



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Community Banking: Briefing by the Irish
League of Credit Unions

23 January 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Sydney Anderson
Mr Sammy Douglas
Mr Gordon Dunne
Mr Paul Frew
Mr Fearghal McKinney
Mr Mitchel McLaughlin
Mrs Sandra Overend

Witnesses:

Mr Kevin O'Donovan	Credit Union Service Organisation for Payments
Mr Brian McCrory	Irish League of Credit Unions
Mr Patsy McShane	Irish League of Credit Unions
Ms Rosemary O'Doherty	Irish League of Credit Unions

The Chairperson: Before us today we have Brian McCrory, director and chairman of the Northern Ireland committee of the Irish League of Credit Unions; Rosemary O'Doherty, director of the Irish League of Credit Unions; Patsy McShane, Northern Ireland committee member of the Irish League of Credit Unions; and Kevin O'Donovan, the CEO of the Credit Union Service Organisation for Payments (CUSOP). You are very welcome to the meeting.

I know that a number of Committee members are members of credit unions. I put on record recognition of the valuable work that you do in the community. We heard a lot about community during the previous session on wind energy. The word "community" was used frequently, but this is a community organisation that has grown within the communities and, indeed, helped those communities. We are here today to hear how you are going to have an enhanced role, and about the potential of 21st century banking. I have read your briefing document, which proved very helpful. You are here today to discuss opportunities and to see how we can support and help you. You know the form; you have up to 10 minutes to make your presentation, and then we will have questions and answers.

Mr Brian McCrory (Irish League of Credit Unions): Thank you, Chair. We are very grateful to the Committee for its invitation to present to you today. First of all, let me introduce myself and my colleagues representing the Northern Ireland committee. I am Mr Brian McCrory, chairman of the Northern Ireland committee of the Irish League of Credit Unions. With me today are Rosemary O'Doherty, treasurer of the Irish League of Credit Unions; Patsy McShane, director of Ballinascreen Credit Union; and Kevin O'Donovan, from CUSOP, which develops the payment platforms for credit

unions. I would also like to acknowledge the fact that Martin Sisk, president of the Irish League of Credit Unions, is here to support us today.

We believe that credit unions have the potential to fill the gap caused by wholesale bank closures across Northern Ireland, especially in rural areas, by offering full current accounts to local people. To achieve that, we are here today to ask for your support in helping us to secure the necessary public funds. In doing so, we will level the playing field with credit unions in Great Britain, which already have that facility. At present, that opportunity is denied to us because of an anomaly in current legislation. Our proposals are realistic and workable, and have the potential to make a tangible, lasting impact to the benefit of many thousands of your constituents and our members. The support that we are asking for is modest, but it will have a transformational effect on the services that we will be able to offer. We prepared a document outlining our proposals and circulated that to you in advance of this meeting. I am sure that you have plenty of questions, which we will be pleased to answer. First, however, I would like to briefly summarise our case.

Our primary objective in coming here today is to ask for your support in getting the funding that will allow us to offer current accounts to our members — your constituents. Our membership is growing rapidly in Northern Ireland, having doubled in the past decade. As I speak, 34% of the population in Northern Ireland are members of credit unions. Credit unions are locally focused. We are not-for-profit organisations that exist solely for the benefit of our members. At a time when the standing of the banks has fallen to an all-time low, our reputation with local people is at unparalleled levels. Independent research shows us to be trusted and respected, and we are seen as a force for good in providing high levels of customer service.

According to the Consumer Council, 53 bank branches have closed in Northern Ireland in the past two years alone, and we believe that there will be many more to come. As elected representatives, you will be very well aware of the impact of such closures on our communities. There are already several examples of towns and villages that no longer have a bank branch. As banks withdraw, people, especially those in rural areas, are left having to travel long distances to a branch, and the most vulnerable — for example, older people, those with disabilities and the less well-off — are becoming, to all intents and purposes, deprived of a banking service altogether.

With 168 credit unions already established and serving communities right across the Province, we are ideally placed to fill the void by offering current accounts. However, as not-for-profit organisations, credit unions will require some help from government to provide that service. That has been recognised in the rest of Great Britain where, despite only 5% of the population being members, compared with our 34%, funding is available to credit unions to offset the start-up and maintenance costs of running current accounts.

The Irish League of Credit Unions is already developing a payment system to suit credit unions' integration into current accounts, which will be available to all credit unions in Northern Ireland, regardless of which trade body they are affiliated with. What we need now is financial support. Our analysis concludes that £860,000 per annum over the next five years would enable us to cater for that pressing need, especially for the most vulnerable in our society and for people from rural areas. Our briefing paper goes into detail about precisely how we believe that that should work, the funds required and the services provided.

There is no question about demand. As I said, whole communities are now deprived of banking services, and members in those areas want us to step in to fill the vacuum. Ladies and gentlemen, we all know that bank closures are a present and future reality, and we know about the impact of that. Please work with us to provide a much-needed solution. We envisage that the funds provided would permit a phased roll-out for credit unions to offer current accounts. By the end of the period, around half the credit unions in Northern Ireland could offer such a service.

It is important to note that credit unions vary in the size and scope of their operations. They are driven by their members' needs, which is, of course, as it should be. Not all will want to offer current accounts, which is why we suggest funding levels as laid out in the briefing paper. However, let there be no mistake: the demand is there, and it is especially pressing and urgent for people who live in the vast swathes of Northern Ireland that no longer have access to bank branches. Please give your support to make this a reality and to meet a growing need.

To be frank, Committee members, it is unjust that the support offered in Great Britain is not available here, despite our public standing and our huge penetration of members. We need to level the playing field for the benefit of people in Northern Ireland. What possible justification is there for depriving

people here of a service that is available in England, Scotland and Wales? Our paper goes through the case for your support in detail, and, as I said, we would be delighted to answer any questions.

To date, I have been talking about what we need from you. We have also come here wanting to help you. We are increasingly alarmed at the impact that loan sharks and payday loan companies are having in Northern Ireland. We want to engage with the Executive and the Assembly to explore further how we might help to tackle this modern-day scourge. The credit union movement was founded to address the needs of ordinary people who were being exploited for profit by loan companies. It is appalling to reflect that the situation is as bad today as it was when credit unions were first started here more than 50 years ago. Embedded in our DNA as a movement is helping people to understand how to manage their money more effectively, developing a savings culture and offering members loans that are capped by law at 12.68% APR. Many of those loans are for very small amounts, often £50 or less. We provide viable, ethical ways to help people to manage their money and to cope with short-term crises. For our entire existence, we have helped people to avoid the clutches of loan companies, which prey so mercilessly on the vulnerable. We want to be fully involved with the Assembly and the Executive in discussions about how we can work together effectively to prevent the misery and suffering that unscrupulous high-cost lending inflicts on our society.

Once again, on behalf of my colleagues in the credit union movement, I thank you for inviting us to present to you today. We will be pleased to answer any questions.

The Chairperson: Thanks very much indeed, Mr McCrory. You have given us a useful overview. You mentioned the closure of some branches of the main banks, particularly in rural areas. I know that the Post Office explored a range of options with some banks, and Post Office outlets in areas where local branches had closed benefited from an arrangement with those banks. Have you explored any options with any banks in areas, usually rural, where smaller branches have closed to see whether there is any common mutuality that you can avail yourselves of?

Mr Patsy McShane (Irish League of Credit Unions): We have not explored anything directly with the banks, but we are getting substantial feedback from bank customers in towns where banks have closed to see whether we can open current accounts. People want to transfer their current accounts to an institution that is in their town. A lot of people still prefer to deal with individuals on a one-to-one basis. It would be almost impossible for us to set up banks in credit unions, such as the Ulster Bank in Ballinascreen Credit Union in Draperstown. That would be almost impossible for us to do, given our ethos. However, we have talked to former and existing bank customers about opening current accounts.

The Chairperson: I am talking about areas where branches have closed. To my mind, there is an opportunity for the credit unions, with the up-to-date mechanisms and opportunities that you have identified, to introduce current accounts, plastic cards and the ATM-type system.

Mr McShane: Some credit unions have talked to the banks about their ATM systems moving into credit unions, particularly in Portglenone, where Danske Bank closed. There were discussions between the credit union and Danske Bank about hosting its hole in the wall in Bannvale Credit Union, but, as far as I understand it, those have not yet come to any conclusion.

The Chairperson: There are clear opportunities there for the credit union, with adequate support, to provide that alternative that is needed. There are older people who like to deal with cash and like to deal face-to-face and to have a place where they can lodge their money. Online banking presents opportunities with apps. That is the future direction for younger customers.

Mr McCrory: Boys like us.

The Chairperson: That is right.

Mr McCrory: Those opportunities for apps will be available through CUSOP. I will pass over to Kevin on that point, as he is the technical expert.

Mr Kevin O'Donovan (Credit Union Service Organisation for Payments): Part of CUSOP's strategy is to develop custom services for members of credit unions. CUSOP was set up by credit unions for the benefit of credit unions with a not-for-profit mandate. Our objective is to be responsive

to members' needs, not necessarily always from a commercial perspective but from a service perspective.

There are a couple of technical challenges to engaging in the way that you suggest might be possible. One of those is the scale of an individual credit union trying to link into a big international bank and the levels of service and support that that credit union might receive from a technical point of view in that space, whereas, through CUSOP, we will be solely dedicated to the credit union movement. Our technology platform is being customised and custom-built specifically for credit unions. Part of our longer-term strategy is to provide full banking services, subject to legislation, regulation, and so on, to make sure that we have the equivalent of a banking service available through credit unions.

The Chairperson: You said that it would be subject to legislation. Is there any current contemporary legislative block to that happening?

Mr O'Donovan: CUSOP is regulated by the Central Bank of Ireland, and we have to passport our licence into the Northern Ireland market. There are no current impediments, but our licence permits us only to process credit transfers inwards and outwards. That is the licence that we applied for to get up and running, but we will build and expand on that as we go along.

The Chairperson: What does that mean in real terms?

Mr O'Donovan: The current licence allows us to develop only credit transfers. That was the licence that we applied for, but we will immediately look to expand the breadth of that licence. We need to be licensed for each individual service that we provide. That is the regulation under which we operate, and it is the same across all credit unions. We are building the technology in the league.

The Chairperson: I see that you have the bid, and in Britain, £38 million was given to the credit union movement. What I am trying to get at is this: if you were to have an appropriate slice of that money tomorrow morning, would you be good to go with the range of services?

Mr O'Donovan: Yes. It would considerably accelerate our development of all those services.

The Chairperson: That is not really what I asked you. I did not ask you whether you would accelerate services but whether you would be good to go with them — ready to go with that financial support.

Mr O'Donovan: Do you mean technically?

The Chairperson: Yes.

Mr O'Donovan: We would not yet be ready technically because we are a new company that has only started. We received our licence in November 2013. We have spent the past 12 months building our technology and customising it for credit unions.

The Chairperson: That is grand.

Mr McKinney: At the outset, I want to say that one of the most appalling by-products of the current recession has been the plague of companies that now prey on very vulnerable people with interest rates that I can only describe as usurious, abusive and excessive. I think that we all agree that we must do everything that we can to attempt to counter that. My starting position is that I am firmly behind your ideals and principles.

Specifically, with regard to your project, the problem is happening now. I take on board some of your technical or process arguments. Could you move at a faster pace? You have set it out over five years.

Mr O'Donovan: We expect to offer the full range of our services to Northern Ireland credit unions in the first quarter of 2015.

Mr McKinney: Your bid mentions a phased 15 credit unions a year. Can that be accelerated?

Mr O'Donovan: The phased 15 credit unions a year is as much to do with the ability of, and the pace at which, credit unions come on board to the service. We have the capacity to bring nearly 100 credit unions on board per annum.

Mr McKinney: Over the five-year period, you have put the same figures against each application — x thousand per unit plus service fees, and so on. Has the figure of £4.294 million been shrunk because of working out and dividing as a result of negotiation or diminishing return in your own head, or is there room for negotiation to shrink that figure further? If you were engaging with a company, you might expect to be able to accrue some benefit through negotiating with it over the longer term.

Mr McCrory: CUSOP was set up as wholly owned and operated in the credit union movement. Costs were determined early on, and they are really skintight already. There is no bonus structure or profitability; it is cost. I am pretty sure that if there were any way to reduce that, we would explore it very actively. It is primarily a cost to us.

Mr McKinney: Of course, it will be a cost that you will incur from buying in business from elsewhere — your ATMs, and so on. Is there room in a negotiation to shrink that figure and make it more attractive to government — if it is in any way attractive to government — to assist?

Mr McCrory: I am sure that if there were room for negotiation to contract that cost, we would pursue it actively. We are not in the business of spending money foolishly.

Mr McShane: We would still have to prepare a business case.

Mr McCrory: Absolutely.

Mr McShane: That would be when exact figures would come on board.

Mr McCrory: Whatever money we spend is our members' money. We are all held to account at our AGMs and through the electoral process. We have to be very astute with any money that we spend.

Mr McKinney: That is a specific point. The wider point that I am making is that I envisage need now. A number of things are coming together here, such as the increase in loans to vulnerable people at extortionate rates and the closure of high street banks. You are coming forward with a model. In your minds, is there any method that could accelerate your proposal more quickly than over a five-year period so that more people could benefit?

Mr McShane: The answer to that is yes. It could be accelerated from next January onwards when the licence has been sorted out. The technology is there for 100 credit unions a year, but we have been quite modest and are doing 15 a year.

Mr Flanagan: Thanks for the presentation. It is a very interesting proposal that we would all like to support. The credit union is one of those non-offensive organisations that nobody has a problem with. Everybody supports you in everything you do, but £4.294 million sounds like a lot of money. If you look at my credit union account with a pound in it, it is certainly a lot of money. You can have my pound back if that helps you.

Mr Anderson: A pound or a euro?

Mr Flanagan: No, it is a pound. Do not confuse me, Sydney; this is tough enough.

Ms Rosemary O'Doherty (Irish League of Credit Unions): When you have access to these electronic services, you will want to use it more.

Mr Flanagan: That is probably true. Every time I go, it is closed. All those costs are based on individual credit unions having to pay all those things individually. Is there no way that that could be done centrally so that everybody could use the same Visa licence, the same bank development fee, and so on, or does each credit union need its own autonomy?

Mr McShane: As far as I understand it, each credit union needs its own sort code.

Mr O'Donovan: Every credit union needs its own unique business identifier code. The costs involved have taken account of the economies of scale based on the original number of credit unions that joined CUSOP, which was 169 across the island of Ireland, 22 of which operate in Northern Ireland. We have spread the initial capital costs to build the technology over those 169 credit unions. As time goes on and the number of credit unions increases, more cash will come in, but, equally, there will be further development and enhancement of the service. Technology, as we know, is an extremely expensive piece of kit and process. So our raison d'être is to keep the cost to a minimum. My mandate is to negotiate the best deal and spread the cost across all credit unions so that there is a benefit for all credit unions, irrespective of size. That is where the economies of scale will come, but as it is costed right now, it is based on allowing for those economies of scale based on the number of credit unions that joined CUSOP.

Mr Flanagan: Is that based on a figure in the mid-20s in the North?

Mr O'Donovan: We have 22 credit unions signed up to CUSOP.

Mr Flanagan: Is that all the credit unions that indicated that they may want to take on those electronic services, or are some very cautious and want to see more information?

Mr O'Donovan: All those have committed funds to CUSOP and want the service if they can afford the actual running costs, which is a big question for some of them.

Mr McCrory: I should also add that, although 22 credit unions have put money up to buy into the CUSOP concept, there is another swathe of credit unions that is highly desirous of offering the service but have baulked at the initial contribution.

Mr Flanagan: What sort of numbers?

Mr McCrory: It is probably a similar number. Another 20-odd credit unions are waiting to figure out affordability and how they will do it.

Mr Flanagan: So there is considerable demand among credit unions to get on board.

Mr McCrory: I imagine that there is an ambition among the majority of credit unions to be able to deliver banking-type services without being banks and fully to service the financial needs of all their members, who comprise the broader local community.

Mr Flanagan: You want £4.294 million from the Executive over the next five years. Have you any idea where we get that money from?

Mr McCrory: There have been a number of ideas.

Mr Flanagan: We would like to give it to you.

The Chairperson: To be serious —

Mr McCrory: A number of ideas have been floated. If you look at our corporation tax and our rates —

Mr Flanagan: The credit unions' rates?

Mr McCrory: Yes. We already make significant and substantial payments that could even be diverted by way of reinvestment in the sector. I am sure that there are also other possibilities.

The Chairperson: There would obviously be job prospects.

Mr McCrory: We are already a significant employer.

The Chairperson: I mean as part of the investment.

Mr McShane: There is the potential for 100 jobs, and we already employ over 600 people. There is also the potential for the Executive to ask central government for the equivalent contribution that Scotland, Wales and England get, which has been over £100 million over the past five or six years.

Ms O'Doherty: It has been about £175 million.

Mr McCrory: The devolved Assemblies have put substantial sums of money into their credit union systems, including our neighbours. Hence, we are here.

Mr McShane: It was announced on 15 January that Wales will be putting £1.2 million into its credit unions on top of the government money.

The Chairperson: On top of the £38 million?

Mr McShane: Yes.

Mr Flanagan: To do this kind of stuff.

Mr McShane: Yes. The interesting factor is that they want to do 19 projects, the cost of which works out at nearly the same as our cost. We had no knowledge of that.

Mr Flanagan: One proposal that was floated, probably by the Labour Party in England was, if in government, to introduce a tax on payday loan companies and divert the money to credit unions to meet that need. Have you looked into that here?

Ms O'Doherty: I would have difficulty in doing that. You are taxing profits that are made on the back of people who cannot afford to repay those types of loans because of the interest rates. I would not want to take money off those people, which is what you would be doing. That is not viable.

Mr Flanagan: Those companies, however, are making that profit. Should that not be taxed?

Ms O'Doherty: They should not be making that profit. Their interest rates should be capped so that they cannot make that kind of profit and wreck the lives of people who should not be going near them.

Mr Flanagan: I am going to go into unpopular territory again by providing a rationale for payday loan companies. I understand that credit unions should be facilitated to meet that need. However, I bank with one of the largest banks in Ireland, and if you take out some of those words, you will know which one. If I have a direct debit for £20 and have no money in the bank to pay it, the bank will charge me £21 for a request to go into a temporary overdraft. It will then charge me another £21 for turning it down, and whomever I owe the £20 to will charge me at least £12 for a failed payment. I would be paying out over £50 for the £20.

Mr McCrory: The bank will also charge for writing to you to tell you that it has done that.

Mr Flanagan: That may come out of the £12, but we will leave it at £50 for handiness sake. If I go to a payday loan company, borrow £20 and put it into the bank to cover the direct debit, the charges for paying that back are much lower. So there is a rationale for payday loans working when you borrow a small amount of money for a very short time. I have used them in the past.

Mr McShane: If you went to a credit union, that £20 would cost you 2p.

Mr Flanagan: That is what I mean: that is where credit unions need to come in and fill the gap. I do not agree with everybody saying that payday loan companies are bad because, in certain instances, banks are worse, and that issue needs to be dealt with.

Mr McCrory: We would not even attempt to justify the position of the banks. We could speak quite a lot about their shortcomings. However, we feel strongly that payday loan companies are a cancer in society, and the survival rates are pretty much the same as those for cancer. That is the effect that they have on the ordinary citizens that we come across: their lives are devastated.

The people affected are on the margins of society through no choice of their own, be it ill health, mental capacity, long-term unemployment or any form of minor social exclusion. Those people are the most vulnerable. We also know from our colleagues in England that, in London, the vast majority of payday loan customers are, ironically, not those people but people who are in employment. Those people are equally exploited because they become trapped in a cycle. So I do not accept the logic of your argument about the level and quality of service or the generosity offered by payday loan companies. I have seen at first hand too many instances when that has not been the case.

Mr Flanagan: The point I am making, Brian, is that they are not the only ones at it. It is too easy to single out payday loan companies and forget about the actions of the banks that drive people to them in the first place.

Mr McCrory: Payday lenders are at the extreme end of a continuum. Behind them, there are the credit card companies, which at one stage were charging modest amounts of money. As things turned around, there were 35%, 40% or even 50% interest cards. People thought those rates horrendous, never mind the 4,500% charged by pay-day loans. It is incredible that they can even advertise that and feel proud about it. There is also the example of the bank charges that you outlined earlier. We are not in the business of charges.

Mr Flanagan: We support you in trying to fill that gap.

Mr McShane: May I make a comment, Chairman?

The Chairperson: Go ahead.

Mr McShane: My comment is relevant to yours and Sandra's constituency. A pilot scheme involving credit unions, St Vincent de Paul and Women's Aid is under way in the Cookstown Council area. It is delivering a pay-day loan service, through the credit union movement, for members in difficulty. It has been going only since the beginning of November, but we will get an update on it in the not too distant future.

Mr Flanagan: Will you send that to us?

Mr McShane: We can send it to you when we get it, yes.

Mr Mitchel McLaughlin: Thanks for the presentation. I declare an interest as a member of a credit union since the 1960s.

Mr McShane: You are not that old.

Mr Mitchel McLaughlin: Oh, I am. I am at the age now where I get 25%. *[Laughter.]* I am a long-time member and supporter.

I have not found any reference at all to whether you have given consideration to overdraft facilities. Is it a yes on that?

Mr McShane: It is a consideration, although there has not yet been a decision; however, it will be one of the options that we consider.

Mr Mitchel McLaughlin: And one of the risks on all sides.

Mr McShane: Yes

Mr Mitchel McLaughlin: At present, one credit union is offering current accounts. How long has that been going on?

Ms O'Doherty: About two years.

Mr Mitchel McLaughlin: What has been the uptake and lessons learned?

Ms O'Doherty: It seems to be a very positive uptake, with 600 members using the current account, and the credit union is breaking even with it at the minute. It seems positive.

Mr Mitchel McLaughlin: Do you not regard it as a profit-making operation anyway?

Ms O'Doherty: No. It is about making sure that one of your members does not benefit over somebody else by making sure that it pays for itself.

Mr Mitchel McLaughlin: Aye, exactly. For me, it is germane that you are coming here to ask for support, which implies that you are meeting difficulties: will you give us examples and tell us precisely how, apart from offering support, we can help?

Mr McCrory: It is not so much that we are meeting difficulties. Twenty-two credit unions are already committed to the programme, and about 20 others are interested. Ours will develop; the pitch to you is to allow that development to happen apace. That is how it ties up with the ambitions of the Committee, the Assembly and the Executive. We will do what we are going to; it will happen organically. This gives it a pace and momentum that it may not otherwise have.

Mr Mitchel McLaughlin: Basically, the arrangement is that subscribing credit unions would invest 20% of the set-ups, and they are looking for support for the balance.

Mr McCrory: That is open to every credit union.

Mr Mitchel McLaughlin: Well, you have one supporter, anyway. Let me say that in the circumstances of our economy, there is a growing need for what I see as an effective contribution or intervention, not only in providing a service but in setting an example of the type of service that could and should have been provided from existing banking arrangements.

The Chairperson: The Ulster Federation of Credit Unions is with you on this — I see the gentleman at the back there — so there is a general desire across the board to advance this scheme.

Mr McCrory: There is no separation between us and the Ulster federation on almost any matter to do with credit unions.

The Chairperson: That is good. Mitchel was taking us in this direction. The other thing is that you have not yet met the Minister of Enterprise, Trade and Investment or the Finance Minister to put this proposal to them.

Mr McCrory: That has not yet happened, but it is being arranged.

The Chairperson: It is good to hear that. We would probably suggest that you go in that direction.

Mrs Overend: Thank you very much, Chair, but you just took my questions. *[Laughter.]* I wanted to see what representation had been made and how you were getting on with it.

You spoke of a legislative anomaly but went on to say that the legislation had been sorted out, more or less. Will you clarify the situation with regard to legislation?

Ms O'Doherty: DETI is working on legislation that should allow for more services to be provided by credit unions, but that has not been approved yet. We do not know when it will happen.

Mrs Overend: Will you be raising that when you meet officials?

Mr McCrory: When the transfer took place to the Financial Services Authority (FSA) as was, they modernised their legislation. However, we had not unboarded that move in the regulatory direction in time, so the process is only now happening here. We are still playing catch-up, but we are nearly there.

Mrs Overend: Forgive my ignorance, but what happens in the Republic of Ireland? Can anything be learned from them?

Mr McCrory: Absolutely. That is the way they have gone. CUSOP serves them as well, and some 140 credit unions avail of the service. It is a positive and ambitious development, and it is what we want to do. Ultimately, it serves the credit union movement well. We are for service not profit. Our interest is our members, your constituents, not bonuses or profit; therefore the more we can do to satisfy the activities of any citizen in their financial life, the better.

Mrs Overend: Did the Government in the Republic of Ireland finance a project there?

Mr McCrory: They were of some assistance, but their economic health at the time might not have allowed them to be of the assistance that they might have wanted to be.

The Chairperson: They financed the banks instead.

Mr McCrory: That happened in more than that jurisdiction.

The Chairperson: Sorry, the scale of investment in the banks was — anyway, we are not going there. Do you have any indication as to how much was invested by the Dublin Government in the credit union movement?

Mr McCrory: I do not know.

The Chairperson: It would be helpful if we could get that detail.

Mr Mitchel McLaughlin: We are talking about 150 jobs. The ratio of investment to jobs created, apart altogether from the beneficial services, is something that Invest NI would be proud to talk about.

Mr McCrory: That is because of the economies of scale. Many credit unions in the Republic of Ireland are substantially bigger than the average credit union in the North, and they have the financial wherewithal to do it.

The Chairperson: They are probably at a much more advanced stage than those in the North.

Mr McCrory: That is a fair comment.

Mr McShane: Sixty per cent of the population in the Republic of Ireland are members of credit unions compared with 34% here, so they have substantial —

The Chairperson: Sandra, were you finished?

Mrs Overend: Yes, that is fine. Thank you.

Mr McKinney: This is just a small point, although it is still a major point, but you are not looking for this to be totally funded. Maybe 20% or 25%

Mr McCrory: Throughout our existence as a movement, we never sought funding; we have been self-sufficient. It is about satisfying a social need. As I said, organically we will grow to do that for those who want it, but it will be a slower process. This is about meeting a pressing need; it is about trying to enable the process to combat the pay-day lenders and other shortcomings.

The Chairperson: Thanks very much indeed for that. It is now for the Committee to talk it through and decide what we will do.

Mr Douglas: Thanks very much for your presentation. I am very supportive of credit unions. Excuse me if this is from a selfish constituency point of view, but there was no mention in your report or presentation of the Ulster Federation of Credit Unions. I want to clarify for my constituents that all those constituents would have an opportunity through yourselves and the Ulster Federation of Credit Unions. Is that right?

Mr McCrory: Unequivocally. This development is for all credit unions, irrespective of which trade body they may be affiliated to, without fear or favour.

Ms O'Doherty: That is the best way for it to work. The more credit unions are involved, the better for everybody.

Mr Douglas: Your report says that the Westminster Government will provide £38 million in GB.

Mr McCrory: They have.

Mr Douglas: Do you think that there is a reason why they have done that in GB and not in Northern Ireland?

Mr McCrory: Historically, previous Governments have seen credit unions as a credible methodology of addressing what they saw as social evils such as financial exclusion, financial illiteracy or of encouraging ethically based lending. Therefore, in the Labour Party and the Conservative Party, there has been considerable support, through the Department for Work and Pensions, for developing the range, capacity, competency and scale of credit unions and those whom they serve. It is a very active programme. It is obvious that the Government are anxious to expand the size of credit unions in the financial sector. I cannot answer for the Executive here.

Mr Douglas: I asked somebody that question, and they thought that it might be because the Irish League of Credit Unions and, more recently, the Ulster Federation of Credit Unions have a longer history and are much more organised and established than many of the credit unions in the rest of the United Kingdom.

Mr McCrory: We helped to set up many of the credit unions in the United Kingdom.

Ms O'Doherty: Part of the issue was that, when the growth fund — the modernisation fund for GB credit unions — was started, credit unions in Northern Ireland were not regulated by the FSA. That is why we were left out at that stage.

Mr Douglas: The money that was given to GB was not part of the Barnett formula — the block grant. Therefore, it means that it has not been taken out of the Welsh Assembly or the Scottish Parliament, although the Welsh are going to put in £1.2 million. I imagine that if you were to ask Simon Hamilton, he would say that we are now losing £5 million a month as a result of the late implementation of welfare reform. I have as many problems with welfare reform as any member. However, just to warn you, that is the sort of difficulty that we have unless we get our act together and sort this out. We have already lost some £15 million, and that will be another £5 million, which is one month. If we get this resolved, it would be within what you are asking for for the whole five years.

Mr Anderson: Thank you for your presentation. I note from your briefing paper that there was a doubling of membership over the past 10 years. That is a fair growth by any standards. If you got the modernisation that you talk about in place, where would you see that going?

Ms O'Doherty: We would expect it to increase.

Mr Anderson: It would probably increase, but would you see it moving into the banking sector to the extent that it would —

Ms O'Doherty: I do not think that we will ever want to move into the banking sector. We want to provide services similar to those that they provide for their customers; it is all about providing services to members.

Mr Anderson: Did I pick that up right? Thirty-four per cent of the Northern Ireland population are members of credit unions. Is that as a result of banks in rural areas closing recently? Do you intend to fill that void in rural areas and towns?

Mr McCrory: It is our ambition, not just through bank and post office closures, to fill that void by offering such services. We want to offer services that have traditionally been associated with banks.

We do not want to be banks; we simply want to deliver financial services and products to our members.

Mr Anderson: Where are those potential customers now? If they do not have rural banking facilities, which have closed down, are they with the Post Office or do they go to the main towns?

Mr McCrory: There is a mixture. The only anecdotal evidence that I can give you is from Portaferry, where we had a migration of people to the credit union. There is no bank there any more, so we had a migration to the credit union, which was the only financial service provider in the town.

Mr McShane: The same applies to Portglenone, where the banks pulled out. Many people, particularly small businesses, now come to the credit union wanting services that we cannot provide because we do not have the platform to do so.

Mr Anderson: So you are getting small businesses asking as well?

Mr McShane: Yes.

Mr McCrory: It is not just that banks are closing; it is about offering a service to members on a not-for-profit basis, as outlined by the deputy chair. That is not our ethos or ambition.

Mr Anderson: How does 12.68% compare with the high street banks and building societies?

Mr McShane: It depends on the size of the loan; for loans under £15,000 the credit union is still the cheapest.

Mr Anderson: By much?

Mr McShane: By 7% or 8%. I did a survey in October for our AGM, and if you want a £10,000 to £15,000 loan from Ulster Bank you will pay 18.9%.

Mr McCrory: There is a range of interest rates across the North depending on the size of the credit union; it could be as low as 7.9%.

The Chairperson: Thank you very much for your time and your valuable input. Now it is for us to decide where we go with it as a Committee in, I trust, a supportive vein. Leave it with us. It is good to see you. It would be useful to keep us updated on progress or any meetings that you have with Ministers, even though we may hear it through other avenues.

Mr McCrory: Mr McClure: We will do. Thank you very much.

The Chairperson: We have the proposal with us. It would be useful if, as a Committee, we wrote to the Enterprise Minister to ask her the Department's feeling on the financing of the project. We should ask what lobbying has been done at Westminster to get some of the money that, through other circumstances, went elsewhere to see whether they could provide us with funding. Likewise, we should ask her whether anything is going on in the Executive to support the credit union movement.

Mr Mitchel McLaughlin: I want to append my remarks to your own commentary. In May of last year, Peter Robinson welcomed a report on the expansion of services by the credit union movement. I think that it was presented by Antoinette McKeown of the Consumer Council. That should be referenced, at least. Peter Robinson's positive attitude will be of some assistance in convincing the Executive to get involved.

Mr Douglas: I was looking up some stuff this morning. The Finance Minister, Simon Hamilton, was also on one of those Committees, so he would know the credit union movement. He would be well briefed on that.

The Chairperson: Incorporating what Mitchel said, we will write to the Enterprise Minister. Likewise, because you mentioned Simon Hamilton, we will do things through the usual protocols and write to the Committee for Finance and Personnel to establish more or less the same vein of thought.

Mr Mitchel McLaughlin: And OFMDFM?

The Chairperson: Yes, fair enough.

Mr Mitchel McLaughlin: We should try to maximise people's knowledge and understanding.

The Chairperson: They made a good case. They provide a valuable service, particularly in the times that we are in.

Mr Douglas: I do not want to pre-empt the Minister, but, as I said earlier, one of things that he will bring up is that we are losing £5 million a month. That is an appeal to try to resolve it. I have as many problems with welfare reform in my constituency as anybody else.

The Chairperson: I am not going to open up that argument. There is another argument about how much difficulty welfare reform will bring, forcing people to go to credit unions and the like. Phil, you had a question.

Mr Flanagan: I am looking for clarity, and Jim is probably the man to give it. The Committee previously held an inquiry into credit unions. Was there any discussion then of expanding the range of services? If that was one of the recommendations, what was the response from Ministers?

The Committee Clerk: One of the recommendations was that credit unions should be able to expand the range of services to at least what is offered by credit unions in GB. There was another recommendation on funding, but I do not think that it was accepted. I think that it was one for Westminster, because they had their fund. However, I think that they disassociated themselves from credit unions here.

Mr Flanagan: OK. That is fine; I was just wondering.

The Chairperson: Are we agreed with that course of action?

Members indicated assent.