

6 April 2020

FCA temporary relief proposals : credit unions

The National Credit Union Forum (now the credit union committee of the Building Societies Association) responds briefly below, from the perspective of credit unions, to the FCA proposals of 2nd April on consumer credit. The BSA is responding separately on other aspects of the proposals.

NCUF supports the FCA's objective of providing temporary support to borrowers affected by the unprecedented shock of the lockdown measures taken to combat the coronavirus pandemic. **We also support the FCA's decision to focus its proposals on regulated credit agreements**, which does not include the vast majority of credit union loans.

Credit unions, whose members are mostly on low to moderate incomes, are fully accustomed to helping individual members through temporary financial difficulties, and are already doing this as a result of the coronavirus-induced crisis. Borrowers who cannot maintain their full repayments may be helped by deferral of interest, suspension of principal repayments, or other appropriate measures. As credit unions lend only at fair and affordable rates of interest in the first place – as required by law- interest is less of a burden. But a blanket requirement to adopt a single uniform approach would not be helpful to credit unions, who can – and will – focus their help where it is most needed. Nor should the FCA proposals become a general licence for borrowers – many of whom remain in receipt of salary or wages – to stop servicing their loans.

The FCA should also exclude from the scope of these proposals the very small amount of regulated (non-exempt) lending by credit unions, carried out by some credit unions including one of our members, typically to finance household goods by arrangements with suppliers. These are little different in substance to other credit union loans except that the payment is made direct to the supplier of the goods. These borrowers are offered the same supportive forbearance processes mentioned above should they find it difficult making repayments. From the point of view both of the **simplicity of FCA messaging to consumers**, and the **practicalities of operationalising these temporary relief measures**, we strongly recommend that **all credit union loans, including this tiny element of regulated lending, are excluded from scope**.

The credit union sector has already outlined to Government the kind of measures that are needed to ensure the sector continues to be able to help lower-income borrowers in the future. And to assist the FCA in presenting the scope of its final measures later this week, we suggest using material along the following lines :

“Credit unions are already helping their members through temporary financial difficulties, and the FCA judged that it was not therefore necessary to include credit union loans within the scope of its proposals : the same objectives will be achieved by credit unions themselves.”

FCA can rest assured that all NCUF credit unions are doing their best to help all affected borrowers, within the bounds of what is prudent and feasible.

NCUF - the National Credit Union Forum – comprises the following CUs : Glasgow, No 1 CopperPot, Scotwest, Capital, London Mutual, Leeds City and Partners.