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**The Reflections Series**

*Insights and experience from practitioners*

# The Growth of Salary Advance: A Challenge to Credit Unions

Lindsay Melvin

February 2024

From the Reflections Series

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# The Growth of Salary Advance: A Challenge to Credit Unions

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## Foreword

Currently, we in Great Britain live in an era of high inflation, with millions of people struggling to stay out of debt. With energy, food and fuel prices going up over the past 18 months, more and more families have difficulties coping with the cost-of-living crisis. According to the Financial Conduct Authority (FCA), the number of adults struggling to pay their bills and debts soared to nearly 11 million in May 2023.[1]

Unemployment levels in Britain are also low (at 4.2% in June 2023) and cheap labour is in short supply which means that employers, particularly those in the hospitality and retail sectors, are trying to retain existing employees and be sufficiently attractive to the job market.

UK legislation in recent years has tackled payday loan companies with increasing regulation,[2] leading to the demise of the likes of Wonga. This has created a void in the market, where an individual who cannot access mainstream lending resorts to any form of borrowing they can find, including illegal lenders. It is generally the penalties applied when a customer fails to pay their debt instalment that makes the borrowing so expensive and creates a 'debt treadmill' which is then very hard to get off.

In this context, salary advance provision has seen rapid growth. Salary advance, also known as earned wage access, operates like a short-term loan where the lender has an agreement with the customer's employer so that the money the customer receives will be paid back through their pay cheque.[3] In fact, salary advance is the early drawdown of remuneration already earned and it is on this basis that salary advance is not regulated as a loan, which will be a critical feature of the discussion in this paper. While more and more employers are considering providing this service, they should be wary of encouraging employees to run into debt.

Credit unions in Great Britain have had considerable Government support over the years, with the expectation that they would fill a gaping hole in providing financial services to a population sector that is not currently served by mainstream banking. However, credit unions have stepped up but not yet filled this gap, for reasons including a lack of easy-to-use digital services and products combined with a low awareness of credit unions among consumers. This has resulted in new mergers, furthering market consolidation. According to statistics published by the Bank of England, the number of adult members of credit unions increased to the highest level on record in 2023 (2.1 million).[4]

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[1] https://www.fca.org.uk/news/press-releases/help-available-those-who-need-it
[2] For example, https://www.fca.org.uk/news/press-releases/fca-confirms-price-cap-rules-payday-lenders
[3] https://www.moneysavingexpert.com/loans/salary-advance/
[4] Bank of England, *Credit union quarterly statistics 2023 Q3*, 31 January 2024.

Many credit unions are cash rich and keen and able to meet more borrowing needs within the bounds of responsible lending, while balancing geographic or other constraints.

As more and more salary advance companies (SACs) strike deals with employers, credit union payroll lending arrangements may come under pressure and credit unions must consider ways to compete. What are the different SACs offering? How should credit unions respond to SACs? How do credit unions establish themselves as a 'go-to' option for businesses to adopt as payroll lending (and saving) partners? And who should credit unions be working with to help them achieve their objectives?

The recommendations made in this paper are based on my experience, notably when I was CEO of the Chartered Institute of Payroll Professionals (CIPP), of trying to remove barriers and encourage businesses to work with 'employer-friendly' credit unions to offer saving through payroll. For this purpose, I held two events where I invited many credit unions and finance directors; worked with Robin Walker MP, at the time the chair of Parliament's All-Party Group on Credit Unions; and also assisted the Department of Work & Pensions (DWP) in their engagement with credit unions.

I also developed recommendations on how credit unions can overcome barriers and be more prominent as part of a business's financial wellbeing offering. These are recapitulated in this paper.

Due to personal circumstances, I could no longer spearhead my drive to support the credit union sector. I now have the time to reignite my enthusiasm and passion to assist credit unions in being an integral part of financial wellbeing solutions. I would be happy to drive collaboration between credit unions on these initiatives, to encourage best practice but also tackle the day-to-day problems.

Lindsay Melvin, January 2024

# 1. Executive summary

This paper examines how credit unions should respond to the increased popularity of salary advance schemes. It starts by defining salary advance, exploring who the main salary advance providers are and what they offer (section 2).

It goes on in section 3 to look at the reasons why some employers and employees find salary advance schemes beneficial. In doing so, the paper also highlights the problems and risks associated with salary advance (section 4), particularly around customer service and employee wellbeing. This section also examines the UK regulator's (Financial Conduct Authority) position on salary advance companies (SACs) and the actions taken by regulators in other countries in response to the rise of SACs.

Section 5 suggests how employers can signpost solutions through financial wellbeing programmes, whilst working with credit unions to meet their employees' needs. The paper delves further into this issue in section 6, exploring some of the benefits of using credit unions for payroll deduction schemes. These include outstanding customer service, giving employees the option to save while borrowing and being trusted, regulated providers rather than new market entrants. Another important benefit explored in the paper is the fact that credit unions run background credit checks, which means they lend only what employees can afford.

Credit unions can and should compete with SACs, therefore, the paper goes on to suggest how they can leverage their co-operative identity to differentiate themselves from their competitors. However, it also warns that credit unions need to be able to develop an offer that competes directly with that of SACs, including by deepening collaboration between credit unions to serve an organisation's employees outside individual geographies or forming partnerships for co-operative branding. Collaborating with other entities can also be beneficial to credit unions and this paper suggests several organisations they could work with to have a greater impact and reach more people.

The final section, 7, proposes how the credit union difference offers ten key points for selling credit unions to, respectively, employers and employees.

While this paper focuses on credit unions in Great Britain, its findings and recommendations can provide valuable insights to credit unions in other countries, including Ireland where salary advance is also emerging.

## 2. About salary advance

### What is salary advance?

Salary advance is also known as earned wage access, instant pay, earned income, early wage access, accrued wage access or on-demand pay. The official UK government term is Employer Salary Advance Scheme. Salary advance companies (SACs) are relatively new, and they are powered by technology which connects to payroll systems. They enable an employee to take money out of their monthly or weekly net pay and receive it instantly instead of having to wait for the end of month payday (as most people are paid in arrears). Employees are not credit checked and often do not pay any interest on these advances (although they may pay a fee – discussed below). For those employees who run into unexpected expenses, such as replacing broken white goods, using a SAC gives them the opportunity to relieve some financial pressure without it turning into high amounts of debt.

The main salary advance providers in Great Britain (GB) are Wagestream, Hastee, Revolut and Salary Finance. There is no public data on the size of the GB salary advance market. This paper is focused on GB as that is my area, but there are emerging salary advance initiatives in the Republic of Ireland, notably Revolut.[5]

While some SACs charge the employer for the use of their services, the majority charge an administration fee to the employee. The fee charged by the SAC varies from £1-£2 for each advance (e.g. £1.75 for Hastee, £1.95 for Wagestream[6]).

Once an employer has partnered with a SAC, employees can download an app which shows them how much they can take out. Some employers and/or SACs cap the percentage of earned money an employee can take out before payday. Most lenders only let employees take a maximum of 50% early and/or restrict how many times per month they can use the scheme. On the employee's usual payday, the employer will pay the salary advance company back for the loan taken by the employee and the fee that came with it.

Because SACs have a lien on a customer's wages, the risk of bad debt is minimal and that is a major reason why SACs' business model works and the industry has mushroomed.

However, it is important to note that SACs are not classified as loans and, consequently, they are currently unregulated. This means that if a customer has a grievance, they cannot complain to the relevant financial services industry regulator, the Financial Conduct Authority (FCA). Furthermore, there are no credit or affordability checks as are required for regulated loan providers.

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[5] https://www.rte.ie/news/business/2021/0923/1248515-revoluts-payday-product/
[6] https://hastee.com; https://help.wagestream.co.uk/en-gb/articles/35-what-is-the-cost-to-use-wagestream, accessed 7 January 2024

An affordability assessment in this context might be to check that the customer can manage on a reduced income in the following month (salary less the funds advanced).

**What do the main providers offer?**

*Wagestream (UK and Republic of Ireland (ROI))*: a fintech, Wagestream enables employees to access 50% of their monthly salary early in exchange for a fee of up to £1.95, depending on the employer. It works with a range of employers, including Zizzi, Bupa, Frankie & Benny's and Ask Italian. Wagestream launched in Ireland in 2019,[7] but has not yet made the impact seen in GB. In 2020, Wagestream was awarded £200,000 by the British innovation charity Nesta as part of an initiative to highlight the importance of innovative open banking-enabled solutions.

*Hastee (UK)*: through HasteePay, provides salary advances or earnings on demand, allowing the employee to access up to £100 per month for free. For amounts above £100, Hastee charges employees 2.5% of all money that is taken as an advance from their salary. The maximum amount they can access in advance is set by employers, not Hastee. The company's clients include some NHS trusts and Tesco. Hastee also offers a savings service, which allows employees to set a fixed amount aside before payday and access their savings at any time.

*Salary Finance (UK)*: is a payroll lender which has extended its offer to savings, financial advice and salary advances. Via its website, it offers guides and tips on financial matters, including how to set up savings accounts and recommendations from insurance providers. The company acts as an intermediary – it works with employers to transfer savings directly from the employee's salary into a Yorkshire Building Society (YBS) account every pay cycle. Salary Finance does not have its own app, but employees can use its website to create an account and keep track of what they are earning and how much they can borrow via salary advance. Employees are limited to three withdrawals a month and Salary Finance charges a £1.69 fee per advance taken.[8]

*Revolut (UK and ROI)*: the well-known neo-bank offers salary advances through its Revolut on Demand Pay service. Launched in 2021, the service enables employees to track their wages in real time and see how much they earn. An employee can withdraw up to 50% of what they have earned at any time and will be typically charged around £1.50 per transaction (depending on the arrangement Revolut has with the employer). Employees using the service

[7] https://www.rte.ie/news/business/2019/0912/1075430-wagestream-launches-in-ireland/
[8] https://www.salaryfinance.com/uk/faqs/, 'Is there a fee for Advance?' Accessed 24 January 2024

can also access the Revolut app to track how much they have earned throughout the month or after every shift in real time and keep track of the money they can withdraw.

*Azucko (ROI)*: this app shows an employee how much is available to draw down from the salary earned each month and facilitates drawdown. Other services include tracking of expenses, help with management of monthly bills and saving, and reminders.

*Borofree (UK)*: offers a shopping card which enables the user to receive a slight bonus on their salary advance if they use it with certain retailers. Provided that the card is used for 'normal' spend and does not encourage unaffordable spending, then topping up this card could become a regular monthly pattern. Borofree offers gift cards for products and services from more than 50 brands with up to £300 of an employee's salary, any day before payday.

Some SACs make claims that they have a social mission and are always focused on improving individual wellbeing. Some offer financial wellness education and market themselves as a help to both employers and employees. But, since none of these providers do any due diligence on their customers to check that they can afford to take out the advance and they do no credit checks, there is the risk of an employee relying on salary advances, spending beyond their means and getting into ever-increasing debt.

Despite the lack of public data, it is clear that the sector is on the rise, with more and more employers partnering with salary advance companies.

## 3. The attractions

### Employees

In July 2020, the FCA published an official position on salary advance schemes in which it noted that salary advance "can be a convenient way for employees to deal with unforeseen expenses and occasional short-term cash flow".[9] To employees, salary advance schemes are also attractive because they provide fast access to funds without affecting their credit score, and paying a set, pre-determined fee can appear more advantageous than paying interest. Other benefits include being able to check how much money they make in real time, which is particularly appealing for people working shifts or overtime, and, depending on the SAC, setting up savings accounts or accessing financial advice. They are an attractive alternative to payday loans, with their high interest rates.

[9] https://www.fca.org.uk/news/statements/fca-sets-out-views-employer-salary-advance-schemes, 30 July 2020

### Employers

Since salary advance schemes are attractive to employees, they can be perceived as an additional employment benefit, so offering the facility may make businesses that provide them more appealing to existing and potential staff: salary advance can be listed in recruitment adverts to attract more applicants. With the service still being rather new, this can give employers a competitive edge at little to no cost.

From an employee welfare perspective, employers know that money worries often adversely affect an employee's performance, attendance, health and relationships. According to the Chartered Institute of Personnel and Development (CIPD), the provision of salary advance schemes can "reduce the expenses associated with employee financial anxiety, such as reduced productivity".[10]

Finally, as credit unions who have sought to make payroll arrangements with employers will attest, some organisations are wary of being perceived to encourage their employees into debt by offering loan facilities and salary advance appears to address some of the same employee needs without being a loan.

## 4. Problems and risks

Increasingly, employers are going for a 'quick fix' by partnering with a SAC and payroll outsourcers are reacting by providing software solutions to accommodate this. But are they unintentionally enabling or encouraging their employees to spend beyond their means?

Employers are walking a tightrope. They need to be proactive in their support to their employees as this will help reduce employee absences and financial stress and assist employee retention, engagement and recruitment, however, they cannot offer financial advice and cannot be seen to offer solutions which encourage personal debt.

### Customer service

I have undertaken a brief review of online customer feedback through Trustpilot and have gained the following impressions of some of the problems customers have encountered, including: the absence of a customer service helpline in most cases; issues with regards to processing changes – such as a change of bank details or paying off a loan early; and the danger of having pay coming

[10] https://www.cipd.org/uk/knowledge/guides/employee-financial-well-being/

from a SAC and not the employer if something goes wrong[11] - there have been instances where this can take several days to resolve.

### Employee wellbeing

Furthermore, as pointed out by CIPD in a position paper in 2021, early pay access on its own is not a substitute for a workplace financial wellbeing strategy or a secure and liveable income.[12] In this paper, the CIPD points out that in order to be truly effective in the workplace, such schemes need to be embedded into a financial wellbeing strategy. This strategy can include providing a liveable wage, a guarantee of enough hours to receive a liveable income, fair pay, the opportunity to save for the future, benefits that give support during an emergency and the opportunity for career progression and financial education, adds CIPD.

The CIPD also encourages employers to consider other issues as well, such as how providers would treat those employees who might get into financial difficulty, whether providers fit with company corporate social responsibility and employee financial wellbeing strategies and the likely risks such schemes may pose to the reputation of the employer and customer brands.

Another potential issue is the absence in the process of issuing a salary advance of any credit checks or affordability checks, which means employees may access more funding than they can afford. The lack of regulation of such schemes also means employees are unable to complain to the Financial Ombudsman Service if things go wrong.

### Regulator perspective

The CIPD is not the only organisation to raise red flags with regards to salary advance schemes. In its July 2020 statement, the FCA asked employers to consider the potential risks posed by such schemes, including the lack of credit regulation, difficulties in finding charges / costs on the SAC websites, a lack of visibility for credit reference agencies (SACs do not have to report to them) and the potential for a cycle of repeat advances and escalating fees.[13] The FCA intends to continue to monitor the salary advance market for developments including the emergence of new business models.

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[11] If the salary is paid directly from the employer and the amount is incorrect then the employee can normally resolve this expediently via the employer's payroll department. If the salary is paid via a SAC and the quantum is wrong, then the employee may encounter a critical cashflow crisis if the SAC query resolution service is slow.

[12] https://www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/policy-position-employer-salary-advance-schemes/, CPID, 28 June 2021.

[13] FCA, 30 July 2020, ibid.

In September 2023, HM Treasury in the UK launched a consultation on the proposed amendment of payroll regulations which allow employers to delay reporting advance payments of salary made to an employee until payment of the remainder of that salary instalment, where certain conditions are met.[14] Payroll departments have a legal responsibility under real time information (RTI) requirements to report to HMRC every time a salary is paid. Therefore, they currently report every time a salary advance is made whereas they would normally submit an RTI return monthly if they pay monthly. The proposed amendments are intended to simplify the process for employers who pay salary advances to ease their administrative burden and, if implemented, they could lead to even more employers considering SACs.

## International developments

Regulatory changes are also taking place internationally. In the USA, the State of Missouri recently enacted a law on salary advance (which they refer to as earned wage access (EWA)) which requires providers to register with the state and pay an annual registration fee. Furthermore, providers have to create procedures for managing consumer questions and complaints, specify any fees associated with the EWA service and describe how repayment will be managed, among others. EWA providers who seek payment by debiting a consumer's bank account must reimburse the consumer's overdraft or any charges for having insufficient funds if this is caused by the provider.

Missouri is the second US state to introduce EWA legislation. In June 2023, the Nevada legislature also passed a bill that creates a licensing process for EWA providers operating in the state. Under this bill, providers applying for a licence will be subjected to background checks, disclosure of leadership or shareholder status and financial histories, while firms are required to provide clearly at least one option for a user to obtain their wages at no cost.

Other states considering introducing EWA legislation include California, Georgia, Kansas, Mississippi, New York, North Carolina, Texas, Vermont and Virginia.

## Summary of issues with salary advance

To sum up, the advantage of offering a salary advance is that if an employee has an unexpected expense, the salary advance would tide them over until the next payday. In this type of situation, a salary advance can be a workable and fair solution. However, SACs do not generally do any due diligence on the ability of the employee to repay the advance in the next pay period. If the advance is

[14] https://www.gov.uk/government/consultations/draft-regulations-proposed-amendments-in-respect-of-salary-advances

capped in monetary terms or is say less than 20% of the monthly net pay, then this is probably affordable. If it is not, the employee can get onto a ‘debt treadmill’ which it is often hard to escape from.

Salary advances can become a bit like a plaster covering the *debt wound*, which may work, or the *debt wound* could grow much bigger. In my opinion, employers should focus on avoiding the *debt wound* in the first place, being vigilant that they do not encourage employees to spend beyond their means and setting tight criteria if they offer (through a partnership) a salary advance.

The *Irish Times* ran an article expressing these concerns in 2022,[15] and GB’s respected financial commentator Martin Lewis proposes that salary advances should only be an option in the case of a real emergency: “they’re a very good alternative to payday loans” but “are not without their own issues”. Lewis also warns that:

> *The easy accessibility of the cash could lead to people letting go of their budgeting and using this too often…. It’s very important to make a pact with yourself that if you’re going to do this, you’ll only ever do it for real emergencies ... I would certainly think if you were having to use a salary advance more than a couple of times a year there’s an issue going on. Don’t fall into the psychology of ‘easy access means I have more money’ ... In fact, each time you use it, you pay a fee, so you actually get less money.*[16]

## 5. Employers mitigating risk

Employers can signpost solutions, however. Businesses should be proactive internally and not outsource their financial wellbeing to a third party who does not know the business or its culture. By contrast, credit unions can be instrumental in offering a simple, inexpensive menu for businesses to follow – discussed further in section 6.

In my experience, the key learning objectives for employees for any financial wellbeing programme should include:

- Understanding key terms like Annual Percentage Rate (APR).
- Understanding salary advance companies (SACs) and buy-now-pay-later providers (BNPLs).
- Using a simple budgeting tool to be in control of their finances.
- Saving for the unexpected.

[15] https://www.irishtimes.com/business/work/beware-the-promise-of-salary-advance-schemes-1.4881106
[16] https://www.moneysavingexpert.com/loans/salary-advance/

- Avoiding the end of month cashflow problem.
- Eating healthily but not expensively.
- Understanding the benefits of pension schemes and how to contribute.
- Setting simple goals to enable better financial resilience.
- Knowing whom to turn to for guidance/support if things go wrong.
- Being aware of positive options in financial service provision, such as credit unions.

## 6. Credit union positioning with employers and employees

### Promotion of the advantages of credit unions

'Prevention is better than cure' is very applicable to personal debt. Employers should focus on proactive financial education and encourage saving for an emergency. Industrial credit unions in Britain and Ireland have been offering payroll-based loans and savings for many years. More recently, in Britain at least, they have been joined in this service by community credit unions, some of which were themselves founded as employee-based, e.g. for local authorities. While credit unions have established strong relationships with employers in many cases, some of those employers are also taking on salary advance schemes, which they see as complementary or an alternative to borrowing from the credit union. SACs offer – in most cases – a slicker service and a lower perceived price. Credit unions need to be able to respond or they risk being supplanted to a greater or lesser degree.

In this context, credit unions must continue to focus on doing what they do best: serving their members. As member-owned financial providers, credit unions put their members first. Credit unions can offer:

- **A solution to many of the borrowing needs presented by employees** opting for a salary advance through inexpensive, short-term credit paid straight from salary via payroll. And, unlike salary advance providers, they are regulated, meaning that members are able to hold them responsible if things go wrong. By running credit checks, credit unions not only protect themselves but also ensure members do not borrow more than they can afford, which could exacerbate debt issues. While salary advance schemes provide employees with quick access to money, the lack of regulation puts these very employees at risk should things go wrong.
- **Outstanding customer service**. As customer feedback in Ireland, for example, suggests, being democratically-owned makes credit unions more likely to provide this.[17] Credit unions are much more orientated to enabling their members to speak to them, whether in branches, on the

[17] https://thereputationsagency.ie/reptrak/top-100-list

phone, via messaging or via digital channels. While SACs provide self-service options as well, credit unions can exceed expectations by retaining the personal touch.

- **Save-as-you-borrow**. Loan repayments can be set up so that some of a regular payment pays off the loan and some goes into a savings account. This enables employees taking up loans to build up a savings pot at the same time as paying off their loans. By encouraging anyone who borrows to save at the same time, credit unions are helping customers to get into a savings habit, including those who may have found it difficult to do so before. Some employees may choose to opt out of pension enrolment, but they may be interested in auto-enrolment for savings with a credit union. Although some SACs have savings offers, a salary advance arrangement does not support a savings routine in the same way. Most credit unions also include life insurance on loans and some also on savings at no extra cost to the member.
- **A seamless process**, to allay the concerns of payroll professionals about the additional workload required to offer a payroll deduction scheme. This can be achieved by careful process design, as well as engaging with major payroll outsourcers to ensure they would not charge businesses for processing payroll credit union transactions.
- **Financial education for members**. For example, London Mutual Credit Union runs Money Gym, an online blog featuring tips, ideas, information and inspiration around money. The credit union also offers free online masterclasses. Similarly, Glasgow Credit Union works with a range of organisations to provide tailored financial education sessions, from nurseries and schools to employers and community groups. This means that credit unions can help employers do more on financial wellbeing internally, rather than have to hire external consultancies or firms.

### Catching up

The main area where credit unions, particularly smaller ones, have some catching up to do is digital services. Employees using salary advance schemes can see how much they earn in real time, depending on the technology, and borrow money in a very short amount of time (minutes). By comparison, with many credit unions, joining the credit union, applying for a loan and receiving the funds can take between one and several working days. However, credit unions have been relatively rapid adopters of open banking in loan processing and there is increasing interest from modern technology suppliers in working with credit unions, so there is an opportunity for credit unions to catch up in the areas of speed and convenience.

## Develop an offer that competes directly with salary advance

Credit unions could also partner with other businesses to become a more direct alternative to SACs, consistent with their prioritisation of member wellbeing. Two organisations I am involved in are examples of possible partnerships which need to be explored:

- Flexiwage,[18] of which I am the CEO in the UK, provides a solution for both employees and employers and differs from a SAC as there is no salary advance. Flexiwage enables an employee to receive their pay at intervals to suit their spending pattern. Employees can use the Flexiwage budgeting tool to plan their next month's spend and how much they can save. Often employees prefer to be paid weekly and maybe with a skewed split to cater for the week the rent or mortgage is due. The employer gains: reduced working capital requirements (and thus the interest payable), reduced staff absences, a demonstration of employer caring, less staff turnover and more focused employees who are not beset with financial worries.
- Fair for You CIC (FFY) offers a shopping card for its customers to enable them to buy necessary goods such as white goods, beds, carpets and food. FFY provides a seamless way for their customers to purchase essential items. Their customers generally do not have access to mainstream credit and require a fair credit option to purchase goods while avoiding high interest rates. Credit unions do not generally have a direct arrangement with goods providers and so signposting to FFY would demonstrate to businesses and credit union members that they can offer this facility. Credit unions could make gains here if they are able to lend money to FFY at a commercial rate to provide sufficient working capital for FFY to offer this service.

There are additional services which credit unions could or do offer that would be attractive to employees and should be promoted to employers, such as funeral plans or loans and car finance and other longer-term loans.

## Action for further impact

Credit unions should also strive to play a significant role in the solutions businesses seek to provide their employees. This is not without challenges, particularly as the variety of credit unions, branding and service offer may be confusing to employers. Furthermore, common bond requirements could mean that some credit unions may not meet neatly with the needs of a specific employer, such as a national business wanting to partner with one credit union.

[18] https://www.flexiwage.com

Another barrier is the lack of a consistent offer in terms of pricing and underwriting or service quality and access, both in terms of members and in terms of the employer/credit union relationship.

To address this, I believe there are a number of partnerships or working arrangements which should be explored:

A. Collaboration between credit unions

- Partnering between credit unions to increase geographical/industry reach and working more closely with other credit unions on marketing campaigns and materials when approaching employers. For example, credit unions could form partnerships for co-operative branding, such as SoundPound, a consortium of Greater Manchester credit unions, which has launched a new loan product with the backing of the regional combined authority.[19]
- Forming partnerships within a common bond or considering amending common bonds, if necessary, in order to serve an organisation's employees outside their stated geography.
- Working on developing a set of national standards along with a national database to allow employers or public sector bodies looking for a credit union to partner with to know exactly what the choices are.

B. Develop the offer

- Promoting saving through payroll. However, credit unions need to be able to demonstrate to employers and their members that they can act speedily with providing finance to their members, especially in cases of emergency.
- Signposting to FFY to demonstrate to businesses and credit union members that credit unions can offer a direct arrangement with goods providers. Credit unions could make gains here if they are able to lend money to FFY at a commercial rate to provide sufficient working capital for FFY to offer this service.
- Providing short-term finance to cover funeral and other costs when a close relative dies due to the time it takes to obtain probate, potentially in partnership with a funeral provider.
- Offering car schemes to enable the purchasing of a car.

C. New partnerships

- Partnering with Flexiwage to be the savings arm of Flexiwage customers. This would enable the credit union's profile to grow in businesses using Flexiwage.
- Working with trade unions who regularly communicate with their members to raise the profile of credit unions.

[19] https://www.soundpound.co.uk/soundpound-launch/, 15 February 2023

- Working with the Chambers of Commerce to gain exposure (cf. SoundPound, which was awarded a Social Value Award from the Greater Manchester Chamber of Commerce in 2019).
- Working with charities and other service providers who support credit union members, both as payroll loan and savings provider and to raise awareness of credit unions.
- Continuing to engage with local MPs, and through representative bodies with national government, to seek an obligation on firms to offer payroll savings, which would be the base from which credit unions could meet borrowing needs.

## 7. The credit union difference

### Selling the credit union to employers – ten key points

When looking to compete with salary advance scheme providers, credit unions should try to emphasise what makes them different from other providers, such as:

1. Being member-owned co-operatives that operate on the basis of a set of values and principles – employers may prefer to be associated with a provider that is perceived as a more ethical alternative.
2. Offering life insurance for free with their loans.
3. Being able to provide a range of services to meet the different needs of employees – they offer a full package of services rather than a short-term fix.
4. Demonstrating that credit unions offer better rates than alternative lenders – they do not aim to maximise profit but to meet members' needs.
5. Being trusted providers rather than new market entrants – credit unions have been doing this for decades, especially the industrial credit unions.
6. Encouraging employees to save as they borrow.
7. Providing financial education to members, which could be beneficial to employees and their employers.
8. Being regulated by the FCA means that credit union savings have exactly the same protection as normal savings accounts; the Financial Services Compensation Scheme will pay back £85,000 per person, per institution (or €100,000 under the Deposit Guarantee Scheme in the Republic of Ireland).
9. Lending employees only what they can afford.
10. Offering members the chance to stand for election on their boards, gain new skills and shape the organisation's direction – this could build the confidence of employees and make them more likely to apply for management positions within their firm.

**Selling the credit union to employees – ten key points**

Credit unions can also promote their loan offers to employees, highlighting the following advantages over salary advance providers:

1. When taking out a loan, an employee becomes a member-owner of the credit union – this comes with the right to stand for the credit union's board and vote at AGMs.
2. Credit unions offer better rates than payday lenders.
3. Credit unions encourage customers to save as they borrow, helping them to build a savings pot.
4. Credit unions offer free life insurance with their loans.
5. The common bond brings together people within the same community or trade to meet a common need.
6. Credit unions have better customer service as a result of being member-owned and controlled.
7. Credit unions run background credit checks and lend only what employees can afford.
8. Credit unions are regulated financial providers therefore members are able to hold them to account if things go wrong.
9. Credit unions already work with a range of employers, such as the NHS, and are trusted providers.
10. Some credit unions offer current accounts or similar products such as pre-paid cards.

## Membership of the Swoboda Research Centre

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

Credit union Platinum Members

**Comhar Linn INTU CU***, Ireland
**Core CU***, Ireland
**Dundalk CU***, Ireland
**Health Services Staffs CU***, Ireland

Credit union Gold Members

**Blanchardstown CU**, Ireland
**Capital CU***, Ireland
**Central Liverpool CU***, England
**Commsave CU***, England
**Dubco CU***, Ireland
**Enterprise CU***, England
**First Choice CU***, Ireland
**First Rate CU**, GB
**Glasgow CU**, Scotland
**Life CU***, Ireland
**NHS CU***, Scotland
**No1 CopperPot CU***, GB
**Serve & Protect CU**, GB

Credit union Silver Members

**Ballyfermot Inchicore** CU, Ireland
**GMB CU**, UK
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**Pennine Community**, England
**TransaveUK CU**, England

Credit union Bronze Members

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**Citysave CU, England**
**Claddagh CU***, Ireland
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**Clonmel CU**, Ireland
**Community Credit Union**, Ireland
**Co-operative CU**, England
**Donore CU**, Ireland
**Great Western CU**, England
**HEY CU**, England
**Hoot CU**, England
**Just CU**, England
**London Mutual CU***, England
**Manchester CU**, England
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**Metro Moneywise CU**, England
**Naomh Breandán CU**, Ireland
**Palmerstown CU**, Ireland
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**Penny Post CU**, England
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**Salford CU**, England
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**South Manchester CU**, England
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**Unify CU**, England
**Youghal CU**, Ireland

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