

# Agenda – Economy, Infrastructure and Skills Committee

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Meeting Venue:

**Committee Room 3 – Senedd**

Meeting date: 3 July 2019

Meeting time: 09.25

For further information contact:

**Gareth Price**

Committee Clerk

0300 200 6565

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## **Private pre-meeting**

(09.25–09.30)

## **1 Introductions, apologies, substitutions and declarations of interest**

## **2 Access to Banking: Ministerial Scrutiny**

(09.30–10.30)

(Pages 1 – 20)

Ken Skates AM, Minister for Economy and Transport

Julie James AM, Minister for Housing and Local Government

Maureen Howell, Deputy Director, Prosperous Futures Division

Duncan Hamer, Chief Operating Officer Business and Regions

### **Attached Documents:**

EIS(5)–19–19(P1) Research Briefing

EIS(5)–19–19(P2) Evidence from the Minister for Housing and Local Government and the Minister for Economy and Transport



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

## **Break**

(10.30–10.45)

### **3 Access to Banking: Credit Unions**

(10.45–11.30)

(Pages 21 – 25)

Steve Mallinson, Chief Executive, Celtic Credit Union

Julie Mallinson, Business Development Manager, Celtic Credit Union

Daniel Arrowsmith, Policy and Regulatory Compliance Officer, Association of British Credit Unions

#### **Attached Documents:**

EIS(5)–19–19(P3) Evidence from Celtic Credit Union

EIS(5)–19–19(P4) Evidence from the Association of British Credit Unions Limited

### **4 Consideration of Legislative Consent Memorandum on the Non-Domestic Rating (Lists) Bill**

(11.30–11.40)

(Pages 26 – 28)

#### **Attached Documents:**

EIS(5)–19–19(P5) Legal Advice: Non-Domestic Rating (Lists) Bill

### **5 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from item 6 and item 1 of the meeting on 11 July**

## **6 Draft Report: Legislative Consent Memorandum on the Non-Domestic Rating (Lists) Bill**

(11.40–11.45)

(Pages 29 – 32)

### **Attached Documents:**

EIS(5)–19–19(P6) Draft Report: Non-Domestic Rating (Lists) Bill

### **Private de-brief**

(11.45–12.00)

# Agenda Item 2

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**Julie James AC/AM**  
**Y Gweinidog Tai a Llywodraeth Leol**  
**Minister for Housing and Local Government**



**Llywodraeth Cymru**  
**Welsh Government**

Ein cyf/Our ref MA-P-JJ-1873-19

**Russell George AM**  
**Chair of Economy, Infrastructure & Skills Committee**

[Russell.George@assembly.wales](mailto:Russell.George@assembly.wales)

17 June 2019

Dear Russell

Thank you for the opportunity for myself and the Minister for Economy and Transport to join you at the meeting of the Economy, Infrastructure & Skills Committee on 3 July.

We have enclosed an Evidence Paper which considers the current situation for access to banking in Wales and examines potential opportunities to support and enhance those services.

I hope the Committee will find it useful.

Yours sincerely

**Julie James AC/AM**  
**Y Gweinidog Tai a Llywodraeth Leol**  
**Minister for Housing and Local Government**

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# **Evidence Paper: Economy, Infrastructure & Skills Committee**

## **Access to Banking in Wales**

### **1. Introduction**

The Federation for Small Business (FSB) reports that since 1989, 53% of bank branches in the UK have closed. Indeed, in Wales alone there have been 235 bank closures since 2015, with more expected.

Banking regulation is non-devolved and it is the UK Government which has the powers to regulate the industry to ensure that vital banking services are available to the community on the high street, either by the traditional banks or increasingly through services transitioned to the Post Office.

However, the Welsh Government recognises the importance banking services to consumers, local businesses and the Welsh economy as a whole and is working with partners and stakeholders to ensure accessible innovative banking options related services are available across Wales.

### **2. Bank closures**

Whilst it is recognised that banks will continue to close branches that are not commercially viable, Welsh Government considers that banks have a commitment to mitigate the effects of bank closures in communities across Wales and to ensure the transition is managed so that vulnerable people are not excluded and customers are still able to access banking products in their local community. This includes promoting access to banking at the Post Office, which supports access for personal and business customers for 28 banks providing basic cash in and out transactions.

The Post Office Development and Post Office Diversification Funds provided capital grants worth over £10 million to local post offices in Wales between 2004 and 2015. Grants of up to £50,000 were provided for the improvements of local offices.

### **3. Rural communities and businesses**

Branch closures and reduced services are taking place across the UK but small firms in rural areas are particularly vulnerable to both financial and digital exclusion – challenges associated with broadband connectivity and digital skills prevent many from accessing alternative banking services online. To address the connectivity issues Superfast Cymru (with £200m Welsh Government investment) has provided more than 730,000 premises (more than 95%) across Wales with access to fast fibre broadband. Indeed, Wales has the highest availability of superfast broadband over 30Mbps amongst the devolved nations.

Small businesses continue to rely on bank branches for services and this provision is particularly relevant in rural communities where internet access to online services can sometimes be challenging. Small business associations are concerned about the growing challenges of handling cash: closing bank branches and rising charges make it more expensive and riskier to handle cash. Meanwhile, lower footfall in local

high streets and town centres has had a negative impact on the broader economy. There is also evidence that suggests a clear correlation with negative lending decisions and the distance between lender and the business.

#### **4. Financial inclusion**

Our Financial Inclusion Strategy, published in March 2016, sets out how Welsh Government aspires to join with partner organisations, both within Wales and at the UK level, in working towards a more financially inclusive society in Wales. The Financial Inclusion Delivery Plan, which covers the period up to 2021, focusses on the practical actions necessary to achieve this. It sets out actions against the Strategy's three themes:

- Access to affordable credit and financial services;
- Access to financial information, including debt advice; and
- Building financial understanding and capability.

Our vision for financial inclusion is for everyone living in Wales to have access to appropriate and affordable financial services, be supported by quality assured information and advice services and have the financial capability and motivation to benefit from the financial services available to them. Welsh Government remains fully committed to this.

#### **5. Access to cash**

Bank closures and the loss of free-to-use ATMs within communities can have a negative effect for many, but particularly for those who are vulnerable and financially excluded. Welsh Government is concerned that those on low incomes, the elderly and people living in rural communities are not left behind.

In addressing financial exclusion the availability of free-to-use cash points is critical, ensuring people are not charged to use cash machines, particularly when they may already be financially excluded. There has been a positive shift in the proportion of free-to-use cash machines – in June 2015 around three-quarters in Wales were free-to-use, compared to just under two thirds in 2009.

In July 2018, the Access to Cash Review was launched, to look at the future of access to cash across the UK. The interim report published in December 2018 showed that the UK is not ready to go cashless and won't be for the next 15 years. 17% of the UK population would struggle to cope in a cashless society.

The final report was published in March 2019 and provides five recommendations to adopt to ensure that no one is left behind, which the Welsh Government supports. The review's recommendations are:

- Guarantee access to cash
- Ensure cash remains widely accepted
- Create a more efficient, effective and resilient wholesale cash infrastructure
- Make digital payments as option for everyone
- Ensure joined-up oversight and regulation of cash

In delivering the actions in the Financial Inclusion Delivery Plan it is recognised that some actions relate to issues outside the control of the Welsh Government and our Welsh partners, but we will actively seek opportunities to engage and influence at a UK level in order to achieve positive outcomes for Wales. This includes liaising with LINK, the UK's largest cash machine network and which is committed to maintaining free access to cash across the UK for as long as consumers need it.

The Payment Systems Regulator (PSR) is taking action to ensure LINK meets its commitment to protect the geographic spread of free-to-use ATMs across the UK. It is also seeking renewed commitments from banks that consumers will continue to be offered services, allowing them to access their cash.

LINK has had a Financial Inclusion Programme in existence since 2006 which has been focused on improving free access in the most deprived areas of the UK through providing financial subsidies to operators who operate machines providing free to use access in the most deprived areas. Originally 10 pence per cash withdrawal in 2006, this subsidy has grown substantially over time and from the 1<sup>st</sup> April 2019 this had increased to up to £2.75 for the ATMs that are used least and do not have another free-to-use ATM within one kilometre. This has proven very successful in incentivising operators to provide free ATMs across Wales.

LINK recently announced a new 'super premium' that will significantly increase payments to ATM operators, so there should be no economic need for an operator to turn a free-to-use ATM in a remote or deprived area into a pay-to-use machine. As an additional benefit, LINK also expects a number of existing pay-to-use machines to be turned to free-to-use given the new super premiums available to the operators of these machines.

## **6. Mobile banking**

NatWest website shows that they currently provide a mobile banking service over six days per week at 78 locations across Wales. The Lloyds Bank website shows a presence at five locations covering South Wales.

In February 2019 Lloyds Bank announced a pilot scheme, working in partnership with Visa, to increase access to cash by paying a fee to a number of independent retailers to offer a cash back facility. This pilot will target rural or less-affluent areas where there are limited free to use ATM machines available and will allow retailers to provide cash back to customers initially. Longer term, the pilot will look to offer cashback to everyone regardless of them making a purchase at the store.

## **7. Digital inclusion**

Digital inclusion remains a key social justice and equality issue. Non-users or limited users of digital technology are missing out on access to information, services, better deals and cheaper goods, financial security and improvements to their health.

Our Digital Inclusion Framework and Delivery Plan (March 2016) recognises that becoming fully digitally included is a continuous process requiring ongoing support.



It is an issue that Welsh Government cannot tackle alone, requiring the buy-in of all partners and wider society.

Our £1m per annum Digital Communities Wales (DCW) programme, delivered by the Wales Co-Operative Centre, embeds sustainable digital inclusion activities in organisations and programmes best placed to reach the digitally excluded population.

From 1 July a new £6m three-year contract will allow Digital Communities Wales to focus on improving the digital capabilities of citizens and health and social care staff, allowing more people to become more active participants in their own health and wellbeing. It will also continue to engage with any organisation that can help reach digitally excluded people.

Many banks are involved in digital inclusion activities and Digital Communities Wales has worked with Lloyds, Barclays and NatWest to better co-ordinate digital inclusion activities across communities.

## **8. Credit Unions**

In addressing the issue of financial exclusion, the Welsh Government has provided support to credit unions across Wales to provide inclusive financial services. Their role in mitigating financial exclusion has long been recognised by Welsh Government and the historic grant funding provided to credit unions has been given for this reason.

Based on figures at 31 December 2018, the 18 credit unions in Wales provide financial services to 79,412 people, including almost 14,000 junior savers. Over the past decade credit unions have doubled their membership in Wales and have almost tripled their share balances.

The Welsh Government's support to credit unions continues to be well received with £844,000 project funding in place until 2020. Funding is provided to credit unions to ensure people are not excluded from accessing safe, appropriate savings products and affordable loans. There is also an additional £1m financial transactions capital funding that has been made available between 2018-2020 to support credit unions across Wales with their capital reserves and allowing further growth and expansion. These loans are progressing well.

We are currently supporting 21 credit union projects with the funding made available until March 2020. These projects are helping to deliver a number of direct actions in the financial inclusion delivery plan and are promoting financial inclusion across Wales. These projects include school savers projects, payroll development projects, prison savers and projects boosting community engagement and tackling high cost credit.

## **9. Community Bank in Wales**

The Welsh Government is in early stage dialogue with a number of stakeholders who are keen to test the feasibility of establishing a Community Bank in Wales. This work

will be led by stakeholders who will prepare a full market assessment and business plan with the intention of submitting an application to the Bank of England during 2019.

Banking professionals working within the Development Bank of Wales will support this work providing advice and guidance where appropriate and ensuring that the creation of a Community Bank integrates with existing financial institutions including the Development Bank and Credit Unions.

## **10. Conclusion**

There are benefits to introducing a community bank as it would focus on providing banking services to individuals and small and medium-sized businesses across Wales. It would support the Welsh Government's Economic Action Plan, by addressing the gap left by high street banks leaving many of our communities, and particularly supporting those working in Wales' Foundational Economy. There are also clear linkages with the objectives outlined in the Well Being of Future Generations Act - helping to improve the cohesiveness of individual communities, and providing services that help to make Wales a more equal country.

Establishing a community bank also constitutes a number of challenges, the first being the ability to satisfy the stringent requirements of the PRA and FCA whose approval is beyond the influence of the Welsh Government.

Further, as with any new business start-up venture the community bank will need to develop a financially sustainable business model to ensure ongoing viability – this in the face of the private sector retreating from the high street market and investing heavily in on-line services for its customers together with a rapid move towards a cashless society.

Further challenges will exist around any future community bank attracting sufficient new customers as evidence indicates that banking customers are extremely reluctant to move banks.

The Welsh Government recognises the work banks are undertaking to help increase digital inclusion but we feel they could do more to ensure their customers have the confidence and skills to access the full range of banking services, and provide alternatives for those who do not want to bank online.

**Minister for Housing & Local Government  
and  
Minister for Economy & Transport**

**June 2019**



# Agenda Item 3

## National Assembly for Wales

### Economy, Infrastructure & Skills Committee

#### Access to Banking

#### Introduction

Celtic Credit Union welcomes this opportunity to outline our work, levels of business and the challenges we face in delivering our services across South Wales. We welcome the chance to contribute to the committee's enquiry into the issues surrounding access to banking and seek to illustrate the important and substantial role played by credit unions throughout Wales, how this might be developed to address the challenges that are the subject of this enquiry, and highlight the potentially negative impact that a community bank could have upon the viability and sustainability of the credit union network.

#### Background

Celtic Credit Union is one of the largest and most progressive credit unions in Wales. We were established in 2005 to serve the county borough of Neath Port Talbot. In 2016 we were granted permission from our regulator, the Financial Conduct Authority, to change our name from Neath Port Talbot Credit Union to Celtic Credit Union and to expand our common bond area to encompass the whole of South Wales. We continue to operate under the trading names of Neath Port Talbot Credit Union and Swansea Bay Credit Union.



We serve a membership of over 10,500 across South Wales – principally in the counties of Neath Port Talbot and Swansea. We have assets of £3.5m.

Our main focus is to provide simple, affordable and ethical financial services to our members through the provision of safe savings and low-cost loans. We play a significant role in providing access to cash for all our members, particularly those in receipt of DWP benefits, and we work to tackle financial exclusion through our partnerships with schools; community groups and with our business partners who subscribe to our payroll savings schemes.

#### Business Levels

We have three high street branches (in Neath, Port Talbot and Swansea) that open every day Monday to Saturday, as well as a full counter service in Pontardawe one day per week, allowing our members access to £300.00 cash per day. On average we issue around £12m in cash per annum at a cost to the credit union of some £12,000 (this is roughly equivalent to a 0.5% annual dividend to members).

In our last financial year, we processed 230,000 transactions. This figure is forecast to rise to almost 250,000 in this financial year.

We also have a wide network of Community Collection Points where members can deposit savings, make loan payments and access advice and information. These outlets are usually volunteer-led and open on set days for short periods. In many rural areas we are the sole provider of such services.

We have over 2000 junior and Child Trust Fund members as well as an active and successful Schools Savings Programme. These 'mini credit unions' are pupil-led with support from credit union staff and adult volunteers. Our junior members' assets total over £350,000

Annually we lend around £3.5m, receiving approximately 200 loan applications per month. This figure increases to 500-600 applications per month during October, November and December each year. The average loan amount is £1000.00. Our Loan Book averages between £1.5m and £2.0m.

We estimate that when loan advances, the release of secure savings and the withdrawal of Christmas savings are taken as a total – they result in approximately £22m being injected into the local economy p.a.

We receive an average of 180-200 new membership applications each month, 47% of these are online.

We offer a pre-paid debit card through our partnership with The Change Account – part of the Omnio Group which is a global FinTech brand.

Our website receives 66,000 visits per year and in the last quarter alone we achieved over 31,000 searches for **Neath Port Talbot Credit Union** and **Swansea Bay Credit Union**.

Our back-office staff process 131,000 transactions coming into our bank account annually, with a total value of over £15m. These receipts are mainly benefit payments; housing benefit; payroll savings; salary credits and standing orders for savings and loan payments.

### **The impact of bank branch closures**

There has been a gradual but consistent reduction in the number of bank and post office branches in many of the areas Celtic Credit Union serves. This is understandable from a business point of view – the cost of maintaining a high street presence becomes unsustainable for profit-driven organisations when footfall decreases to the extent that costs outstrip income. Whilst the rise in digital services is undeniable, this does not suit everyone – especially people who are not comfortable with the use of technology, those who have no access to online services due to hardship or the lack of internet access (common in many rural areas – sometimes it is impossible to get online!), and many of the more vulnerable members of our communities.

The impact of bank and post office closures is not just about loss of access to cash/banking services. Many rural communities have poor public transport links which further restricts people's ability to travel to where services still exist and for some who may be able and willing to use digital services - broadband provision is still unacceptably poor in many valley communities.

However, it is also the case that many people were excluded from banking services even when branches did exist in their area. Those with poor or no credit history, those of no fixed abode, those with no form of ID that

would be acceptable to the established banks, those who are not on the electoral roll, those needing additional support to access basic services due to infirmity/mental health problems/social issues. Despite the move to compel banks to provide a 'basic bank account' to all, in practice this doesn't happen because banks fundamentally do not want this business.

This is where credit unions become indispensable with their commitment to serve everyone (not only those who are financially vulnerable) on a not-for-profit basis.

Celtic Credit Union also has anecdotal information that in areas where there is no access to financial services there is often a rise in doorstep lending and loan shark activity. A properly financed and sustainable credit union network is essential to combat this.

The creation of a new all-Wales community bank could also increase the challenges faced by credit unions if our core business of encouraging thrift through the provision of safe savings schemes, access to affordable loans and the provision of access to cash is eroded by such an enterprise targeting the same customers and offering similar services. Celtic Credit Union and many other credit unions across Wales have a solid track record of working in partnership with public, private and third sector organisations to target and reach those who need our services most. The community bank concept could pose a risk to the sustainability of credit unions and will divert public money that has been essential in supporting the service provision and capital adequacy of many credit unions.

### **Kesho Back Office Platform**

At the heart of all financial services provision is the banking software platform upon which it sits. Most credit unions in Wales – indeed, probably most credit unions across the UK – use a system called Curtains, provided by Kesho Systems Ltd. Curtains is a very basic system and is, in truth, not fit for purpose for the volumes and complexity of the business at Celtic Credit Union.

It is, therefore, hugely reassuring to have received the announcement this week that Kesho Systems has been acquired by Omnio Global who will integrate it into The Change Account banking platform ensuring that partner credit unions have a reliable and capable system for the future. The following announcement was issued by The Change Account on 25<sup>th</sup> June 2019:

#### ***Omnio Global Signals Growth Ambitions with Acquisition of Kesho Systems***

*Dear Partner*

*In a significant move for the fintech industry, Omnio Global a leading fintech, has signed a major deal to acquire Kesho Systems. Kesho Systems provides banking software to financial institutions and membership organisations across the UK and France, serving more than 150 clients and 2.1 million customers, including 140 credit unions.*

*The acquisition of Kesho Systems is a key development for Change Account, significantly growing its client portfolio and strengthening the company's commitment to the credit union sector. The agreement was negotiated by Ian Hossack CEO of The Change Account – who will serve as the new CEO of Kesho Systems and Change Account.*

*Kesho Systems software will be integrated into The Change Account banking platform, powering it to deliver a full banking solution for existing partners and new customers. This means The Change Account will be able to provide a genuine Banking-as-a-Service (BaaS) platform, including: current accounts; savings and ISAs; mortgages and loans; and insurance. As a result, The Change Account are significantly reinforcing their dedication to achieving universal financial inclusion in the UK and beyond.*

*Speaking about the acquisition, Ian Hossack explained:*

*"This is an exciting time for Omnio and for The Change Account – we're growing significantly and are beginning to have a major impact on the banking and fintech space, particularly when it comes to our championing of financial services for all. The acquisition of Kesho Systems is a key part of our strategy to take our financial inclusion efforts to the next level. The integration of its offering with The Change Account's digital banking platform will allow us to provide our partners with a comprehensive and complete banking service that will help ensure that everyone in the UK and beyond is financially – and, therefore, socially – included."*

*This is not the only development at Omnio in recent months. Following the successful launch of its new brand the company recently welcomed a new Chief Financial Officer (CFO), Robin Dear, to bolster the expertise of its executive team. The company is looking to further expand its senior team in the coming months, in order to build on its recent growth and achieve its ambitious expansion plans.*

*To find out more about Omnio, visit: <https://omnio.global/>.*

*To find out more about The Change Account, visit: [www.thechangeaccount.com](http://www.thechangeaccount.com).*

*Omnio powers valued brands to deliver superior digital financial services that meet the ever-changing needs of current and future customers. Headquartered in the City of London, Omnio has offices in Europe, South Africa and Australia supporting some of the world's leading brands in providing a range of flexible and reliable financial services including digital banking and payment solutions supported by their exceptional global managed services.*

### **Observations regarding the establishment of a new Community Bank for Wales**

We consider the costs and timelines outlined in the Banc Cambria Investment Proposal to be substantially under-stated. We have learned that for recent 'challenger' banks, Monzo and Revolute, it took approximately two years to be granted e-money licences and needed investment in the region of £80-90m over four years to get the projects to market. We understand that each of these enterprises currently have around 750,000 customers and sustained losses last year of £35m and £85m respectively.

Starling Bank is the first real new retail bank launched in the last 5 years. This required approximately £28m in set-up costs, took three years to obtain a banking licence and develop a banking platform. We understand that they have recently raised an additional £75m for further platform development to meet the retail market functionality requirements. Capital costs are estimated in the region of £300m.

The Change Account, which is Celtic Credit Union's pre-paid debit card partner - as outlined above - has invested £1.5m over 3 years to develop a new banking platform. They have sustained initial losses in the first two years of trading of over £600k with 50,000 customers. They are investing a further £250k this year to complete the project to be able to provide a fully functional platform to all their partners (see announcement above re Kesho Systems). The platform includes a full suite of budgeting tools which are unique and would take any new platform at least 9-12 months to develop.

Whilst the proposal to address the issue of access to banking and tackle the problems associated with the unbanked is laudable, we would question whether the Banc Cambria model would be the best use of this level of capital funding. We consider that the investment in the set-up phase will likely be insufficient, ongoing investment support is underestimated and timelines are unrealistic. Whilst the provision of capital for lending

could work, we suggest it would only service around 10,000 customers on average loan levels. With consideration for bad debt provision and costs of recoveries etc, £20m would not go far. However, £20m spent in partnership with selected credit unions and other providers such as The Change Account under one national strategy, with the infrastructure and skills already in place, would be a much wiser proposition for consideration and development.



Evidence from the Association of British Credit Unions Limited



17 May 2019

**Economy Infrastructure and Skills Committee – Access to Banking**

We appreciate the opportunity to respond to this discussion paper. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 266 credit unions which choose to be a member of a trade association, 71% choose to be a member of ABCUL. There are around 300 credit unions registered in Great Britain.

At 31 December 2018, 18 credit unions in Wales were providing financial services to 79,412 people, including almost 14,000 junior depositors. The Welsh credit union sector held £49 million in assets with more than £26 million out on loan to members and £40 million in deposits.

Credit unions are not-for-profit, financial co-operatives owned and controlled by their members. They provide safe savings and affordable loans. Some credit unions offer more sophisticated products such as current accounts, ISAs and mortgages.

Credit unions' work to provide inclusive financial services has been valued by successive Governments. They provide a valuable social role in providing affordable credit to those otherwise excluded from mainstream credit, a secure and regulated place to save and encourage people into a savings habit, often for the first time. Welsh Government has supported and invested in credit unions to expand this role.

**Access to Banking**

The Credit Unions Act 1979 lays in statute 4 core objectives for credit unions which support financial inclusion and education i.e.:

- The promotion of thrift among members;
- The creation of sources of credit for the benefit of members at a fair and reasonable rate of interest;
- The use and control of their members' savings for their mutual benefit; and
- The training and education of members' in the wise use of money and in the management of their financial affairs.



Credit unions are also regulated for prudential matters of financial soundness by the Prudential Regulation Authority and for conduct and consumer matters by the Financial Conduct Authority. All deposits held by credit unions are protected up to £85,000 by the Financial Services Compensation Scheme and all credit union members have recourse to the Financial Ombudsman Service where they wish to complain about a credit union's conduct.

Credit unions have played a strong role in offering affordable alternatives to payday lenders and high-cost rent to own providers whilst offering loans and white goods schemes to low-income demographics. Over the past decade credit unions have doubled their membership in Wales and have almost tripled their share balances.

Credit unions in Wales, to an even greater extent than the average UK credit union, serve the underserved. They operate in local communities and offer vital face to face services in an increasingly digital world where the number of bank branches is falling rapidly; they have formed partnerships with housing associations, debt advice services, prisons, schools, and charities to work together to serve the financially excluded.

Whilst credit unions do offer some limited transactional services, a community bank for Wales could augment the work of credit unions by offering a fully-fledged current account service. Credit unions support members to access a full range of banking services and would seek to work collaboratively with a community bank for Wales. However, a community bank that offered savings and lending products may duplicate and be in direct competition with credit union's own bread-and-butter services to the financially excluded.

ABCUL therefore urges that the impact and potential for a community bank to effectively collaborate with credit unions in Wales to be seriously considered as the proposals develop.

We would be happy to discuss this feedback or provide further details should that be required.

# Agenda Item 4

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# Agenda Item 6

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