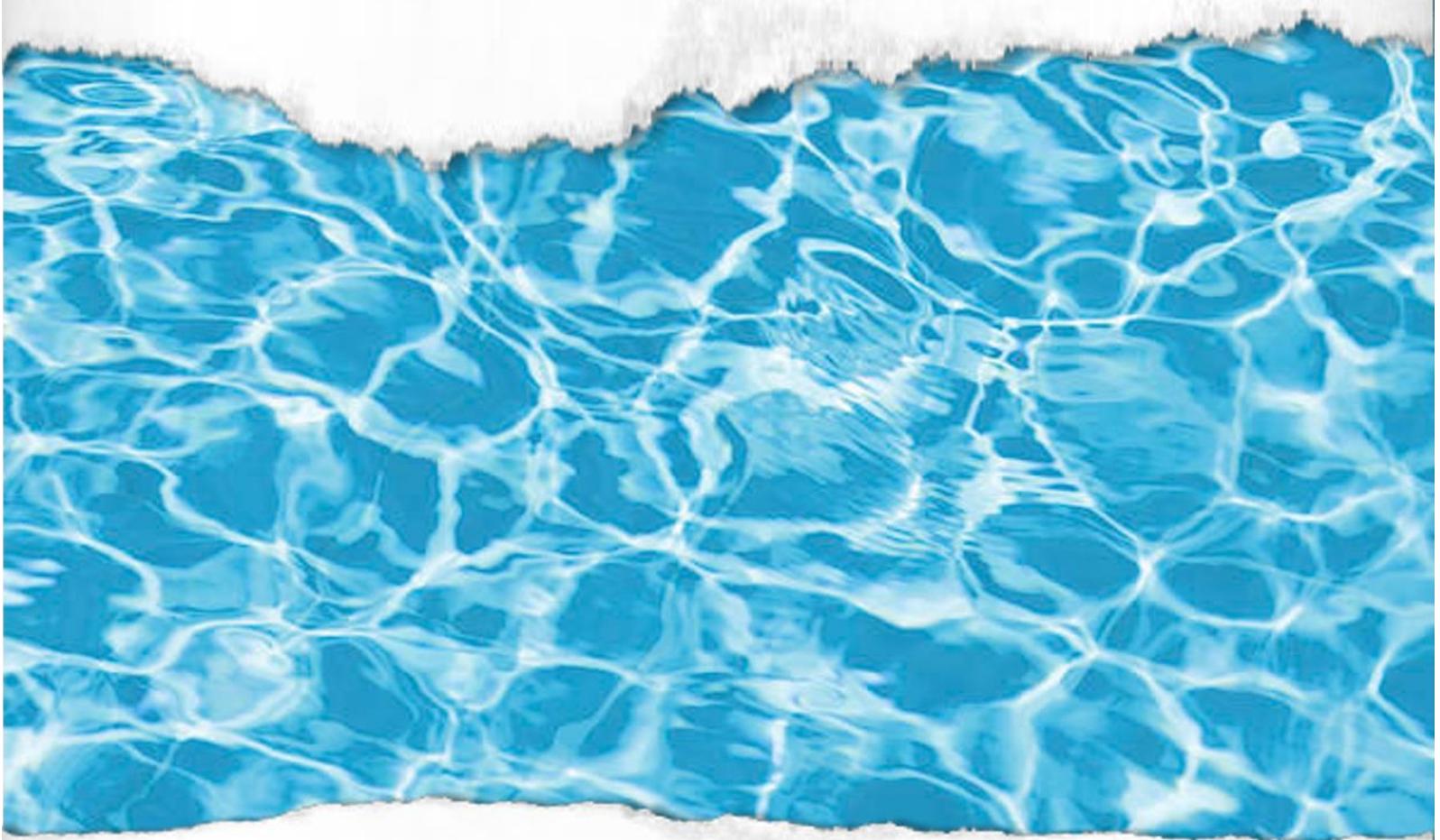


SWOBODA RESEARCH CENTRE

The Reflections Series

Insights and experience from practitioners

**British Credit Unions:
A Different Future**



Jonathan Moore
December 2022

From the Reflections Series
Insights and experience from practitioners

British Credit Unions: A Different Future

By Jonathan Moore

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The Centre is rooted in values of co-operation, participation, social and financial inclusion, transparency, integrity, and excellence.

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Jonathan has a three-decade career relationship with the mutual sector, having been employed by three building societies, culminating in a role as Head of Credit, which encompassed a range of responsibilities including business development, product development, and mortgage lending.

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The Reflections Series: Most reports and papers from Swoboda are based on primary and / or secondary research, presented by subject matter experts, often academics. In this series, launched in 2022, Swoboda seeks to give a platform to the practitioners - executives, directors and staff – of community finance providers, to present their views and ideas. These papers are rooted in their own experience of organisational planning and delivery, rather than the study of others', and provide an insightful complement to traditional research papers.

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Introduction

In this article, written as I step down from my full time Chief Executive role at Stockport Credit Union¹, I will reflect on where the British sector is today and share some views that have formed through my years working within the credit union movement in Britain. I will explain why I believe the time is right and it is necessary to develop a new way forward. I believe that we need to embrace a different approach, one in which our members gain a new and better future due to our efforts. It is intended as no less than a call to radical action.

Jonathan Moore, December 2022

1. Backdrop

In September 2022, I received an unexpected phone call from Channel 4 News: “We’re recording in your area and would like to come and talk to you, to record a segment for one of our programmes.”

It quickly transpired that they were quite literally round the corner from our offices and wanted to come there and then. I was about to go into a meeting so we agreed that they could arrive an hour later, and I could squeeze a 30-minute slot into my lunch hour before I left for another meeting.

Chief Execs of small credit unions don’t get this kind of call every day, and it was exciting to meet Jackie Long and her production crew, and I did the best I could, given the lack of notice, which left me no time to prepare. It was even more exciting a couple of weeks later when we were told that the interview would air that evening and would be at the top of the programme. It was part of an important story about the horrors and perils of borrowing from loan sharks, and Channel 4 dedicated an impressive 15 minutes to this topic which is so close to all our hearts.

As I reflected on my moment of fame, two interlinked things struck me about what it said about our movement. Firstly, and on a positive note, it is pleasing that Channel 4 News knew enough of the work that credit unions do to recognise that a voice from the sector would be a valuable addition to their story. It suggests that we have a reasonable level of brand awareness with those who comment on the less mainstream parts of the world of finance and social affairs.

The second revelation from this experience though is more negative. The fact that we were called whilst they were in our neighbourhood (having come from London for the day to work on something they knew about in advance) suggests that we were a last-minute decision to add more content, virtually an afterthought. Was I the most suitable CEO to talk about loan sharks and the work that credit unions do in this area? Perhaps not. Did I provide the interview that I would have provided had I had more time to prepare? No, clearly not. Was I as persuasive and coherent as I would have been if

¹ Stockport Credit Union is a community credit union in Greater Manchester, with c.5,000 members and £3m assets

media work was part of my job and I'd had regular previous experience and training? No, of course I wasn't.

Whilst I did my best and was reasonably happy with the results, I believe that it was an opportunity which wasn't fully maximised, and I believe that is down to us, rather than to Channel 4 News.

2. The Current Position of the Sector - and Opportunities

Having weathered a difficult couple of years due to the pandemic, credit unions are now grappling with a cost-of-living crisis which is undoubtedly a much bigger challenge. Whilst it will affect most of society, it will hit credit union members far harder, and we don't need to rehearse all the arguments here about how and why; readers will be acutely aware of the challenges ahead.

This crisis clearly poses an existential threat to credit unions. Without a doubt, some will either fail or be forced to seek mergers which are take-overs in all but name. This is unfortunate but is simply a recognition of reality.

I firmly believe however that the cost-of-living crisis represents an enormous opportunity for us, possibly one that could be described as 'once in a generation,' assisted by the reality that interest in our sector and support for it is probably at an all-time high. Here are some of the reasons for that reality:

- The UK Government is well disposed towards us and has put in place a supportive regulatory stance as well as funding opportunities for credit union development
- The disappearance of many of the 'for-profit' providers of high-cost credit to low income or credit impaired people over the last few years, such as Provident Financial, reduces the level of competition, leaving more space for credit unions to shine in the low-income market.
- Businesses are more than ever interested in how they can support the financial and emotional wellbeing of employees and credit unions have a proposition which fits with this
- The withdrawal of the traditional banks from the high street has created more interest in alternative providers in the general, more moderate income population and we regularly get mention in the financial press as a valued alternative.

The cost-of-living crisis is a subject which is central to the interests and lives of our members and is one on which we have much to contribute. It is difficult to imagine a topic that would be more central to our work.

Given the above, the time feels right for a rapid and substantial expansion of the sector which can come from us talking with expertise on a range of subjects which are close to our members. I believe though that we need an increase in ambition.

In the minds of many in the British population, credit unions are still cast in a role of serving maybe the bottom two deciles of the socio-economic spectrum. I've never really understood why we settle for that now, given many credit unions are serving much wider social demographics,

If we believe there is an inherent value in being part of a member-owned financial services organisation and that we can deliver something that others cannot, then I believe we should see that value as being relevant to a far greater spread of society. We should be realistic of course – after all, we're not likely to add much value to the life of a multimillionaire (and wouldn't want to concentrate our efforts there even if we could), but why can't we be of real value to the vast majority? Rather than being seen as being for the bottom 20%, I believe we should flip this round and say we're highly relevant for all but perhaps the top 20%.

If we widen our scope and strengthen our reach, we become more powerful, and we can then use that power to better speak out on behalf of our members. Member owned organisations are more common than just credit unions, but we are in a unique space, with our powerful data and national coverage, to do more than simply provide loans and savings – we can move beyond the transactional to become influential and achieve societal change.

Our members could benefit from carefully planned and cohesive interventions on income, healthcare (especially mental healthcare), education, housing, and employment and training. Why shouldn't we play a part in influencing the bringing about of better outcomes here? Why do we only see our role as helping people to maximise what they have, rather than saying 'what they have isn't enough and we expect better for them'. Aren't we limiting our role to one of providing a sticking plaster? Why do we settle for this?

3. Working Collaboratively to Get Maximum Impact

In autumn 2016, several local community credit unions in Greater Manchester came together to form a consortium, operating under a brand called 'Sound Pound'². The CEOs and General Managers have met regularly to work on a series of campaigns and initiatives. I'm sure all of us would agree that this collaborative working has added value to the credit unions that we represent, and to the brand of the local movement with key stakeholders. At the recent Swoboda conference on 11th November 2022, the Mayor of Greater Manchester, Andy Burnham, spoke warmly and knowledgeably about the work we do, so clearly working together has raised the profile of credit unions³. We've also seen some direct outcomes flow from our relationship with the Greater Manchester Combined Authority, which Andy heads up. We expect greater outcomes to flow in the future as that relationship grows and matures.

² <https://soundpound.co.uk>

³ (2022) Responding to the Cost-of-Living Crisis: Report on Proceedings, Swoboda Research Centre, Dublin, https://swobodacentre.org/wp-content/uploads/2022/12/202205_SWOBODA038_Conference_Proceedings_111122.pdf

It is fair to say that working collaboratively is also very hard. None of the leaders in the consortium have found it easy to consistently dedicate the time needed to get maximum value and progress; we're all busy trying to make a little go a long way within our core activities and have had to find extra time on top (often from personal non-work time) to work on consortium activities. We've also had different approaches to topics to work through and, at times, we've not always agreed on priorities or the specific detail thereof. All of this is inevitable and would happen in any such setting, but it takes headspace, effort, time, and grace, and that is hard.

Notwithstanding the challenges, I believe that our experience within the Greater Manchester consortium provides a small taster of what could be achieved on a much larger national stage if we could bring about a situation where the sector coalesces around common goals and creates resources to pursue them.

4. The Sector and Media Work

It is my view that the time is right for credit unions to put in place a much bolder vision of how we get our message across. One in which the sector seeks to work in a co-ordinated way and influence stakeholders on behalf of its members and yes, to not fear wielding power.

I believe that we need to explore new ways to make our voice heard. This should, as a minimum, lead to the sector selecting, developing, and training a small number of spokespeople who are the 'go-to' people for a range of subjects and who have a media presence. These people would be ready and waiting for that call from Channel 4 News. They would be armed with the most recent data and the most compelling arguments, and fluent at presenting both.

When the recent reversal of the Universal Credit payment top up was being considered and then publicised by the Government⁴, why didn't we have a spokesperson appearing on BBC's *Question Time*, or Radio 4's *Today* programme, pushing back and explaining how this would negatively impact our members? Or when the Government was planning to increase the cap on utilities and planning to shorten the duration for which it will apply, why didn't we have a national voice explaining why this will hurt our members? Aren't we failing our members by doing so? Shouldn't we be addressing root causes rather than simply helping them make the most of bad situations?

Other organisations do have spokespeople. One example that is relevant to our own work is the Resolution Foundation, which has Torsten Bell as its frontman and who is something of a household name⁵. Who don't we have our own Torsten Bell? Why don't we have a household name?

⁴ <https://www.theguardian.com/society/2021/jul/07/universal-credit-20-top-up-will-end-this-autumn-mps-are-told>

⁵ For example, Torsten Bell is a regular contributor to *The Guardian* newspaper, <https://www.theguardian.com/profile/torsten-bell>

5. The Proposal

The idea of fielding high quality spokespeople on a range of subjects sounds appealing but is challenging to enact. I believe that this is something that the trade bodies cannot easily take on, for two reasons.

Firstly, we have several trade bodies who overlap in scope and emphasis but are not identical. If they all field spokespersons on a range of matters then there is a dilution in the simplicity of having a 'go-to' source, and a risk that the messages become blurred as they are unlikely to perfectly align.

Secondly, it is not the place of trade bodies to campaign on matters which relate to the day to day living of members. Their focus is on the organisations rather than on the members behind the entity, and anyway their role is to be more in the background working in the regulatory space. It is hard for them to take too strong a line in public when they must work with regulators in the background who will have political masters. They need to be able to distance themselves from a more 'active stance' and whilst there would clearly be a connection, they need to be able to smile wanly at the regulator and say 'yes, we know that's difficult politically but that's not us talking, that's them'.

If this cannot be a new area for trade bodies, then it needs to be something which comes from a new forum or body. It is not the place here to propose how that would work. To do so risks getting into contentious minutiae which could diminish the power of the concept being proposed. To arrive at a framework that delivers maximum outcomes will take significant effort, time, and money. It won't be easy.

Regarding money, suppose that each small credit union contributed £1000 a year, medium sized ones contributed £3000 to £7000 and large ones contributed £10,000. It is feasible that across the 250-strong credit union movement in Britain this could create a £1M annual budget. This is a significant amount and would pay not just for creating the framework/brand and employing staff, but also provide enough for national marketing and PR. It would go a long way to ending our undesirable 'Britain's Best Kept Secret' status.

Many other sectors and organisations have harnessed the power of speaking with one voice on behalf of a disparate group of members/customers. Consider for example the recent work done by the National Trust on a range of issues. The organisation clearly sees its remit as going well beyond the careful maintenance of properties and husbandry of its lands. It is seeking to bring about a different future, rather than just a maximisation of the status quo.

Or, to take another much more contentious example, consider the success over many years of the National Rifle Association of America in preventing successive presidents from enacting legislation that it disapproves of. You don't have to like an organisation or agree with its aims to recognise that it might have something to teach through the way that it successfully delivers outcomes for its members according to its own stated aims.

A third and very topical (as well as extremely contentious) example is the recently emerged pressure group 'Just Stop Oil'. Again, you might disagree with its aims and may well believe its tactics are counter-productive, but it has focussed attention on the

topic on which it campaigns. It has played a part in strengthening or even creating a link in the public mind between the environmental aspects of climate change and those whose actions don't help to mitigate it. Who had heard of 55 Tufton Street before they sprayed it with orange paint?

All of this is very well, but to have any chance of being taken seriously, we need to grow the size of our sector, which links back to my earlier point about seeing ourselves as for all but the top 20%, rather than solely for the bottom 20%. We need to have a clear set of ambitions to grow membership, underpinned by a carefully worked out strategy, backed by a detailed year by year plan.

We know that the credit union sector in England is tiny by comparison with other countries such as Ireland and the USA, and it's not a lot better when 'whole-of-UK' figures are used. For a movement that has been operating for nigh on half a century, our penetration rates are woeful.

As part of my concept, I believe we should set ourselves a goal of having 15% of the UK population as members by 2030 and to then more than double that to 1/3 of the population by 2040 (with further targets beyond that to get is to Irish levels of market penetration by mid-century). Readers are likely to immediately react to this as being wildly implausible, but I believe that it is possible, even as I recognise that it is very ambitious and probably on the outer limits of what is possible. It is better though to have an ambitious target that is not quite met, than to not set targets and achieve no momentum as a result.

One useful step towards achieving this goal would be to have a campaign to sign up every single child in the UK to membership. There are circa 10 million children, all of whom will be adults by 2040, and there are more who aren't even born yet but who will become adults in the years just beyond 2040. If we have relevant products and services and an appealing and high-profile brand that really resonates then we should be able to convert a high proportion to adult membership when they turn 18.

At Stockport Credit Union, where I was CEO until very recently, they are implementing a member welfare scheme for all membership which will provide discounts on goods and services from a wide range of retailers, 'in the moment' support on home and personal emergencies, and access to counselling services⁶. The cost of this scheme is surprisingly low. This is cited as an example of how a membership-based organisation can find new ways to support and strengthen the relationship with its existing members and at the same time, provide an enticing proposition for new members.

A third example of how we could do more to make our proposition more appealing: how many of our members properly understand the value of the insurance schemes that we already provide for members, which pay out on death? For most credit unions, finding a way to successfully publicise this always falls too far down the list of day-to-day priorities and yet it could be a very effective way of both retaining existing membership and attracting new members.

⁶ <https://www.stockportcu.com/what-we-do/savings/24-7-wellbeing-support/>

6. Conclusion

In this *Reflections* paper, I have called for a fresh approach underpinned by a substantial step-up in ambition and commitment for the movement, with sector-wide targets for improved market penetration and a framework for delivery.

I have called for one or more leaders to be identified/recruited, trained, and supported, who can become well-known and trusted by the movement to represent it wherever opportunities emerge. I've provided some high-level thoughts as to how this could be funded. I've indicated that a new forum or body would need to be put in place to support them and to ensure accountability.

Above all else, I have called for the movement to seek to identify opportunities, and to harness and wield our power to transform society, rather than to simply continue with our current approach of helping our members to make the best of society as it currently exists. I am calling for a different future: different for the movement, and different for our members. I'm calling for us to become weather-makers, rather than simply providers of umbrellas.

I want to end by way of a little flight of fancy. Many readers will remember the highly successful fictional TV series 'Yes Minister' and 'Yes Prime Minister' from the 1980s. In it, the minister (later Prime Minister) Jim Hacker was repeatedly outfoxed by wily civil servant Sir Humphrey Appleby. As a last resort, when other arguments had failed, Sir Humphrey would tell Jim that his decision was 'very brave', at which Jim Hacker would invariably go white and fall in line with whatever Sir Humphrey wanted, because 'being brave' was shorthand for 'vote-losing'.

Imagine if, during recent conversations about cutting back Universal Credit, the relevant civil servant had said to the relevant minister 'Minister, this is a very brave decision. The credit unions aren't going to like it'.

As the implications of the likelihood of credit unions speaking out on behalf of a membership that represents a third of the population sinks in, the position gets swiftly changed by the minister who doesn't want to become solely responsible for losing the next general election. The credit unions never even get to hear of this conversation but, nevertheless, they have brought it about, simply by being organised and by having demonstrated a willingness to wield power.

Radical action is needed to achieve this organisation and purpose, and I urge colleagues to take up this challenge.

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* Denotes Founding Member. These organisations supported the inauguration of the Swoboda Research Centre in 2017

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