

Economic secretary speech to the ABCUL

Thank you Liz Barclay. It really is a great pleasure to be here in Manchester for the second year running.

Not many City Ministers are invited to speak to ABCUL twice...

...in fairness, not many City Ministers have lasted long enough in the role to qualify, but I'll take my invitation as a compliment nonetheless.

I count myself fortunate to be asked by the Prime Minister to continue in post.

With the political turbulence of the past few years hopefully behind us, my aim is to serve as a point of continuity within the Treasury, and a trusted advisor to our new Chancellor, Rishi Sunak.

In that capacity, I very much remain an advocate for credit unions and community lenders; and having last year called for a new conversation between the Government and the sector I'm pleased to be able to continue that conversation today and reflect on the progress we've made.

It strikes me that the relevance of this sector and the potential it represents has grown over the past 12 months.

I'm sure you've heard the Government talk about the need to level-up opportunity, investment and growth across the country.

Much of the focus has been on physical infrastructure like roads, railways and fibre-optic cables.

But just as important is the social infrastructure. Communities need to be financially inclusive and resilient if they are to be attractive, productive and fulfilling places to live and work.

There is no convenient one-size-fits-all model for the country.

Nor is it all about spreadsheets and number crunching, as much as economists love to try. It's about people and places too.

Credit unions, by their very nature, reflect the communities they serve. You have the insight and connections to meet diverse local needs in ways that big banks and big government often can't.

And with matters of responsibility, sustainability and trust rising up the consumer agenda, credit unions also have an authenticity that the corporate world is sometimes seen to lack.

You can reach parts of society that others can't.

You can beat the loan sharks and payday lenders to win the trust of lower-

income borrowers who might not otherwise give mainstream financial services a second look.

And you can provide consumers of all types with an ethical home for their savings, where they can be confident their money is being used for good.

Challenges facing the sector

Despite these advantages, despite growing relevance, you will know as well as I do that the credit union movement in this country is not nearly as strong or successful as it could be.

As ABCUL's Town Hall consultation recognised, too many credit unions fail. Too few grow in a way that is sustainable. Many have struggled with matters of governance, leadership and regulatory compliance.

Don't get me wrong. I know there are shining examples of successful credit unions doing great things. I've visited several. I hear about others from fellow MPs and from constituents, and the Treasury has first-hand experience with some in our Prize Saver pilot.

To all those credit unions represented here today, I say congratulations and thank you. The good you do every day is recognised by me, and by the Government.

But for all the individual achievements, for all the promise and conviction, the sector somehow remains less than the sum of its parts.

Ironically, your great strength – your diversity – has also been a weakness.

Collectively, credit unions have found adapting to new technology and changing consumer needs difficult.

Together, you have struggled to have your voice heard, and as a result the sector remains in the margins when it has the potential to be so much more.

So, what needs to happen to unleash the potential that I know exists?

Let's start with what doesn't need to change – namely, the values that make you special.

The fact that credit unions are run by and for your members...

...that you are rooted in local communities...

...and exist to encourage responsible saving and affordable borrowing...

...these are all qualities to be cherished and nurtured.

Your members will always come first...but for some of you, it's about grasping the opportunities that exist around how you serve them.

It means offering a wider range of relevant and tailored products to serve changing consumer needs and expectations.

It means figuring out how to communicate the strengths of the mutual model to the next generation, and how to make credit unions relevant to their needs.

And it means working together to develop solutions to the shared challenges you face, harnessing the latest technology, including Open Banking.

Government Support

Government has a role to play, through legislation and regulation, and by helping the sector innovate.

At this Conference last year, I spoke about the Prize Linked Savings pilot to raise awareness and membership of credit unions.

In October last year, fifteen credit unions from across Great Britain launched new PrizeSaver accounts.

Since then, over 7,000 new accounts have been opened and 63 members have won prizes, including a Post Office worker who won £5,000 just before Christmas.

I understand Nationwide has already launched their own prize-linked savings account, which just goes to prove that imitation really is the sincerest form of flattery.

Our own pilot runs until next March. We will be assessing its success over the coming year to establish whether it is a financially sustainable model for the future.

Another innovation has been the Affordable Credit Challenge.

The Government made £2 million available to encourage FinTech firms to apply their ingenuity to the aim of widening access and awareness of affordable alternatives to high cost credit.

In Wednesday's Budget, the Government announced the three winners, each of which receive a further grant of £200,000 to take their ideas forward.

These include the Police Credit Union's partnership with Credit Kudos and Capital Credit Union's partnership with Nivo and Soar.

Meanwhile, Fair4All Finance is up-and-running. It was established to funnel £55 million from dormant bank accounts toward the cause of financial inclusion. This includes a pilot programme to develop capabilities in the affordable credit sector, including crucial skills around operations, governance and leadership.

Lastly, on the regulatory front, I was pleased to support the Prudential Regulation Authority's recent review of capital requirements for credit unions, including proposals to remove the 'cliff edge' in the capital requirements regime for larger credit unions.

Action Plan

Ultimately, however, it is not for government to bring about the change the sector needs.

Even if it could, it runs contrary to what credit unions are about. Your success is driven from the bottom up, not the top down.

The responsibility, and the opportunity, rests in the hands of you, and your members.

Last year, I urged the movement to come together to chart its own vision for the future.

A vision that you share and own, so you can speak with one voice.

I congratulate ABCUL for embracing this challenge so fully.

You've had the courage to ask difficult questions, and the ambition to demand more from the sector.

And I'm grateful to all those credit unions which made their voices heard in the Town Hall events.

ABCUL can only be effective in representing your needs to the Treasury if you engage with them.

'Vision 2025' represents a clear set of objectives around which credit unions can unite.

It provides a strategic and comprehensive view of the future.

Crucially it also offers a series of meaningful, practical measures to navigate the challenges you face in order to become stronger, more resilient and more successful.

And it outlines how ABCUL needs to change in order to help its members achieve this.

Now the hard work begins to make it a reality.

Where you can make a clear case for the Government to help, then we will.

As a case in point, I am delighted confirm that this week's Budget included the announcement that the Government is to bring forward legislation to amend the Credit Unions Act.

This will permit credit unions to offer a wider range of products and services than ever before.

Not only helping you better meet the needs of existing members, but also to reach new audiences, supporting the sector to grow in a way that is sustainable.

This might include helping people who aren't insured secure the protection they need.

Or it could involve helping people buy goods on hire purchase at more affordable rates, providing an alternative to exploitative rent-to-buy schemes.

No credit union will be forced to offer products and services it doesn't wish to.

This will be entirely optional and, of course, subject to regulatory oversight, PRA supervision and securing relevant FCA permissions.

The point is that the choice will rest with credit unions themselves – and with this choice, comes the freedom to pursue new revenues, new members and greater relevance.

As I said, it is for credit unions, individually and collectively, to decide what they want for the future.

But for those credit unions that have been calling for change, I hope this measure demonstrates that the Government has not only listened but has acted accordingly.

Conclusion

So, to conclude, there is a lot of action underway on many fronts.

The Government will continue to listen to credit unions and affordable lenders and, where we can, I want to do more to help the sector meet its ambitions for the future.

My door remains open to ABCUL. I'm looking forward to taking your questions in a moment.

And later this month I'll be speaking at an event in Parliament hosted by Pentecostal Credit Union.

But, as I hope I've conveyed, success rests not on what the Government can do for the sector – but what the sector can do for itself.

I'm encouraged by what I've seen and heard in recent weeks.

You have the people, the passion and now you have a Plan too.

Don't let it gather dust on a shelf – make it happen.

And I hope I can return next year, to reflect on your progress and continue this important conversation.

Thank you.