

Dear Cllr. Rodgers,

Response to the Invitation to Attend Ealing Council's Scrutiny Panel

The CUBE Board met last night and agreed that Ben Furber and I attend the Scrutiny Panel on the 1st October 2015.

The Board welcome the opportunity to explain how it has attempted to develop links with other cooperative enterprises and how it continues to seek cooperative solutions to its challenges.

The Board also recognises the requirement of their regulator to ensure that they develop a business that is sustainable and profitable and yet fulfils their own aim of reducing financial deprivation in their common bond.

You raise a number of issues of particular interest to the Scrutiny Panel and we will be happy to expand our answers at the meeting but would make the following comments for the record.

Impediments to Growth

All credit unions in the UK are required to develop a level of reserves in keeping with size of their assets currently this is being pitched at 10% by the PRA. The requirement for banks is 5% with some barely managing 4%. The size of our reserves will suck resource away from business development keeping growth very slow.

Lack of resource damages our ability to market the credit union effectively.

Lack of cooperation with RSLs and local employers prevents us from providing wider membership base.

Lack of the will by employers to allow deductions from payroll for member savings.

Opportunities for Ealing Council to Provide Support

In other parts of the UK and London local authorities have provided subordinated loans to credit unions for periods of 10 years which has the double benefit of satisfying the need to hold adequate levels of reserves whilst enabling the credit union relief from making allocations from their surplus for this purpose for a period of 5 years.



Credit Union Solutions

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Were the council minded to assist in promoting the credit union this would be of immense benefit in terms of increasing membership and lending. Currently CUBE has barely a 100 staff in membership but their effect on profitability has been very significant.

Ealing Homes could be much more positive about promoting the credit union to their tenants and this could have a positive effect in tackling loan sharks and doorstep lenders.

Ealing Council could also raise financial capability and CUBE with the LSP partners some of which like Catalyst are already working with the credit union.

Challenges of Growth

CUBE has joined with five other credit unions to form a cooperative, Credit Union Solutions, that provides back office support, accounting and customer contact arrangements.

This enables them to provide better customer contact through telephone, e mail and the web site.

CUBE members have access to their savings through a pre paid debit card which can be topped up twice a day if necessary obviating the need for a lengthy share withdrawal process.

A survey of the 5,000 credit union members using the services of Credit Union Solutions showed that over 80% prefer to undertake their business by telephone with a growing minority choosing to use e mail. Mobile telephony offers a number of opportunities to enhance interconnectivity with customers however the need to ensure security will be paramount.

Increased growth could be matched by increased hours of opening.

Sharia Law Compliance

To date CUBE has not provided Sharia Compliant services however it could if it was felt that there was a market for such products large enough to meet to cost of running it.

World Council of Credit Unions has published the *Islamic Finance Manual: Operating Policies and Procedures for Credit Unions*, the first known guide to establishing Shariah-compliant credit unions in the developing world. The Customer Owned



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Banking Association, World Council's member organization in Australia, developed the manual based on World Council's experience establishing Islamic investment and finance cooperatives in Afghanistan (2004–2012).

Mergers

Currently CUBE has a common bond that encompasses the following areas and anyone that either lives or works in them they are the London Boroughs of Ealing; Brent; Camden; Barnet; Hammersmith & Fulham. By law they cannot have an area that encompasses more than two million people.

To effect a merger they would need a partner that had a relatively small common bond.

The Board reviews this from time to time and did so again at its last meeting but prospective partners are not numerous. The closest possibilities do not offer a significantly better opportunity for growth but are just larger having been in place longer with significantly better payroll penetration.

The benefits of scale are instead achieved by being part of Credit Union Solutions the service cooperative.

Yours in credit union

Graham Tomlin

CEO Credit Union Solutions
CUBE Director