

Speech by Economic Secretary John Glen, at the Association of British Credit Unions Limited

Good afternoon everyone, and thank you for inviting me back once again.

This is now the fourth opportunity I've had to address you.

I had hoped to make a grander entrance to mark the occasion, but I'm told the pyrotechnics and AC/DC soundtrack are reserved for fifth visits.

In any event, I'm grateful for the chance to speak with you in a physical capacity this year. Not least because of the special contribution you make.

Especially because of the unique role played by the mutuals sector and credit unions in delivering those services that your members, communities, and the country need... providing an ethical home for savings, and affordable loans to those who may otherwise have to resort to high-cost lenders.

Whether that be through the Pennine Community Credit Union's efforts to provide savings accounts and affordable loans to communities across East Lancashire and Cumbria... or Just Credit Union's new education grant to help young people to continue in further education... the sector's good work runs through every artery of our society.

That is why, in my role as Economic Secretary, I have always and will always champion the mutuals sector, and credit unions in particular.

The pandemic

And after all, there is so much to champion.

Again and again, the sector has lived its core values... putting people before profit, and rising to meet the challenges of our times.

Your hundreds of thousands of members relied on you throughout the Covid-19 pandemic... including as a lifeline for people to borrow affordably when they needed it most.

The government is deeply grateful to you for these efforts.

And I am pleased that Her Majesty has also recognised leadership in the sector through the honours system – may I take this opportunity to congratulate those who have been recognised recently, including Christopher Bell from Capital Credit Union, Joanne Swaine from Leeds Credit Union, and Karen Bennett from Enterprise, and former ABCUL President, to name a few, for their services to the credit union sector.

Through the pandemic, as now, the government stood by you and your values...

side-by-side... to bolster credit unions so that you, in turn, could support your members and communities.

We set up Fair4All Finance, which distributed a £5 million Covid-19 resilience fund to support credit unions and community development finance institutions in England.

In May 2020, the government also announced that additional funding through the dormant assets scheme would be released immediately to Fair4All Finance – including an expanded Affordable Credit Scale-up Programme.

This support, reinforced by measures from the devolved administrations, meant that social lenders could continue to administer loans to vulnerable customers to effectively serve their communities throughout the pandemic... and has ensured that the sector continues to grow, even in the most challenging of times.

Our prize-linked savings pilot, PrizeSaver, has also helped to increase sector membership and awareness – supporting members to increase their financial resilience by building their savings, while extolling the strengths of the mutual model and attracting new membership to credit unions across the country.

I have been encouraged by the success of this pilot – and would like to thank the sector for its positive engagement. It is a scheme that I saw from start to finish and the impact it has had is clear.

I am really pleased that 16 credit unions have continued running PrizeSaver independently since last year. This is welcome news, and a strong mark of success. And I hope and believe that PrizeSaver will continue to go from strength to strength.

Cost of living

The pandemic has proven that the trust placed in the sector by your members is well-deserved.

That trust will be vital as people across the country face unprecedented cost of living pressures – meaning that every pound must stretch further.

We know that these are global challenges but, as with the pandemic, we also know that the government and credit unions can take steps to help ease the burden.

It is because of this that the government is providing support worth over £22 billion in 2022-23 to help support people with these pressures.

As the Chancellor announced at this year's Spring Statement, this includes providing millions of households with up to £350 to support with rising energy bills and helping people to keep more of what they earn.

The government has also cut the Universal Credit taper rate, frozen alcohol duty, and further increased the National Living Wage to £9.50 an hour from

April 2022.

We went further still – announcing an increase to the annual National Insurance Primary Threshold and Lower Profits Limit to £12,570, a cut to fuel duty, and an additional £500 million to help with the cost of essentials through the Household Support Fund.

For your part, it's vital that credit unions continue to perform their important role by providing consumers with access to affordable credit – to help manage expenditure and increase financial resilience.

And in this, you will have the government's full support.

We will continue to strengthen affordable credit initiatives, which will both expand the provision of affordable credit and increase usage.

We are providing Fair4All Finance with £3.8 million of funding to pilot a No-interest Loans Scheme (NILS) – which has been designed for those consumers in vulnerable circumstances who would benefit most from affordable credit to meet unexpected costs.

The first stage of the pilot is now underway with Proof-of-Concept loans being administered through South Manchester Credit Union.

This is a fundamental, worthwhile, new initiative, to provide a gateway product for people who at the moment are beyond the lending capacity of some credit unions.

The challenge now will be to take that proof-of-concept pilot to a bigger pilot so that we can now validate it.

Just this morning, I met with recipients for whom these loans are providing real-life impact – covering the costs of new white goods to keep families running, funerals for loved ones, and debt consolidation. I expect the pilot to reach full-scale rollout in a number of pilot sites across the UK at the start of 2023.

Financial inclusion

We must also ensure that the door to affordable credit and financial resilience is open to all.

Ensuring an inclusive financial system has been a top priority of mine since I first started in this role. It is a task which we much approach with renewed vigour in the face of unprecedented cost of living pressures.

That is why, since 2019, the government has chaired the Financial Inclusion Policy Forum, bringing together the financial services industry, consumer groups, the regulator and third sector... and why we also publish an annual report on the government's work on financial inclusion, which details a broad range of initiatives over the last year, as well as ongoing work to support financial inclusion.

The government is committed to encouraging people of all income levels and at all stages of life to save. ISAs form a key part of this support, allowing individuals to save without paying tax on any interest. This includes – but is not limited to – the Cash ISA which many credit unions offer. This support, coupled with other savings measures, mean around 95% of people with savings income pay no tax on that income.

Amendments to the Credit Unions Act

The government will continue to stand by credit unions in your mission to provide access to affordable credit and increase financial resilience... just as we did in the pandemic... to ensure the sector can deliver for its members now and into the future.

A big part of that, of course, is we in government listening and being responsive to the sector.

The 'Vision 2025' consultation clearly set out stakeholders' interest in offering services beyond those they can currently offer... allowing credit unions to diversify their incomes and support financial inclusion by providing further opportunities for the sector to grow and expand their reach.

We heard you loud and clear, and last year at this conference, I spoke about our commitment to amend the Credit Unions Act to allow credit unions in Great Britain to offer a wider range of products and services.

Today, we are delivering on this commitment. I am pleased to announce that we are preparing on the basis that these changes will be a part of the upcoming Financial Services and Markets Bill.

This legislation will include a new supplementary object, which will be optional to adopt... enabling credit unions to offer hire purchase, conditional sale agreements, and insurance distribution services to their members.

We know that you will have members, especially key workers or those who work a shift pattern, for whom having access to a reliable car can be essential. And these changes will mean that you can offer products such as car finance to your members, should they wish to choose them, for the first time.

As you'd expect, there will be processes to navigate, including ensuring compliance and seeking the necessary permissions from the regulators. But I believe that this change will genuinely help your members and see your credit union grow.

The Bill also makes minor amendments to support best corporate governance, including a legal requirement for credit unions to submit annual accounts to the FCA, and express permission for credit unions to temporarily lend to and borrow from other credit unions, even when there is no membership link. This shouldn't change the way you are currently operating, but rather provide legal certainty for these activities.

I am thrilled to be delivering on this 2020 Budget commitment... the government

really values its engagement with the sector and I will keep listening to ensure we continue to support credit unions, so that you, in turn, can support your members.

Conclusion

Ladies and Gentlemen, let me conclude by thanking you again for all the good work you've done... and continue to do for your members, your communities, and the country.

The last few years are testament to the critical role performed by credit unions... one which I and the government will continue champion at every opportunity.

Thank you very much.