

REPORT OF THE PEOPLE SELECT COMMITTEE SCRUTINY REVIEW OF TEES CREDIT UNION

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.