 2% above the Regulatory minimum
- Explore the provision of payment cards to supplement cash withdrawals for shares and loan withdrawals
- The Board is also willing to consider accepting transfer of engagement from other credit unions to ensure scale sufficient to fund essential investment, where the opportunity arises and where it would enable Moneywise to serve its members better.
- The Strategic Objectives will be delivered through a focus on business growth and development, staffing, maintaining cost effectiveness, investing in systems and technology and providing exemplar service to members

Trading Update – Quarter 1 2021/2022

2.13 The following table illustrates loans issued and customer base by branch year to-date Oct 2021-Dec 2021:

	MIDDLESBROUGH		NEWCASTLE		REDCAR		STOCKTON		SUNDERLAND		Grand Total	
	Loan Amount	NO	Loan Amount	NO	Loan Amount	NO	Loan Amount	NO	Loan Amount	NO	Loan Amount	NO
Regular Loans	£ 86,072	245	£ 402,508	505	£ 31,445	81	£131,787	321	£ 11,025	52	£662,837	1,204
Family Loans	£ 159,645	609	£ 89,165	296	£78,263	237	£122,526	425	£ 25,280	83	£474,879	1,650
Total Loans Issued	£ 245,717	854	£491,673	801	£109,708	318	£254,313	746	£36,305	135	£1,137,716	2,854

Branch	Joined	Closed	Net	Adult Membership	Corporate Membership	Junior Membership	Total Membership
Head Office	2		2	5	0	18	23
Newcastle	61	71	-10	6,054	22	607	6,683
Middlesbrough	59	16	43	1,464	6	42	1,512
Redcar	56	6	50	757	7	9	773
Stockton	82	18	64	2,539	19	208	2,766
Sunderland	30	2	28	513	1	2	516
Totals	290	113	177	11,332	55	886	12,273

Moneywise Compliance Ratios

2.14 Overall, reserves are £426,869 against total assets of £6,898,744 and the Capital to Assets ratio has remained above 7% throughout the year (5% minimum requirement). The largest deposit (£81,000) is in line with the permitted maximum amount and all deposits are protected by the Financial Services Compensation Scheme (£85,000 maximum protection).

2.15 The largest loan granted was £15,000 which is the current policy limit with the liquidity ratio (cash available for withdrawal) being 39% of assets (minimum 10%). The loan share to loan ratio is 49% - this is against a Net loan book of £3,05,569 and total member shares of £6,273,980. Although the Credit Union carry a high volume of aged debt (£548,647), loans that are less than one year in arrears amount to just £46,216 which equates to 1.8% provisioning for risk; this is against a national average of approximately 5%.

Loans and Savings

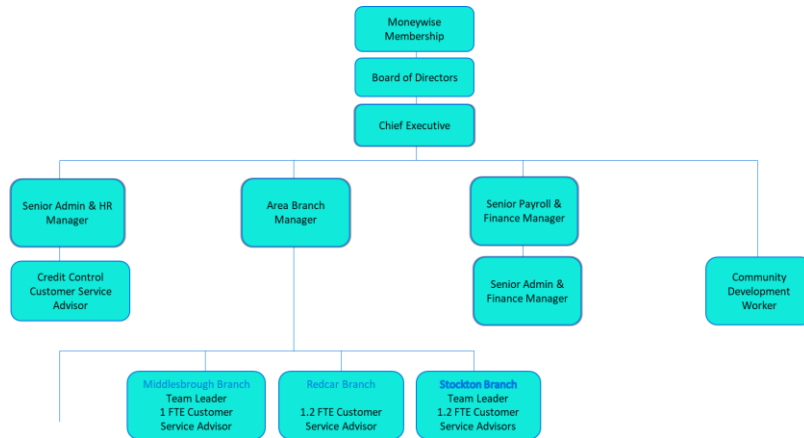
2.16 Large loans are not promoted by the Credit Union with only a few being offered to long standing members. The majority of personal loans were £1,000 – 2,000 and the family loan was capped at £750. The minimum loan offered was £100 due to processing costs. Once agreed, loans are paid the same day. Some Credit Unions loans require Child Benefit to be paid directly to them. Subsequent loans are, however, checked for affordability and any defaults on essential bills mean that the member doesn't receive future loans, in which case the Credit Union could reduce the repayments on the existing loan. Family loans are not subject to a credit check but three months of bank statements are required instead which often show more than a credit check.

2.17 Monthly interest rates are capped at 3% APR by Government; the annual maximum is 42.6%. This starkly contrasts with many other lenders operating excessive interest rates.

2.18 All customers are encouraged to save; savings start with a minimum £5 deposit; payroll savings

are also offered; interest is not paid on savings but an annual dividend paid.

Operational Structure Chart



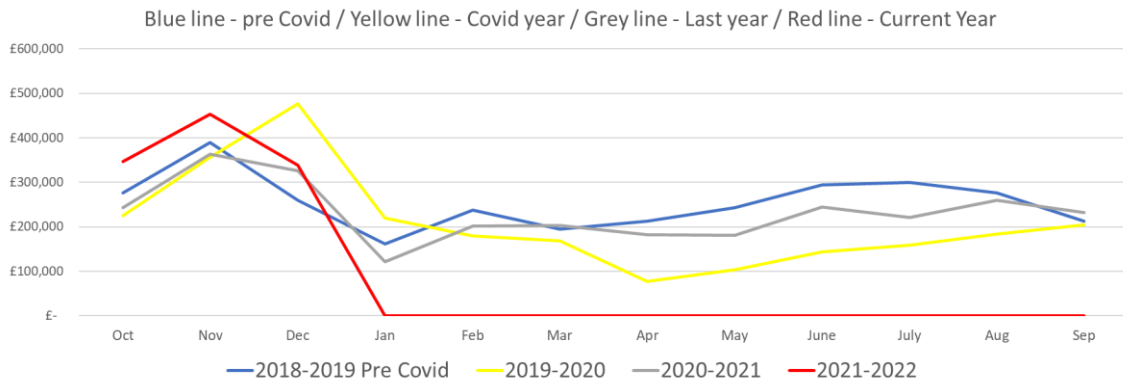
2.19 The continuation of Phil Goad’s position as Interim Chief Executive had recently been supported by the Board in view of the significant improvements in the performance of the Credit Union and recognising that the voluntary nature of the position secured savings. It was likely that an external appointment process would commence in December 2022.

Covid Impact

2.20 During the pandemic:

- Gross lending fell by £500,000
- Cost impact of covid securing branches
- Cost impact of remote working hardware – IT and telephony
- Government furlough scheme was utilised but cost impact of accrued staff holidays
- All branches maintained to support vulnerable service users
- Community development work impact reduced
- Volunteer attrition during collection point suspension

2.21 To support customers in financial hardship due to Covid, payment holidays had been offered; trading is now back to normal. The following table illustrates the impact of Covid on lending which is now above pre- pandemic levels:



Post Pandemic Growth Strategy 2021/22

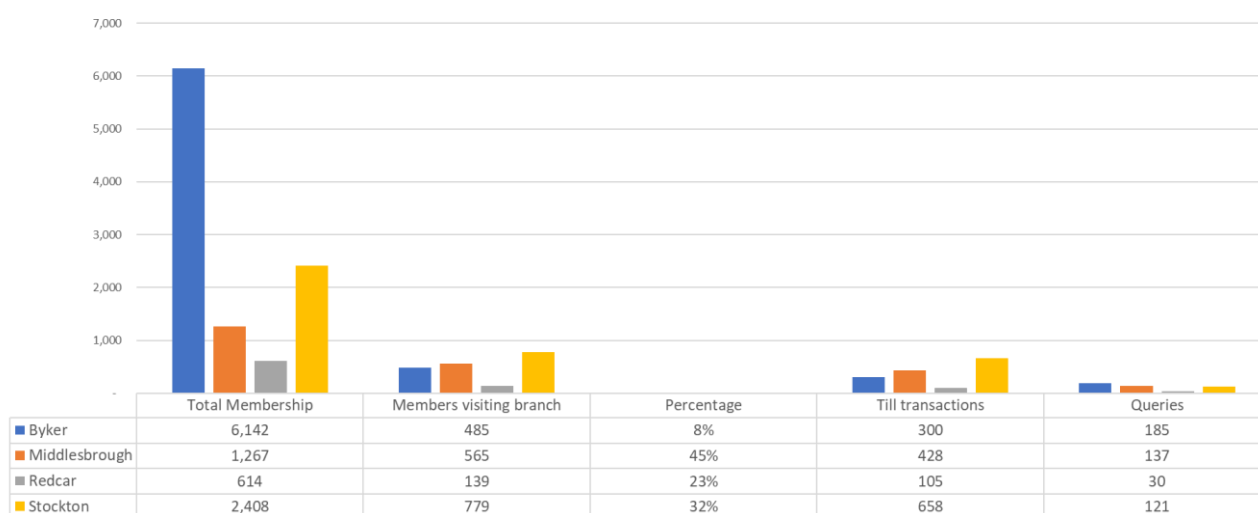
To be a low cost online lender supported by local authorities and other stakeholders to provide a credit union supporting local communities and the vulnerable across the Northeast

2.22 Work to support the Strategy includes:

- Are we able to offer a fully integrated online operation, if not what is needed?
- Acquisition Channels
- Partnerships in the community
- Do we understand our customers, our market and competition?
- Is our marketing effective?
- Online digital footprint
- Products and ROI
- Member retention
- Member loyalty
- The Brand and its development
- The board has agreed that Moneywise develop a hybrid credit union model predicated on the ability to deliver services online and through a grant supported branch network and financially supported and targeted community development work
- In order to understand the current and future revenue, cost and profit drivers the Board has directed the SMT to research and present findings on a range of questions
- The Board will then be better able to direct the Executive and SMT
- The Board will have a greater understanding of the drivers and challenges
- We will be better placed to achieve the key strategic aim of organic sustainable growth

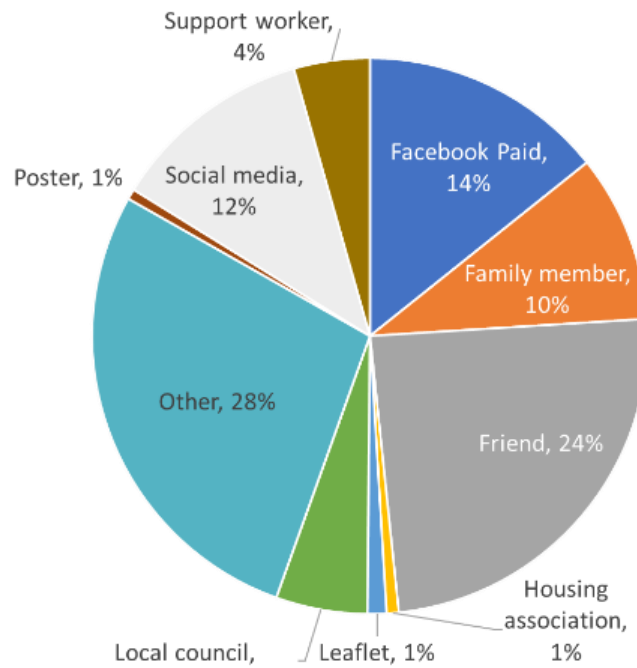
Is Marketing Effective?

Footfall at Branches over one month

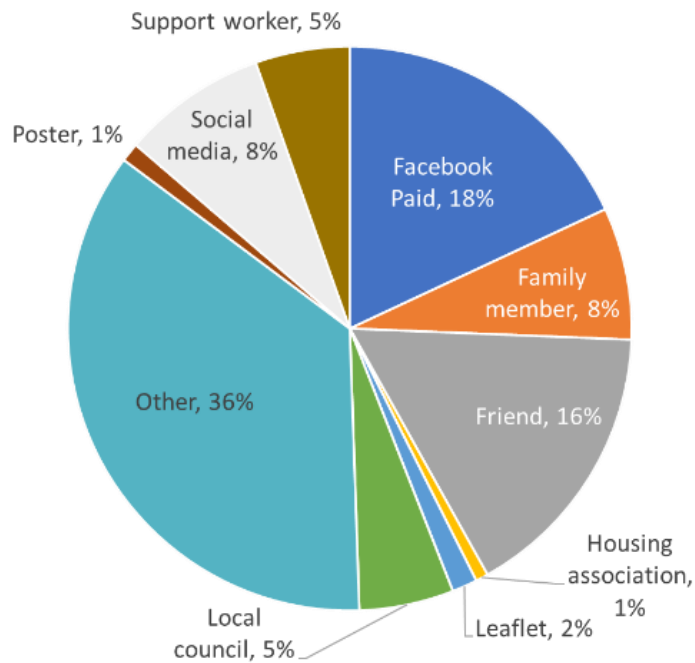


2.23 995 applications were analysed over three months from all branches in respect of membership and loan applications (no data available for 'general family loan' applications (548)). The following pie charts illustrate business by channel:

Applied



Approved



2.24 The Credit Union is making marketing better by gaining a better understanding of:

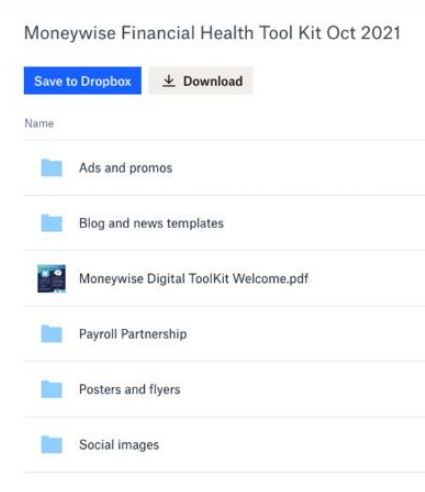
- **Other** (such as credit union workers, employer, friend, family member, housing association, google, local branch, local council, social media and support workers)
- **Customers** (such as payroll partner organisations, savers, family (CHB) loans, regular loans, benefit deposits/withdrawals, social investors, landlords and tenants (YHN) social landlords, commissioner of services, funeral plan, junior savers, and savers on behalf of junior members (grandparents etc))

- **Competitors** (such as high street lenders e.g., cash converters, local pawnbrokers, other credit unions covering our area e.g., Darlington, Northeast 1st, Pioneer, Community 1st, Northumberland, South Bank, CDFI- Five Lamps, payday lenders in Newcastle e.g., Everyday Loans, Cash Converters, High-cost Lenders on the internet e.g., Sunny, Amigo, Pounds4U and loan sharks)

Marketing examples



Digital Pack for partner use



Digital Marketing

2.25 Search engine traffic has increased by 132% from 2019. In December 2012 there were 12/093 visitors to the Moneywise site compared to 14,713 in December 2014.

2.26 The Moneysaving Expert link for benefit checker has also been added to the TCU website.

150,787 Impressions
 1,111 Impressions

Moneywise Credit Union
 Website Directions Save
 4.5 ★★★★★ 21 Google reviews
 Financial Institution in Newcastle upon Tyne, England
 You manage this Business Profile

- Customer survey at two touch points

Online Service

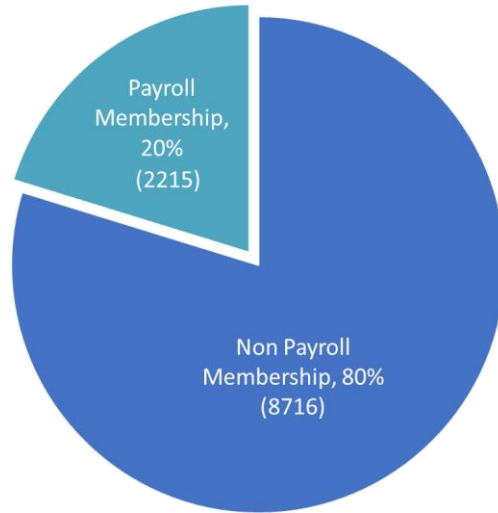
2.27 Improvements are planned to the online service to go live in Autumn 2022. The changes will make the online service more interactive. There are currently no plans to introduce an app due to the costs involved.

Partnerships in the community

2.28 Local engagement activity is summarised below:

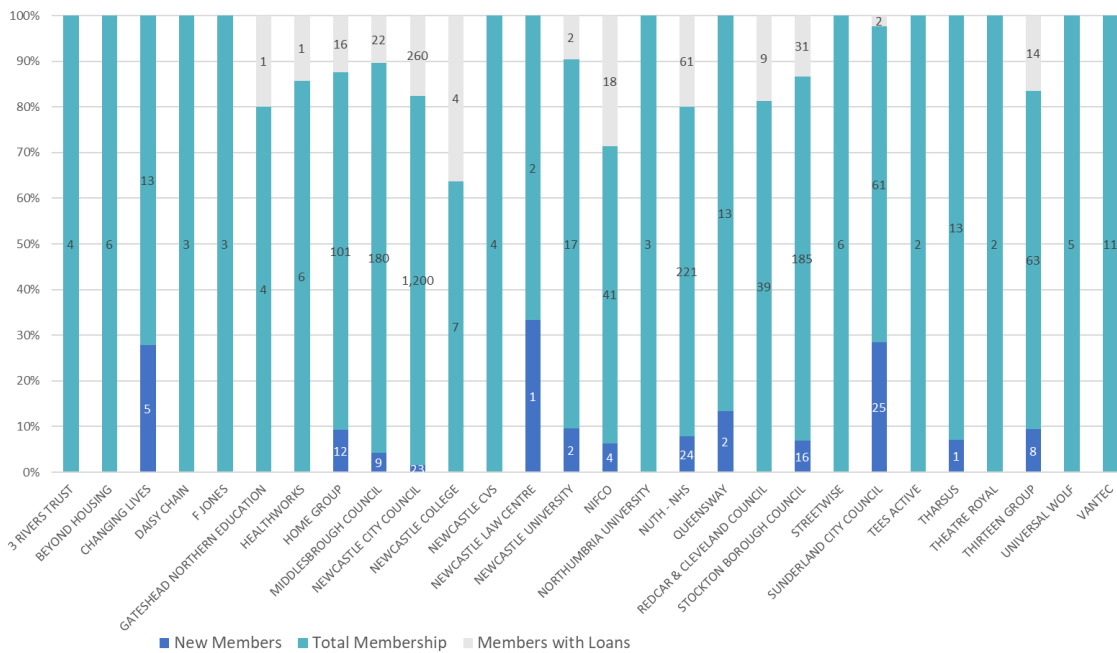
<p>WORKING WITH LOCAL EMPLOYERS</p> <ul style="list-style-type: none"> Promoting Payroll Saving to local employers Delivering Payroll Saving Promotion to staff Delivering Staff Information sessions 	<p>TARGET OUTCOMES:</p> <ul style="list-style-type: none"> New Payroll Partners New Payroll members New Loans
<p>WORKING IN LOCAL COMMUNITIES</p> <ul style="list-style-type: none"> Delivering Credit Union Information sessions to local people in Community Centre's, Family Hubs, etc. Attending Community events 	<p>TARGET OUTCOMES:</p> <ul style="list-style-type: none"> New members New Loans New Collection Points New volunteers
<p>FINANCIAL EDUCATION PROGRAMME</p> <ul style="list-style-type: none"> Development & Delivery of Financial Education Programme to local people Development & Delivery of Financial Education Programme to professionals working in local communities 	<p>TARGET OUTCOMES:</p> <ul style="list-style-type: none"> Funding from Local Authorities, Public Health
<p>ATTENDING PARTNERSHIPS/NETWORK MEETINGS</p> <ul style="list-style-type: none"> Building relationships with Local Authorities & Voluntary and Community Sector Presenting at local and regional seminars and conferences 	<p>TARGET OUTCOMES:</p> <ul style="list-style-type: none"> Membership referrals Raising the profile of Credit Union Increasing reach into local communities Identifying opportunities for joint working

Payroll members



20% of our membership is made up of payroll employees

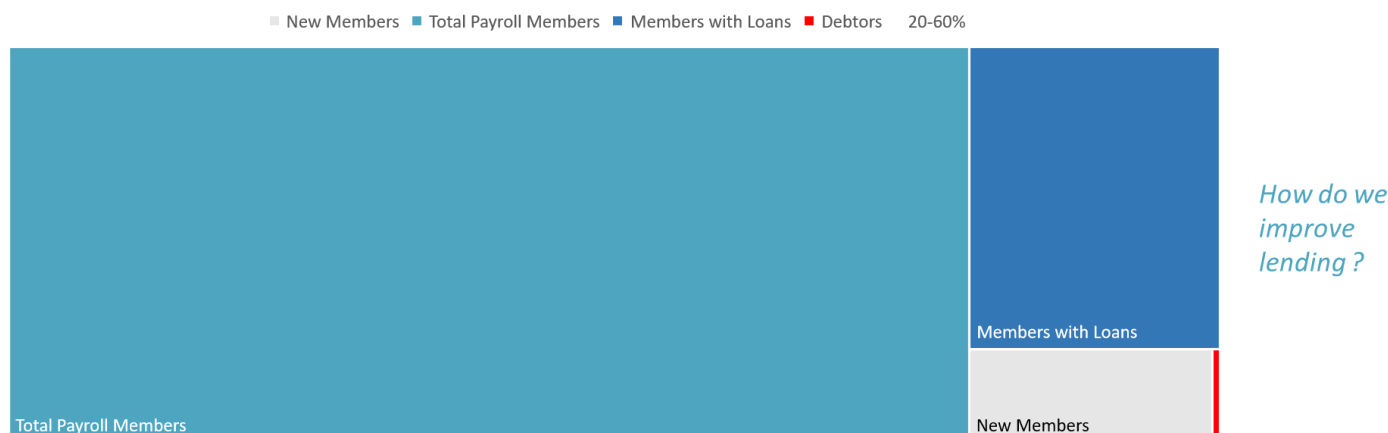
Payroll members- opportunities to grow



Take up of membership continues to be low amongst payroll employees.

How do we improve membership?

Payroll membership composition



- Of our payroll membership 441 (19%) have loans
- Of these loans arrears is low at 0.05%
- We had 132 new payroll members in the current financial year

Work in Progress

2.30 Work in progress includes:

- Business Risk vs Return trial
 - stopping credit checks for payroll members
 - reducing affordability and/ or credit checks for debt consolidation
- instant customer feedback by text on applications
- annual customer survey to include Net Promotor Score (NPS)
- Competitor analysis
- deepening our understanding around who our customers are
- reducing the 'other' channel to improve reporting validity
- secondary brand audit to catch any stray brand assets

Collaborative Working with Councils

2.31 Currently all engagement with Local Authorities is delivered on a case-by-case basis with patches of best practice and high impact activity. There are differing approaches for promoting payroll partnership and there are differing utilisation of internal council communications with each Council.

2.32 The challenge is how to create a more collaborative approach across the North East.

Work in the Community

2.33 In Stockton Council:

- Working closely with the Community Engagement Team to promote the Credit Union to the local residents by attending community events, taking parts in the local Pop-Up Household Financial Health Checks, Mental Health Events etc.
- Working jointly with the Council and ILMT to target loan shark activity, raise awareness amongst local residents and encourage them to join the Credit Union

- Working with the Stockton Community Partnerships to promote the Credit Union and delivers Financial Awareness sessions to local residents
- Promoting payroll saving accounts to Council staff
- With Public Health funding:
 - Working with Stockton's Council's Bright Minds Big Futures to co-develop a Financial Education Programme for young people in Stockton
 - Training young people to deliver Young People's Financial Education Programme to their Peers in youth groups, schools, and colleges

2.34 In the voluntary and community sector the Credit Union is:

- A member of the Catalyst Voice Forum
- A member of the Stockton Infinity Partnership
- A member of Stockton Housing, Neighbourhood & Affordable Warmth Partnership
- Attend local community centres and voluntary & community sector organisations to promote the Tees Credit Union to local residents
- Delivering financial awareness sessions to Daisy Chain Service users
- Promoting the Payroll Saving service to voluntary and community sector organisations

2.35 Working closely with Thirteen Housing to:

- Promote the Credit Union to their tenants through attending Community Events and developing financial messages for their Social Media platforms
- Working jointly with IMLT to encourage tenants and Thirteen Housing staff to join the Credit Union and raise awareness of loan sharks
- Promoting payroll saving to Thirteen Housing staff and are developing a Payroll Saving Campaign to coincide with Blue Monday in January
- Co-develop a financial education programme for their tenants
- training the staff to deliver the newly developed financial education programme to their tenants

2.36 In other Local Authorities:

- Moneywise was a member of Newcastle City Council's Financial Abuse Strategy Task and Finish Group that developed the first Financial Abuse Strategy for Newcastle
- In Redcar, Public Health funded Peer2Peer Financial Education co-development and training for young people
- Redcar Council Apprentices - attended induction days to promote Payroll Saving and South Tees Community Bank
- Working with Sunderland Citizen's Advice to deliver financial awareness sessions in local primary schools
- Working with Clean Slate, and the Recovery College, Newcastle to develop and deliver Financial Awareness sessions to parents in local primary schools in the West End of Newcastle
- Delivering financial awareness sessions to students in Middlesbrough College
- Working with Your Homes, Newcastle to promote Moneywise Credit Union to tenants and staff

A Fairer Stockton on Tees - Children's Services

FSOT Framework Development - Overview of focus and plans

2.37 Inequality is a challenge in the Borough of Stockton-on-Tees. There are affluent areas alongside areas of deprivation. Nine of the Council's wards are in the 10% most deprived wards in the country and there is a gap of 21 years in average life expectancy amongst men, between the most and least deprived wards. The Council is committed to fighting this discrepancy and making sure more people enjoy a healthy and happy life.

2.28 The Framework is developing a new approach to tackling inequality in the Borough and to ensure that we deliver targeted support and help to those currently living in poverty to improve their outcomes, including around health inequalities and emotional health and wellbeing.

2.39 The strategic framework outlines the key causes of inequality with a focus on income, wealth and power and outlines the basis of an approach that recognises the need for wide-ranging action around five key interventions:

- Tackle Borough-wide, fundamental issues
- Reduce inequalities faced by disadvantaged communities
- Focus on deprived neighbourhoods – building on work started in Targeted Action Areas
- Better help for our most marginalised individuals
- Review our role as employer, commissioner, and provider
- Further information available at: <https://www.stockton.gov.uk/a-fairer-stockton-on-tees>

Domain	Measures
Income	% below 60% of median income
Wealth	% with savings or assets Levels of debt
Power	% who feel they have control over their lives
Work	% in work % in 'good jobs': pay, stability, progression
Learning	Educational attainment gaps % take up of early years entitlement Highest skill levels
Housing and physical environment	% in decent housing Private rented sector standards? Energy efficiency Access to open space
Social and cultural networks	% feel engaged in their community
Health	Life expectancy gaps Years of healthy living
Access to services	Customer experience and use data

2.40 The Framework will develop this further by addressing/ supporting:

- Tackling fundamental issues across the Borough as a whole
- Marginalised individuals and families
- “Debt management and credit schemes, which tackle the issues faced by those most impacted by lack of credit, debt and economic exclusion”
- Links with the ‘Leaving Care Team’ to support adults transitioning from Children Services to Adult Services - building credit history, options of specific loans to promote independence and setting up a home
- Links with SBC Client Financial Services - providing support for individuals who have ‘managed’ bank accounts, guidance on bill payments, budgeting, and online banking
- Temporary accommodation tenants/ Individuals leaving prison / Refugee and Asylum Seekers – difficulties setting up bank accounts with a temporary address and lack of ID, communication compiled in variety of languages to promote engagement
- Specific debt consolidation loans where the individual’s loan repayment contains an amount that is paid into MCU savings account, creating an amount that can be accessed at the end of the loan term

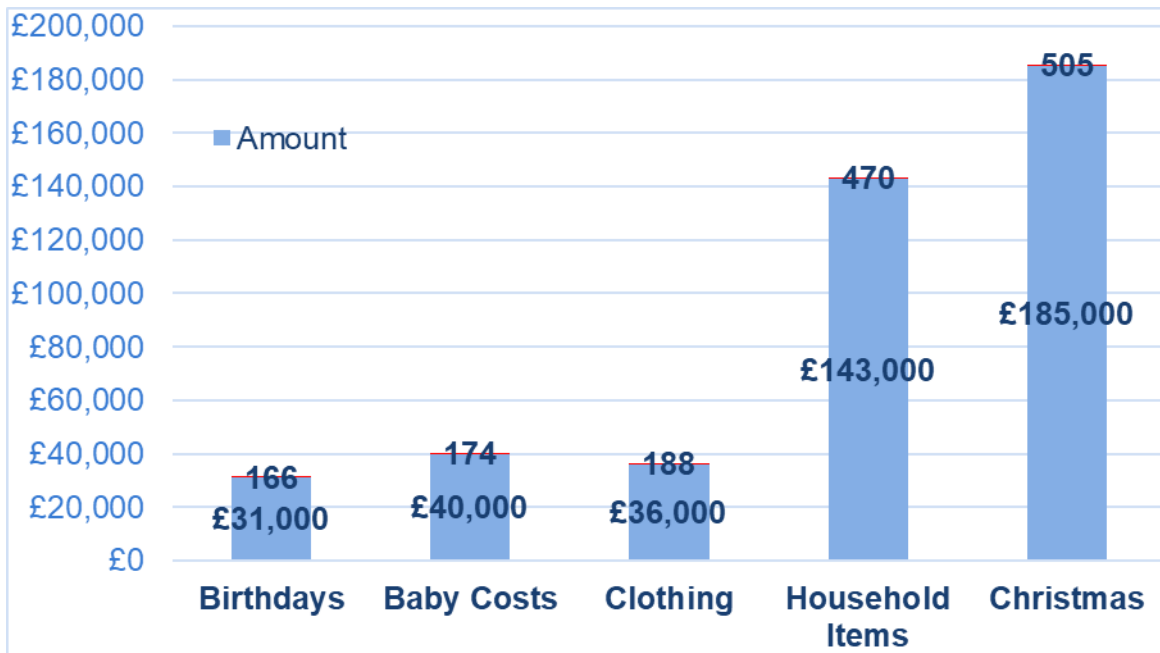
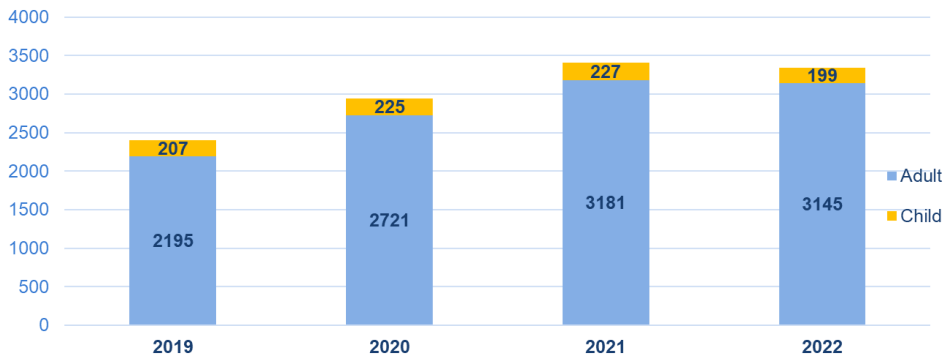
- Accessibility – Outreach in areas identified (North Thornaby, The Clarendons and Central Stockton) – creating links with Community Partnerships, Inclusive Growth Strategy and the Employment and Training Hub

**Evidence from Stockton Advice and Information Service
Ian Bartlett and Rhys Stephens**

2.41 The Stockton Advice and Information Service in 2021-2022 had assisted 1,334 clients with 7,201 debt issues and £7.96 million of debt.

2.42 The key services they were aware that the Credit Union provided were:

- accounts for benefits and salaries to be paid into
- rent accounts – payments to landlords
- saving accounts
- low-cost loans



2.43 SDAIS had 22 clients with Credit Union debts and the average debt was approximately £520. The Credit Union made up 90% of all credit union debts but less than 0.01% of debts dealt with by SDAIS. 60% of clients were not aware of the Credit Union and only 5% of clients had used their services.

2.44 Areas for development were identified as:

- Loans can be deducted straight from benefits. For example, some loans require Child Benefit to be paid to credit union, limiting choice on spending (loans deducted at source paid before priorities e.g., gas/electric)
- Credit checks for all people taking out loans
- Referral of all debt clients to SDAIS
- More budgeting advice at Christmas
- More collection points
- Improved promotion

Tees Credit Union

2.45 The Credit Union are active members of The Infinity Financial Inclusion Partnership and have helped to provide financial capability skills training for young people. They are local, accessible, supportive and flexible.

The Future

2.46 Significant cost-of-living increases over the next 1-2 years will result in an increase in personal debt and use of loan sharks. It will be increasingly important that there are safe financial services which are flexible and responsive and the Credit Union have a key role to play.

Evidence from Five Lamps

Lisa Pickard

2.47 Five Lamps has three main strands: home care, youth and community engagement and financial inclusion.

Conduit

2.48 Conduit disbursed £11.4 million in the last three years with the average loans being £590 over nine months. 2357 loans were issued to the TS16-TS21 postcodes with 8178 applications being received. £1,712,666 disbursed to Stockton on Tees residents accounted for 14% of all activity and 16,300 loans were paid out ranging from £100 to £1500 from 3 to 12 months. The average repeat loan was £870 over 12 months. Conduits Annual Percentage Rate ranged from 99.8% to 200%.

CONDUIT		Short Term Lender	
Borrowing £500 from Conduit for 30 days...		Borrowing £500 from a Short Term Lender for 30 days...	
<input checked="" type="checkbox"/> APR - 99.8%	<input checked="" type="checkbox"/> Costs You - 197.32	<input checked="" type="checkbox"/> APR - 535%	<input checked="" type="checkbox"/> Costs You - £444.76
<input checked="" type="checkbox"/> Total Repaid - £697.32	<input checked="" type="checkbox"/> Weekly Cost - 13.41	<input checked="" type="checkbox"/> Total Repaid - £994.76	<input checked="" type="checkbox"/> Weekly Cost - £19.13

CONDUIT	Loan Shark
<p>Borrowing £500 from Conduit for 30 days...</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> APR - 99.8% <input checked="" type="checkbox"/> Total Repaid - £697.32 <input checked="" type="checkbox"/> Costs You - 197.32 <input checked="" type="checkbox"/> Weekly Cost - 13.41 	<p>Borrowing £500 from a Loan Shark for 30 days...</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> APR - 999% <input checked="" type="checkbox"/> Total Repaid - £916.25 <input checked="" type="checkbox"/> Costs You - £416.25 <input checked="" type="checkbox"/> Weekly Cost - £229.07

2.49 Five Lamps lend to the most vulnerable:

- 6/10 clients with loans live in rented housing
- 82% of clients have an income of less than £2,000 per calendar month
- 89% of clients are in the bottom decile credit score

16,300 loans.
£11.4 million.
Est. £4m+ social impact.
Excludes health & other benefits

- 57% live in rented housing
- 28% live with family & friends
- 82% have income less than £2k
- 38% have less than £1k income pcm
- 36% are unemployed or unable to work
- 64% are in some form of employment with universal credit support
- 43% have dependent children
- 72% aged 25 to 50 years
- 34% aged 25-35
- 19% less than 25 years
- 89% are in the bottom decile credit score

2.50 Five Lamps acknowledged that they have had a limited relationship with the Credit Union and felt that both organisations would benefit from closer working as their customers were those who could not get finance from banks. This could include referring customers to each other where products or likelihood of securing credit were more favourable (“up and down stream”); there were also opportunities for jointly advertising.



- Up / downstreaming.
- Streamlined customer journey
- Joined up financial inclusion strategy
- Tees Valley community banking
- Promotion, awareness & campaigning initiatives
- Digital access & bespoke App
- Debt advise & support
- NILS & Consolidation Loans
- Bespoke loans for specific groups
- Employer deduction loans

Evidence from Catalyst

Jon Carling – Chief Executive

2.51 Feedback had been sought from ten locally based VCSE organisations. Overall, feedback revealed:

- The on-line service was well regarded
- There is a lot of loyalty to MCU
- Advice on budgeting and saving is invaluable
- Low-cost loans and accounts into which benefits can be paid into are also invaluable to some

2.52 Those working with very vulnerable people said they were not sure the Credit Union would be used by their clients and that the on-line offer was not helpful to people without digital access.

2.53 Those working with young people said that in the past MCU used to publicise making accounts available to young people in schools, and volunteers went in to promote and assist the process; those who have experienced MCU for a long time felt that community outreach seemed to have been lost after the merger.

2.54 Service provision need to consider:

- the most marginalized
- Those without access to digital technology
- The risk of people using loan sharks or pay-day lenders

2.55 Catalyst identified collaborative opportunities including

- Community-based organisations amongst over 300 VCSE organisations in Stockton, many very locally focused or focusing on specific demographic groups
- Community Partnerships
- Catalyst Forums
- The offer could be around:
 - Promoting the service
 - Use of community buildings
 - Availability of volunteers

Evidence from Daisy Chain

Neeraj Sharma

2.56 Collaboration with charities afforded the opportunity to raise awareness of Credit Union finance options for the purchase of large furniture items (although it was recognising that charities could not recommend a particular product).

2.57 There was potential for a white goods scheme for discounted but “still in warranty” stock and scope for greater collaboration/signposting of clients on financial education/ income maximisation sessions and employability programmes.

2.58 The need for greater advertising and publicity was acknowledged so that people knew that they had alternatives to loan sharks and high interest lenders.

Key Findings

Background

- A credit union is a financial co-operative which provides savings, loans and a range of services to its members. It is owned and controlled by the members, and not by external shareholders or investors. Therefore, the emphasis is always on providing the best service to members – not maximising profits
- Membership of a credit union is based on a common bond. This can be working for a particular employer or in a particular industry, or simply living or working in a specified geographical area which could be as small as a village or as large as several local authority areas
- Tees Credit Union merged with Moneywise in 2017 with them being appointed in 2018 to operate a new Community Bank in Middlesbrough and Redcar and Cleveland
- Moneywise Credit Union offers a range of service including:
 - Personal loans
 - Savings
 - Payroll savings
- The Council provides funding of £40,000 pa to the Credit Union for ongoing support which covers 'making every contact count', working in deprived areas and offering advice and guidance. In addition, a one off £20,000 grant was made for the Train the Trainer approach to working with Thirteen and also with BMBF

Moneywise Tees Credit Union

- Moneywise Credit Union has been serving the communities of the Northeast for over 30 years with branches in Newcastle, Stockton, and Teesside
- Moneywise Credit Union is a non-profit organisation owned by their members with over 12,500 members, over £6.3 million in savings and over £3.2 million in loans
- The organisation pre-merger had been in financial decline. The current financial position is significantly improved with increases in loans, savings and membership
- Large loans are not promoted by the Credit Union with only a few being offered to long standing members. The majority of personal loans were £1,000 – 2,000 and the family loan was capped at £750. The minimum loan offered was £100 due to processing costs
- To support customers in financial hardship due to Covid, payment holidays had been offered; trading is now back to normal
- Monthly interest rates are capped at 3% APR by Government; the annual maximum is 42.6%. This starkly contrasts with many other lenders operating excessive interest rates
- All customers are encouraged to save; savings start with a minimum £5 deposit; payroll savings are also offered; interest is not paid on savings but an annual dividend paid
- The Credit Union do not have the same marketing budgets enjoyed by the rest of the financial sector. Members acknowledged that they could play a role in promoting the Credit Union through their Facebook pages and ward newsletters
- A digital pack is used to promote the Credit Union; however, footfall at branches illustrates the ongoing need for face-to-face services
- Loan applications are subject to credit score and affordability checks and it is recognised that many customers are still seeking loans from other lenders. Work is ongoing to establish if more flexibility could be offered in the loan products whilst retaining affordability

A Fairer Stockton on Tees

- Nine of Stockton on Tees' wards are in the 10% most deprived wards in the country and there is a gap of 21 years in average life expectancy amongst men, between the most and least deprived wards
- A Fairer Stockton-on-Tees is an ambitious ten-year vision that involves five key interventions:
 - Tackle Borough-wide, fundamental issues
 - Reduce inequalities faced by disadvantaged communities
 - Focus on deprived neighbourhoods – building on work started in Targeted Action Areas
 - Better help for our most marginalised individuals
 - Review our role as employer, commissioner, and provider
- Moneywise Credit Union provides debt consolidation loans where the individuals' loan repayment contains an amount that is paid into a Tees Credit Union savings account, creating an amount that can be accessed at the end of the loan term

Stockton Advice and Information Service

- The Stockton Advice and Information Service in 2021-2022 had assisted 1,334 clients with 7,201 debt issues and £7.96 million of debt
- Some Credit Union loans require Child Benefit to be paid directly to them which limits choice on spending as the loan is deducted at the source before priorities such as gas or electric bills
- In 2022 199 children and 3145 adults held an account with the Moneywise Credit Union
- Loans are taken out for a variety of reasons with the most significant reasons being for Christmas and household items
- SDAIS have 22 clients who have Moneywise Credit Union debts with the average debt being £520
- The Credit Union make up 90% of all credit union debts for SDAIS clients
- 60% of clients were not aware of the Credit Union with only 5% of clients having used credit union services
- More engagement with clients was needed to raise awareness of benefit entitlement, as many were unaware of what they were entitled to, and this could have a significant impact
- The Credit Union were regulated by the Financial Conduct Authority and the Prudential Regulation Authority
- Moneywise Credit Union were active members of the Infinity Partnership and provided local, accessible, and flexible support
- SDAIS proposed that:
 - Moneywise Credit Union should carry out credit checks for all customers taking out a loan in order for the lender and individual to make informed decisions
 - referral of all debt clients to SDAIS (not just signposting)
 - more scrutiny of loans for Christmas and budgeting advice
 - more collection points and promotion

Five Lamps

- Five Lamps have three main strands: home care, youth and community engagement and financial inclusion
- Conduit had disbursed £11.4 million in the last three years
 - The average loan was £590 over nine months
 - 2357 loans had been issued to the TS16-TS21 postcodes with 8178 applications being received

- £1,712,666 have been disbursed to Stockton on Tees residents accounting for 14% of all activity
- On average it takes 24 hours for a loan to go into a customer's account
- Conduits Annual Percentage Rate range from 99.8% to 200%
- A Conduit loan saves customers approximately £78 per calendar month
- Five Lamps lend to the most vulnerable:
 - 6/10 clients with loans live in rented housing
 - 82% of clients have an income of less than £2,000 per calendar month
 - 89% of clients are in the bottom decile credit score
- 8 million families did not access £16 billion of benefits in the last year. A benefit entitlement checker app was being developed costing 20p a check, with the app was being rolled out to 50,000 in the next year; the app could be adaptable to suit the needs of Stockton on Tees
- Five Lamps have had a limited relationship with the Credit Union and felt that both organisations would benefit from closer working as their customers were those who could not get finance from banks. This could include referring customers to each other where products or likelihood of securing credit were more favourable (“up and down stream”); there were also opportunities for jointly advertising

Catalyst

- The Credit Union is well thought of by members but some feedback suggests that the on-line service seems to predominate, and some locally based face-to-face services may have been lost
- What does this mean for...
 - the most marginalized?
 - Those without access to digital technology?
 - The risk of people using loan sharks or pay-day lenders?
- Catalyst identified collaborative opportunities including
 - Community-based organisations amongst over 300 VCSE organisations in Stockton, many very locally focused or focusing on specific demographic groups
 - Community Partnerships
 - Catalyst Forums
 - The offer could be around:
 - Promoting the service
 - Use of community buildings
 - Availability of volunteers

Daisy Chain

- There were opportunities to raise awareness of Credit Union finance options for the purchase of large furniture items (recognising that Daisy Chain can't recommend a particular product)
- Potential for a white goods scheme for discounted but “still in warranty” stock
- Scope for greater collaboration/signposting of clients on financial education/ income maximisation sessions and employability programmes
- Need for greater advertising and publicity – people need to know they have alternatives to loan sharks and high interest lenders

Conclusion

The Select Committee concluded that the Credit Union provide provided local, accessible, and flexible support and noted that since their merger with Moneywise, their financial position had significantly improved with increases in loans, savings and membership. The Credit Union is well thought of by its members and all customers are encouraged to save. As well as the online service, the Credit Union maintains a valuable high street presence which has excellent footfall.

The review has revealed a huge potential for increasing collaboration with other financial providers, local organisations, the voluntary and community sector and local charities both in terms of marketing and services provided to local residents.

Recommendations

1. That further opportunities to promote the Credit Union are explored, including:
 - Member Newsletters and social media
 - Council promotion through Stockton News and social media
 - Voluntary and Community Sector/ community centres
 - Charities and Charity Shops
2. That partnership working with other financial providers and sectors is strengthened, including:
 - Outreach through community-based organisations and volunteers
 - Reciprocal referral arrangements between financial providers operating locally
 - Strengthening of arrangements to refer Credit Union customers to SDAIS
 - Working to support the Fairer Stockton on Tees framework
3. That the Credit Union consider whether the name reflects the ambition of the organisation and might be better re-badged Community Bank or People's Bank.
4. That the app to assess benefit entitlement is investigated to understand its value and application and be promoted as appropriate alongside other sources of advice.
5. That Councillors and all Council staff are encouraged to set up payroll savings with the Credit Union and become members of the Credit Union.
6. That the membership of the Infinity Partnership be reviewed to ensure that it includes all relevant financial support organisations operating within the Borough.