



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Credit Unions and Industrial and Provident
Societies Bill: Irish League of Credit Unions
and Ulster Federation of Credit Unions

13 March 2014

NORTHERN IRELAND ASSEMBLY

Committee for Enterprise, Trade and Investment

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Steven Agnew
Mr Sydney Anderson
Mr Sammy Douglas
Ms Megan Fearon
Mr Paul Frew
Mr Fearghal McKinney
Mr Mitchel McLaughlin
Mrs Sandra Overend

Witnesses:

Mr Uel Adair	Irish League of Credit Unions
Mr Brian McCrory	Irish League of Credit Unions
Mr David Dowey	Ulster Federation of Credit Unions
Mr Chris McCreery	Ulster Federation of Credit Unions

The Chairperson: Before the Committee today we have Brian McCrory and Uel Adair from the Irish League of Credit Unions, as well as David Dowey and Chris McCreery from the Ulster Federation of Credit Unions. You are all very welcome indeed. Thanks for joining us here today. It is good to see you again. Before we start, I pay tribute to the invaluable work that credit unions do locally. Last night, I was in Ardboe and saw some of the proposals for a brand new building there. It is a powerful building, and the design work is lovely. It is a great investment in the local community, which is very positive news.

You have been provided with the format for the Committee. You have up to 10 minutes to present to the Committee, and then we will have a question-and-answer session. We will pick up on some of the issues as we work our way through them. I do not know what sequence of speaking you have agreed. Who is going first? You have up to 10 minutes in total; it is not up to 10 minutes each. *[Laughter.]*

Mr Uel Adair (Irish League of Credit Unions): I thought that you were giving us 10 minutes each. *[Laughter.]*

Mr David Dowey (Ulster Federation of Credit Unions): I will start, if you are happy with that. Good morning, Chair and members. My name is David Dowey, and I am the chairman of the Ulster Federation of Credit Unions. I thank you for inviting us here this morning, and I also thank you for the previous session, when you kindly took the interest in the provision of new legislation for Northern

Ireland. We are most heartened by the Committee's work, and we think that this is going to be an invaluable piece of legislation for us.

Since the previous session, we have continued to meet our colleagues in the Irish League of Credit Unions and, indeed, with other credit union representative bodies in the rest of the UK. I think that it will come as no surprise to you, Chair, that we have similar views on many of the issues that we have been discussing with the Committee. That is not surprising, bearing in mind that the issues that our communities face are the same. Consequently, as we go through the question-and-answer session, you will see unanimity on the issues that you raised and questioned us on.

I am not sure that there is anything more that I can say. You have our briefing paper from the previous session, so I am simply offering the opportunity now for members to ask questions of me. Perhaps Brian wants to give his statement.

The Chairperson: Do you have anything further to add? If not, we can move directly to questioning.

Mr Brian McCrory (Irish League of Credit Unions): I think that David said everything that we need to say by way of introduction. I am quite happy to move to questions.

The Chairperson: That is grand. Thank you for that.

Mr Douglas: Thanks very much for coming this morning. I am sure that you are aware of the Assembly debate on this matter. There was all-party support for the motion, which is very unique for us in a lot of these debates. As the Chair said, everybody paid tribute to the work that you do.

I have a couple of questions to ask about community development, but I am not quite sure who I will direct them to; maybe it is you, David. The Ulster Federation supports the relaxation of the dividend limit, which would provide additional scope to apply some surpluses for charitable purposes. Can you elaborate on that a bit, please?

Mr Dowey: The position is that, if we have a limit, it inhibits credit unions from providing money to charitable causes. As we outlined previously, in the current economic circumstances, like all financial institutions, credit unions are suffering in the profits that they are making. Obviously, the difficulty then is that we cannot give more to charitable cultural causes. If the limit is lifted, it will allow us to give something back to those causes, albeit that it might be very little, but it is still something that may encourage them in their work. So, from that perspective, we are happy with the proposal to lift that limit.

Mr Douglas: I suppose that part of that community development relates to training people, financial help and direction, and giving people the tools to manage.

Mr Dowey: It could be a range of things. For example, you may have a mother and toddler group in the community that needs a certain piece of equipment or materials for those mothers and toddlers. If we are able to give a small amount of money to that group, it may go towards helping it to provide its facilities.

Mr Douglas: I have a final question on faith-based groups. A number of Churches do not take lottery money, for example. As you know, many of those Churches are doing great work at the moment with the likes of food banks, and I know that some of them are encouraging people to join credit unions. Where does the credit union movement stand on support for Churches? I ask that, as some charitable trusts will not fund Churches because of the religious aspect.

Mr McCrory: In our structures, it is up to the annual general meeting of each of the credit unions to decide where they might allocate whatever charitable donations they have. That could well be a Church group. Shelter is a popular one, but there is a range. We are here to lobby for the removal of the 3% cap, because that debilitates everything and takes everything outside our control. The financial regime that has reigned since 2007 has made it almost impossible to allocate those funds back into the local community in the way that members might desire.

Mr Douglas: So, Brian, are you and the federation in agreement on that?

Mr McCrory: Absolutely.

Mr Dowey: Yes.

Mr Adair: On your specific question, I can say that credit unions contribute to things that Churches run and do. They do it from their own boards. However, due to the fact that we are allowed to do only a certain amount, we are limited in what we can do. Therefore, we cannot give large amounts of money. The problem is that the cake that we bake is so small that very little is spread across the board, and that is the reason why we have been arguing. From the Irish League's point of view, as we said in the submission, one of the things that we should be doing in legislation is looking at the actual voluntary aspect of credit unions and seeing whether there could be some acknowledgement about the tax situation. The tax element could be reduced for credit unions, because we are paying the same as a bank. We pay the same corporation tax as banks, and we should be getting a reduction to allow us not to pay bigger dividends but to give to charitable causes. Bear in mind that the credit union was set up to put money back into local communities. I suppose that I am being parochial here when I say that there are four credit unions in Derry, but if the four of them came together, I think that there are lots of things that they could do on a community basis, if they were allowed to. At present, those of us in those groups are not.

Mr McCrory: It is not just about charity; it is about social investment.

Mr Dowey: To answer your question further, Mr Douglas, the credit union movement has no issue with making grants to Church organisations or to Churches per se. As you will be aware, there is reluctance among some Churches to accept the work that the credit unions do. That is because in their eyes we are part of a system of usury, despite the fact that we are grounded in the community and that all our profits go back to the community and not to anywhere else.

Following up on something that Uel said on where the credit union gets its profit, as you know, we get our profit from the money that we have out on loan to our members. Apart from investment money, that is the sole source of our money. As he said, we pay heavily in corporation tax, but we also pay heavily in rates. All our buildings are subject to large rate bills. If those rate bills were reduced or removed and the corporation tax were reduced or removed, it would give the credit unions much more money to put back into the social economy.

Mr Adair: As a supplementary to that, it is interesting to note that in the last round we paid more tax than Google, Starbucks and all those put together.

Mr Dunne: Gentlemen, thank you very much for coming again. I know that some of you have been here before. Those who are new are most welcome.

I will ask about the age limits for membership and so on. Perhaps there is a difference in your opinions on it. There is an issue with people under 16 becoming credit union members. From my perspective, it is important to try to refresh the image of credit unions and to engage with young people to get them on board as early possible and to make the credit union a trendy place to go. It is a challenge, and that is perhaps one of the reasons why some of you are trying to lower that age.

The other issue relates to being an officer in a credit union. I understand that, at the moment, you have to be over 18. So, I would appreciate your comments on both those issues.

Mr Dowey: Currently, you can be a junior member up to the age of 16, but you cannot borrow from the credit union until you are 18. That seems sensible, bearing in mind that, with a 16-year-old, there are certain risks attached to lending money from a credit union perspective. If you are a 16-year-old, the credit union will want to see proof of your income and how you will pay for the loan. So, from that perspective alone, it does not make sense in our mind to allow 16-year-olds to be full members of the credit union and to borrow money. We are not terribly in favour of reducing the limit for full membership below that age.

We also have problems with the notion that someone of the age of 16 could quite properly become a director of the credit union. There are a number of difficulties with that. First of all, it comes back to life experiences and to knowledge of and experience in how credit unions work and operate. It would not be fair to expect a 16-year-old to have that knowledge and experience. Apart from anything else, since the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have taken over the regulation of credit unions, there is a serious onus and burden on directors of credit unions in how they are regulated. We cannot expect someone of 16 to go into a meeting with the PRA or FCA and to not just understand the questions but give a rational response. So, from that perspective, we

are not in favour of allowing anyone below the age of 18 to become a director. I am quite happy to answer any other questions.

Mr Chris McCreery (Ulster Federation of Credit Unions): There are a lot of opportunities for younger people to be involved. I was a teller from about the age of 12. I was there and was able to assist with running the computer system and different things. So, there are plenty of opportunities for younger people to get involved in credit unions but not necessarily to be directors until they are 18. We think that that is fair and prudent.

We also do a lot of outreach in schools. We did a breakdown of the membership of a number of our credit unions and were surprised to see that there was a disproportionate number of younger members compared with older members. You would have thought that, traditionally, most of our membership is over the age of 50, but we found that a lot of younger people are increasingly taking up credit union accounts.

So, there are a lot of opportunities for younger people to be involved in credit unions. This issue is whether they are allowed to be physical directors, and our position is that it is a lot of pressure for a 16-year-old to be in front of groups such as the PRA or to have to deal with regulators. We would rather they volunteer with a credit union as a teller with a view to becoming a director when they are over 18.

Mr Dunne: OK. Does anyone else want to comment on that?

Mr McCrory: I will speak before Uel. There are a number of issues. Bringing the membership under the age of 16 produces a number of legislative conflicts in the context of lending and the enjoyability of the full rights of membership. We have serious issues with that, and that has already been recognised publicly through the protection of minors in statute.

The more fundamental issue concerns 16-year-old directors. We strive to promote, include and develop young people, and we actively explore innovative ways of building participation. However, it is unfair to expect a 16-year-old to accept the legal fiduciary responsibility of being a director of a financial institution, to expect them to conform to all the standards and norms, and to have the levels of knowledge, expertise and understanding that a person of long-standing experience would have. I think that that is an unfair imposition, really. It does not in any way doubt young people's competency or capacity to learn; I just do not think that, at that age, they will have necessarily acquired the same degree of responsibility, let us say. That is probably qualified in some ways.

Mr Adair: The other point on that is that it is important to remember that the credit union movement operates junior committees, in as much as it has people who are in position as a side board and who look at how the credit unions are run. There are committees that run an imaginary credit union, although they have some input to what is happening with the moneys that are going into what the credit union is saving.

We certainly do not want the situation that was introduced in America, whereby young people were allowed to borrow at the age of 16. It transpired that more people were leaving university with bankruptcy notices in their pocket than degrees. You can check that out. Bear in mind that one of the criteria for lending money is the person's ability to repay. Hopefully, we will be encouraging young people to participate in the credit unions by doing things such as working as tellers, as was mentioned. We would not encourage them to take loans, because the only people who can repay those loans are the mothers and the fathers. So, that is one of the reasons for that.

I come back to quality of life. In my opinion, young people at the age of 16 do not have the wherewithal to run a company that has a turnover of maybe £10 million or £15 million. They are not well enough out in life to be able to make those decisions. For example, they would have to make decisions on whether someone could borrow £20,000, and young people at the age of 16 should not be asked to make those decisions.

The Chairperson: Picking up on that, membership of industrial and providence societies is currently restricted to persons who are over 16 years of age, but the Department is making flexibility that means that a particular providence society may establish its own rules so that anyone can join at 16 or younger. However, the Department is proposing to reduce from 18 to 16 the statutory minimum age at which persons can hold office in an industrial and provident society (IPS). Do you see any sort of inconsistency between that proposal and the view that you are giving? I am thinking about the likes of

affiliate or school-based credit unions. That is the sort of experience that you are talking about, Uel. I have seen that, in some cases, that experience is not absent. I have also seen some young people out and about who could literally buy and sell you; they are quite astute about doing that by the time that they hit 16. Do you see any potential for a mentoring project or something that means that, when those young people arrive at 16 or 18, they are well enough clued-in about the decision-making processes in the credit union movement, either through an affiliate programme in schools or through schools, or even through school-based credit unions?

Mr Adair: Patsy, I am saying that most credit unions operate a junior committee. For the want of a better phrase, that is to try to build in the ability for those people to be able to take over the credit union in the future. We believe that the age of 16 is too young and that they should be given longer. That is why we say that it is good enough that a person comes on the board at 18. During the time before they are that age, they will have been part of a junior committee that saw how the credit union is run. I am sure that you understand what I mean when I say that they receive buddy training, for the want of a better phrase, from people who are on the board of directors. They will have had training so that they are in a position to take over from the directors who are in place.

Mr Agnew: Just on that point, I want to clarify something. You rightly identified that the ability to repay is the key issue with your loans process. Why, then, do you need the age limit for the membership, as opposed to the officer positions? If the issue is ability to pay, I can certainly think of instances where 16-year-olds would have the ability to repay when they go straight from school into employment. If you are confident in your screening process for loans, why do you need the age limit as well?

Mr Adair: I think that we may have failed to tell you at the start that you can actually borrow from the credit union if you are 16 years of age but that you have to have the amount of money in the credit union to borrow your money. If you had £5,000 savings in your credit union, you could actually borrow up to £5,000 at the age of 16, but that would be over a particular period of time. So, we are not saying that they cannot borrow at all; all that we are saying is that, at the end of the day, they cannot borrow somebody else's money at that stage. As I said to you before, you could not ask a young lad of 16 years of age to take out a loan of £20,000 and expect him to be in a position to repay that money. In my opinion, you would be putting an intolerable burden on that young lad at 16 years of age, and it would then fall back on his parents.

Mr McCrory: Equally, it is about democracy. Once a young person becomes a member, they enjoy the full membership privileges. There is no halfway house. So, if he becomes a member, he is eligible to offer himself for election and he also has access to all the other services as a co-equal. That is where it starts to get separated out and where the difficulties start to arise.

Mr Dowey: Can I just add something to that? The position in schools is that the credit unions try to train the pupils in how we manage our credit unions. We rely on them, to a certain extent, to run that side of the operation in the schools. That gives them a good basic training on how the credit union operates. However, there is a whole myriad of regulations beyond that that they would not necessarily be aware of. It takes some considerable time to become aware of those and of how they are operated in the credit union movement. To expect a 16-year-old to be able to do that is, I think, just a step too far, so we would not necessarily be in favour of that because of that issue.

The Chairperson: Is that purely in connection with being an office bearer?

Mr Dowey: Yes.

Mr Anderson: I thank you all for coming to present to us this morning. I want to discuss the dissolution of credit unions and the manner in which that could maybe be progressed in the future. At present, a solvent Northern Ireland credit union wishing to dissolve must prepare that instrument of dissolution, which has to be signed by not less than three quarters of the society's members. I note from your responses that the Irish League thought that that might be abused in some way if it went down that route. I also note that the Ulster Federation wants to provide a more flexible approach and would find that more practical and helpful. In some ways, if you got agreement on it, maybe nothing would take place. Will you expand a wee bit on why you took different lines on that to begin with?

Mr Dowey: I will answer that from the federation's perspective. You are absolutely right. Our view was that, bearing in mind the new regulatory regime, there was likely to be a realignment or resettling of the credit union movement and that there were likely to be some smaller credit unions that could not

exist in the current regulatory framework. Therefore, our concern was that it should be easier for those credit unions to amalgamate, if that was their choice, but, where they could not, dissolution should be an easier option for them. Looking at some of the independents that have had to dissolve, our experience was that it was difficult for them, bearing in mind that, as you said, you have to get three quarters of the membership to sign.

However, we have had further discussions with our colleagues in the Irish League and with other credit unions and other bodies in the rest of GB. We have now come to the position of agreeing with the Irish League that there is no point in changing the current situation. You can have a situation where, together, certain individuals could force a credit union into dissolution. We think that it is important that the membership has control over whether its credit union dissolves or keeps going. So, from that perspective, our position has changed slightly, in that we support the Irish League position.

Mr Adair: Mr Anderson, it is also worth bearing in mind that this Bill was cut and pasted out of the English legislation. In dealing with this part of the legislation, we are dealing with two different things entirely. The credit union movement in Britain is embryonic and is in the process of only starting up. We have been going here for a long, long time. A lot of disillusionment has come about in England because credit unions could not keep going, as they never encouraged people to save money. Therefore, they were borrowing money from local authorities — the equivalent of our councils — to lend money out, and they did not have the seed capital. Each credit union in the North of Ireland has had to do things with its own resources; all the money that is in a credit union comes from its members, not from anywhere else. Therefore, it is the members' money.

In the event of a credit union here being dissolved, you would only have to look at what happened in Australia. There was a credit union in Australia that was about to be dissolved, and its directors divided its excess assets among themselves. It turned out that they were getting millions of dollars out of it as a result. All we are saying is that we should make sure that that is not allowed to happen here. We cannot allow a situation where a few people can dissolve a credit union. At present, credit unions have enormous amounts of money in their general reserves. If everybody is paid out and they all get their money back, the general reserves are divided between the directors. We do this in a voluntary capacity, not for gain, so we should never set the thing up in a situation that gives anybody the opportunity to look at whether that could happen. So, I urge you to support us on that.

Mr Anderson: Your point is that things are, more or less, in the situation of being as you were. You have not had a situation here that would have warranted the three quarters signature in the past. Is that right?

Mr Adair: I speak from the Irish League's perspective, because I cannot speak for the Ulster Federation, although I am sure that it is in the same position as us. It is worth saying that since the credit union movement started in Ireland 50-odd years ago, not one credit union member has lost one penny piece as a result of their involvement in the credit union. We have never come to a situation where a credit union was forcibly dissolved. I think that that is because of the good practices that we have put in and because, as I said, of the foundation blocks that we put in. It is like building a house; the first thing that you have to do is make sure that you put in good foundations. The credit union did that by putting in good foundations. The Irish League of Credit Unions has monitored us regularly over a particular period of time. Although we are all autonomous credit unions, we follow the guidelines that the Irish League of Credit Unions lays down.

Mr Anderson: OK. If it was the case going forward, can you see that this would be an issue? You talked about losing contact and not being able to make contact with those three quarters. Would that be an issue in future, even though it is not now? Could you see a situation arising in future where it would be an issue?

Mr Adair: No, I do not. The credit union movement is in the situation where it has to keep in close contact with its members even more than it did in the past. That is because —

Mr Anderson: Is that because of modern technology?

Mr Adair: — of the fact that, if a member does not keep in contact with the credit union, within five years, or if they wait for five years before getting in contact, that member's account becomes dormant. In that situation, the Government can claim your money after five years. So, there is a big effort to make sure that people are aware of that and are kept up to date.

Mr Dowey: There is an additional level of protection now, Mr Anderson. Although the Ulster Federation and the Irish League had reserve funds, those could have been made available in a situation where a credit union was being dissolved to help anyone to get their money back if there was a threat to their money. All organisations are now required to pay fees into the financial services compensation scheme (FSCS). As you will know, under that scheme, everyone's deposits are guaranteed up to £85,000. As far as that is concerned, we are well covered.

One of the side issues is that every credit union has to have a single customer view (SCV) file, and the FSCS monitors that file very closely. It contains all the personal data of our members and, by that, I mean their names, addresses, dates of birth and postcodes. The Government have vowed that, if a credit union folds, the FSCS will pay back everyone's deposits within seven days. That file needs to be kept up to date so that we do not lose contact with our members and we know their most recent address.

The Chairperson: Was the Portadown Diamond Credit Union dissolved?

Mr Dowey: My understanding is that it was not dissolved but wound up.

The Chairperson: Will you explain the difference?

Mr Dowey: I think that it had to bring in an administrator to wind up the credit union up rather than dissolve it. Dissolution would be a voluntary winding up. In that case, I think that they had to bring an administrator in.

Mr Anderson: No one lost out.

Mr Dowey: I should stress, as Mr Anderson said, that no one lost their money.

The Chairperson: Yes, I was aware of that side of it.

Mr Dowey: It was an independent credit union. It was not a dissolution but a winding-up.

The Chairperson: That goes back to the scheme that you mentioned. It was not anything to do with how efficiently the credit union acted.

Mr Dowey: No.

The Chairperson: It was due to the scheme that covered it and gave protection to its members.

Mr Dowey: Yes.

Mr McKinney: I would like to touch on two issues that are separate but linked. The first is amending the rules of the common bond, which DETI has rejected and the federation has not supported. Feel free to come in on that. The Irish league saw some benefit in that. What does the Irish league see as the key benefits of introducing that enabling provision?

Mr Adair: We saw an opportunity to allow two credit unions to amalgamate and each keep their common bonds so that the new entity would have a bigger common bond. In the past, you were not allowed to do that. For example, if the credit union in the Waterside amalgamated with the credit union in Pennyburn, Pennyburn would have kept its common bond and Waterside would lose its common bond. If Pennyburn and Waterside now came together, the common bond for the new credit union would be the two combined. We saw an advantage in that situation.

We also saw an advantage in people coming to work in an area. In most credit unions, members work or live within the area of the common bond, and they would lose that if they moved out of an area. You can have 10% of your members living outside the common bond area. That was the way that we saw it. It would allow for a situation in which two credit unions come together with a combined common bond.

Mr McKinney: This question is reflective of need. If that enabling legislation were not there, would it be damaging from your perspective?

Mr Adair: DETI always insisted on the situation I described. As I said, if Waterside and Pennyburn had amalgamated, we would not have been allowed to put together the two common bonds, and whatever credit union were to remain in situ would have retained the common bond. This legislation would have allowed a situation in which the new common bond would have been Pennyburn and Waterside combined.

Mr McKinney: I have a note here that reflects DETI's position. It sees that measure as diluting the common bond. Is that language that you agree or disagree with? Would the potential of that enabling legislation dilute the common bond of individual credit unions?

Mr Adair: I am one of those who, in a personal capacity, believe that it is important that credit unions should be there for everybody in an area. At the end of the day, I do not think that people should be disenfranchised from being able to join a credit union because of where they live. I do not see that as a dilution. DETI is currently stopping amalgamations because people would lose the common bond. In this instance, it is not a dilution but a strengthening of the common bond. We do not agree with having one common bond for the whole of Ireland. We want to maintain the situation where you are in a community and know the people in that community. The most important thing about the credit union is that it is a community-based organisation and everybody knows everybody else, as far as possible, within that common bond. Do not forget that our society is becoming much more pluralistic, and there are a lot of people coming in you do not know. Those people are still welcomed into the credit union movement and have to make their way within it.

Mr Dowey: The Irish League of Credit Unions has already articulated its views on this issue quite well. It explained that the common bond issue was much more applicable to England, Wales and Scotland than Northern Ireland, because we are much better developed here. Over there, you can have a massive common bond because of the scale of the operations. Obviously, we are in a much more geographically limited position, and we are already seeing some tensions with credit unions that are working with common bonds beside each other. There can be territorial issues. We want to see the current situation retained. If you relax the common bond and make it something else, as Uel said, you could lose the sense of belonging, community — whatever binds your community together. I do not think that there is the scope for larger common bonds in Northern Ireland.

Mr McKinney: I want to hook that back to the previous question from Mr Anderson around dissolution or amalgamation. Would amalgamation be a preferred option and, if so, would this legislation not ease that outcome?

Mr McCrory: That is precisely where we see the benefit: where two willing partners want to join to produce a larger asset size or be able to offer an expanded range of services. For example, in the case of a professional credit union, such as the one that I represent in a different capacity, and a community-based credit union, it would be a case of stitching together both common bonds and could be helpful in a situation where common bonds may overlap. It allows for co-joining in an expanded common bond, rather than being restrictive.

Mr McKinney: The second issue is around deferred shares, which, I understand, would be transferable. If a member holds deferred shares and wishes to transfer them, would the person to whom they are transferred have to share the common bond?

Mr Dowey: That was an issue of contention at the previous session. As I understand it, the officials were seeking legal advice. I am not sure whether there has been any response on that yet.

Mr McKinney: What is your perspective?

Mr Dowey: My personal view is that, if someone transfers deferred shares to a relative, for example on their death, there would not necessarily have to be an inclusion in the common bond. That is my view. In other words, the person who was receiving the deferred shares would not necessarily have to be within the common bond of the credit union.

Mr McKinney: Sorry, just to be clear, they would not have to be —

Mr Dowey: They would not have to be within the common bond, because the shares were originally taken out by an individual in good faith as a member of that credit union, within the common bond. Due to their unfortunate demise, they cannot help what then happens. Circumstances will have changed, and it would be unfair to penalise the recipient of the deferred shares simply because they did not live within the common bond or fulfil the conditions of the common bond. Again, I have to say that that is a personal view, Mr McKinney.

Mr Adair: I come back to the fact that this was cut and pasted from the legislation in Great Britain. There is absolutely no need for this in the Irish context. Anybody who put deferred shares into a credit union, bearing in mind the issues with them, would be mad. In England, they were brought in to allow councils to put money into a credit union to start it up. That is why the deferred shares came in. They could never get them back, by the way; they were in there all the time. There is no place for deferred shares in legislation in Northern Ireland whatsoever because it would be crazy for somebody to put shares in a credit union when they would never be able to get them back out.

Mr Dowey: We support that position. It would certainly be strange if anyone put deferred shares into a credit union in Northern Ireland. I really cannot understand that.

Mr McKinney: Could you explain that, for evidence purposes? Explain why it would be madness.

Mr Dowey: As Uel explained, you cannot get those shares back out. Why would you put money into a credit union in that way unless you are philanthropic and want to help it expand?

Mr McKinney: You cannot transfer them? Can the person who has been deferred to take them out?

Mr Adair: No.

Mr Dowey: Not unless someone dies. Even then, there is still some doubt.

Mr McKinney: Then what is the purpose of DETI accepting it?

Mr Adair: As I said, they just cut and pasted that from legislation in England and brought it here. I do not want to be critical of DETI in case all those bottles come flying at me, but, at the end of the day, that provision has no relevance at all to the credit union movement in the North of Ireland. Therefore, I ask you, as a Committee, not to support that. It is a crazy situation.

Mr McCrory: It is also, perhaps, injurious to the credit union itself in so far as it then has to provide an equal amount and allocate that to its reserves. There is absolutely no appetite in either sector of the credit union movement for the introduction of deferred shares.

The Chairperson: The Committee will come to a considered view, but is it your view that that provision should be removed altogether?

Mr Adair: Yes.

The Chairperson: It should be cut and pasted somewhere else. *[Laughter.]*

Mr Adair: Cut and paste it and take it out.

The Chairperson: That is grand.

I will go back to the common bond and the potential for dilution. Member-based credit unions are exempt from the EU legislation governing banking. If there is any dilution — we heard about this in a previous evidence session — of the common bond, that could potentially take you in the direction of falling within the remit of the control of EU banking laws and regulations.

Mr McCrory: That has not been the experience elsewhere in Europe.

The Chairperson: It has not?

Mr McCrory: No.

The Chairperson: That is grand.

Mr McCrory: I say that with some knowledge because I represent the Irish movement in Brussels.

The Chairperson: That is clear among you all.

Mr Mitchel McLaughlin: That is my general area of interest. It is good to see that the original ethos of the movement is surviving this process. It is good to periodically revisit matters, but it is important that the original ethos shines through and provides the guidance.

My question is about the 10% limit on non-qualifying members — people whose original common bond conditions had changed for one reason or another. We have been given examples of people perhaps relocating or whatever. The entire movement has supported the facility to enable credit unions, at their own autonomous level, to remove that requirement. I am interested in your shared history on that issue. Was there ever a set of circumstances in which it was found to be useful and prudent for that limit to have existed? I am thinking of, for example, caucuses emerging and people attempting to achieve predefined outcomes at a local level.

Mr Dowey: The Ulster Federation can be categorical that that situation has never developed for us. We have never experienced it, and I cannot envisage a situation where we would. However, things happen.

Mr McCrory: Uel has been around a while.

Mr Mitchel McLaughlin: Uel has been around longer than me, and I have been around a long time.

Mr Adair: The ethos of the credit union is still the cornerstone and, as I said, it is still the foundation on which we are built. The day we move away from the ethos of the credit union we will have lost the credit union movement. As I always say to regulators, I hope that we do not wake up some morning and they have regulated us out of business. You posed a question about the 10% limit. That has been an advantage to credit unions to allow them to maintain people who worked or lived within the common bond and moved out of it. Coming from Derry, you will know how close-knit the community is. Your mothers and fathers joined you in the credit union when you were young and carried your book until you were a particular age. Even if you moved out of that area, you wanted to stay a member of that credit union. I think that the 10% limit was a very valued aspect of that situation because it allowed the credit unions to keep 10% of their membership who were outside the common bond, rather than having to transfer them to another credit union.

Mr Mitchel McLaughlin: A problem did not emerge when you had the 10% rule, but what if a local credit union changed that, as they could under the enabling legislation, and raised the limit to, say, 20%? Do you see a danger in that?

Mr McCrory: That simply recognises the increased level of mobility within the geographic context of Northern Ireland. People have to travel outside an area more than would have historically been the case. It would not be unusual, where I work, for people to come from Loughguile, Strabane, Newry, and that is working in Belfast, so —

Mr Mitchel McLaughlin: I am working in south Antrim at the minute. The point that I am teasing out is whether the original common bond issue, which I think was virtually the statement of the *raison d'être* for the credit union, could be replaced with a common purpose, which might not necessarily be in the interests of the movement.

Mr Adair: If that happened, Mitchel, it would be a step back. It would be a retrograde step. That is one reason why I said that it would not be in our interests to have an open common bond that would allow people from anywhere in the Province to join. That is because of the very fact that it would not be a community-based situation and they would not know people in that community, whereas, previously, you were keeping people you know and have been part of the situation for a long time. I do not see any credit union wanting to upgrade the limit from 10% to 20% because, if you go that way, the next question will be whether they need 20% or 50%. I think that 10% is a manageable figure. If you take a credit union such as that in Derry, which has 25,000 members, that means that 10% of

them, 2,500, can be outside the common bond. That is a hell of a lot of people that can be outside. In our case, you could have nearly 1,000 outside. That is not unmanageable but, if you go bigger than that, it would be problematic.

Mr Mitchel McLaughlin: But under the new legislation, neither the league nor the federation could prevent a local branch from deciding to raise that.

Mr Adair: You can.

Mr Mitchel McLaughlin: How could they do that?

Mr Adair: At present, all you are allowed to do, within legislation, is have a limit of 10% of your membership.

Mr Mitchel McLaughlin: But the proposition will remove that.

Mr Adair: Yes, but we are saying that should not be removed. Are we not?

Mr Dowey: No, we are saying that it should be removed.

The Chairperson: You might want to clarify your position, because this is all being reported by Hansard.

Mr Dowey: Our position is that we are happy to have the 10% limit removed because there are now more people who are mobile and are moving outside their existing community. The point that I was going to make about the wider notion of the common bond is that there is a difficulty from an anti-money laundering perspective. The Money Laundering Regulations 2007 actually deal with this issue. For example, the Financial Services Authority fined some of the banks because they could not adequately identify their members. We are cognisant of the fact that people move, but they have an allegiance to their original credit union.

Mr Mitchel McLaughlin: And they will very often have retained their account.

Mr Dowey: Exactly. The credit union will know who its members are and, from that perspective and from the money laundering perspective, we suggest that it is possible to remove the 10% limit, but people will always want to come back to the common bond.

Mr McCreery: It is also worth remembering that the 10% limit was set in the 1980s, and demographics have changed a lot. A lot more people go to college, younger people move away and social mobility is much greater now than it was then. From my credit union's perspective, we would probably raise that 10% limit up to perhaps 15%, because we notice that a lot of our membership who join at a young age go off to college. They might live in Belfast, and I am an example of that. We are almost hitting the 10% limit, so we are an example of a credit union that will raise it slightly, maybe to 15%. That is why, from the federation's perspective, we are in favour of removing that.

The Chairperson: So, just on reflection, Uel, do you want to clarify your position?

Mr Adair: I had better get back on my bike, because, at the end of the day, I lost out on that argument. I was putting my own point of view, not that of the Irish League.

Mr McCrory: The Irish League is committed to supporting the removal of the 10% limit. We would be much more concerned, though, with the idea of replacing the common bond with some sort of statement of common purpose. That would fundamentally change why we exist.

The Chairperson: Just to get it clear, because I am not hearing it quite clearly, what is your position on the 10% issue?

Mr McCrory: The Irish League's position is categorically that we should remove the 10% limit.

Mr Mitchel McLaughlin: I think that what you were required to advise in the consultation was whether you would support the enabling legislation. You may retain the 10% limit. You could revisit that argument, Uel, and win it, but you could also amend it if you wished. That is just to be clear.

I have one other question. In your collective experience, I want to examine whether the 10% limit, as it has applied to the present, has had a limiting or inhibiting effect on recruitment.

Mr McCrory: In our experience, it has created particular difficulties for a number of credit unions, particularly ones in the Belfast area that, for example, would have grown up in what might be known as inner-city areas, and families have then moved beyond their reaches or into the suburbs. I am sure that the same is reflected in another city up on the north coast — Derry — where there would be a similar type of experience.

Mr Mitchel McLaughlin: That is people who used to live in Derry and now live in Londonderry.
[Laughter.]

Mr McCreery: It is a question that is raised sometimes by some members, particularly in the Fermanagh credit unions that I work with. Members ask whether, if they move to Belfast in three years, that will mean that they are not a member any more. That is a constant question.

The Chairperson: Thanks for that. Members, we have to go with concise questions. Maybe you could congeal it all down a wee bit, because we have a lot of stuff to cover. We do not require four answers to every single question, even though you might be tempted to do that. We have a lot of stuff on our agenda to cover today.

Mr McKinney: I have a brief question on the back of what Mitchel McLaughlin raised. If you remove the 10% limit, consistent with the original thought process around it, should there be another cap?

Mr Dowey: We do not believe that we actually need a cap on that at all, for the reasons that we have outlined. The credit unions can, within their own rules, decide to adopt a particular cap if they feel that it is necessary. From our perspective, we do not see the need for a cap.

Mr McCrory: We envisage a situation whereby a person becomes a member within the common bond to begin with. It is only an issue because of subsequent migration outside the common bond. It is not as though someone can join who does not belong to the common bond in the first place as part of a non-existent 10%. The measure is to accommodate people who are already members and who then move away. It is simply for that purpose.

Mr Flanagan: Thanks for your evidence. I want to deal with the issue of people who are referred to as corporate members. In your responses to the consultation, both groups supported the proposal to allow corporate members. That is one of the issues that the Committee was particularly keen to see progressed through this process, so I am glad to see that there is widespread agreement. Both groups supported the proposal to restrict the level of corporate members to 10%. Procedurally, is it your view that it would be better to deal with that in the substantive legislation, or would you rather see subordinate legislation to deal with it, which could be amended in future much more easily?

Mr McCrory: That is a question that I had not quite foreseen. We are more concerned about the disproportionate influence that corporate membership might have if it exceeded 10%. By and large, the credit unions exist to service the needs of individuals in the community.

Mr Flanagan: Yes, but I am not talking about the actual 10% figure. You have agreed at this stage that you are happy with 10% corporate membership and the 25% limit on lending. I am talking about whether you have considered, procedurally, whether it would be better to deal with that through the primary legislation or whether subordinate or secondary legislation should be introduced, which then, if necessary, could be amended much more easily at a later stage.

Mr Adair: From a personal point of view, I see the second situation as best. It could be done through subordinate legislation and changed at a later date. Bear in mind that the corporate membership will be in a situation whereby, if Derry City Football Club were a member of Derry Credit Union, there would still be only two people in that organisation who would have a vote at the AGM. You would not have all the people in Derry City Football Club getting a vote. The credit union would have to hold a mandate as to who speaks on behalf of that organisation, and it would have to be changed like a bank

mandate. At the end of the day, if it needed to be changed at a later stage, that could be done through subordinate legislation. I am not a legislator, but that seems to me the easiest and best route to take. Obviously, you guys will know much more about whether we are right or wrong.

Mr Dowey: Corporate membership is a relatively new facility for us. It has been working reasonably well on the mainland, but we are not sure how it will develop for us. Therefore, from our perspective, it might be better if flexibility were built in as to how we handle it. We have been experiencing demand for that type of account and, no later than yesterday, small businesses were asking us when the legislation will be changed to permit them to become members. Obviously, credit unions will want to be very careful about how they handle lending to corporate members, particularly when it comes to putting members' money at risk. From that perspective, we would prefer to have as flexible an arrangement as possible.

Mr McCrory: Our difficulty is in how the PRA or the regulators want us to handle this. It is essential that corporate accounts be held in the name of the entity that account holders represent, rather than the name of the individual, and that is a juxtaposition with what they are expecting.

Mr Flanagan: You reflected that in your response. Do you agree with that?

Mr Dowey: It is. I mentioned the financial services compensation scheme and the single customer view file. The FSCS has a particular way that it wants credit unions in Northern Ireland to list what it euphemistically refers to as joint accounts. As it explained to us, a joint account does not necessarily mean two people; a number of people could hold a joint account. I cannot get my head around that, but when that was introduced, the FSCS indicated that it was by way of a sop to credit unions in Northern Ireland in the sense that, because we could not have corporate membership, they perhaps saw that as an alternative way of dealing with it. However, coming back to the central question, the difficulty is in how the FSCS requires credit unions to record whose account it is. For example, in the first-name field, they want us to put the entity's name; in the surname field, they want us put in the individual's name. From our perspective, there is a difficulty around that, but that is the way that they want it done. Our concerns are around how that would work out when dealing with corporate membership, particularly as directors of companies often change or officers of individual groups often change. We are not quite sure how the FSCS will deal with that, and I am not sure whether it will present a difficulty for the Northern Ireland legislation.

Mr Flanagan: Brian, so that you have it on the record, can you to explain why you have a concern about the names of corporate accounts being in the names of individuals as opposed to the organisation?

Mr McCrory: It is pretty much as David reflected. If it were a local sports club of any kind — football or any other sport — that club is likely to nominate a different person on every year to represent the club. The account is principally in the name of the club rather than the name of an individual, and the concern is primarily for that reason.

Mr Flanagan: Are you satisfied with the Department's response to your submission to its consultation on that matter?

Mr McCrory: Not really, in a nutshell.

Mr Flanagan: The Department's response is that that matter should be raised with the regulatory authority. Would prefer to see it dealt with through the legislation?

Mr McCrory: If at all possible.

Mr Flanagan: On the 10% corporate membership and 25% corporate lending limits, can you envisage a situation in which a credit union was close to its 25% lending limit to corporate members but then a large debt was repaid, reducing the overall debt or credit held, thereby increasing the percentage that corporate members held to a level over 25%? I know that no one likes hypothetical questions, but what would happen in such a situation?

Mr McCrory: Sorry, could you just —

Mr Adair: Nothing would happen, because you cannot legislate for that. It is 25% at one given time. You cannot then go back and say to those people, "Hang on a second, you are now over 25%, so you have to repay the money". That would work itself out again by other people taking out money, so you would see it fluctuating.

Mr Flanagan: If there is —

Mr Adair: The credit union could not allow it to go over 25%. If — we are saying "if" — a large amount of money were repaid, the percentage would obviously drop down, because the overall amount of money lent out would drop, but the chances of that happening are virtually nil. You could not go to a club or institution and say, "We have to reduce our lending to you". It might be that, if they came back to look for a loan, you could say, "Sorry, I cannot give you any money".

Mr McCrory: It would be imprudent to begin with for a credit union to allow itself to be in a situation in which it had reached 25% lending to a corporate member. Credit unions exist primarily to service the needs of the community. It is about spreading risk, in so far as, if the extent of lending to corporate members reached 25%, the risk would be concentrated. I would much rather see moneys being spread among the broader community than put into one entity, albeit one with a significant number of members. I think that a greater good is served through the model that we operate, but we would like to have the facility to be able to lend to corporate members. I am aware of that happening in other jurisdictions where it has created difficulty.

Mr Flanagan: Have you anything to add, David?

Mr Dowey: To underpin what you all said, if a loan were given within the regulations at a particular point in time, the fact that circumstances changed later on would not change that position. Therefore, a credit union would simply have to live with that until it brought more money back into the system to bring the 25% figure down. It is one of those things.

As Brian said, the credit union will obviously take a very prudent approach to lending to corporate members as opposed to its ordinary members, because that involves taking more risk with members' money, and, being very prudent organisations, credit unions will not do that.

Mr Flanagan: Is it your understanding that the legislation will refer to credit unions being unable to lend more than 25% as opposed to 25% of its lending being to corporate members? Would you prefer the legislation to be worded in such a way?

Mr Dowey: Personally, I would prefer it if the 25% referred to the overall lending of a credit union and the relationship of corporate members to that.

Mr Flanagan: You do not think that that situation is likely to happen, Brian.

Mr McCrory: In my lifetime, I do not foresee credit unions feeling that 25% of their lending would go to corporate members. I do not see the demand existing in the first place. We have no experience of that to date. We absolutely want to make provision for our corporate membership, and we will watch to see how that might grow and perform.

Mr Flanagan: In respect of community, voluntary or sporting organisations, if the number of corporate members is limited to 10% of a credit union's membership, does that mean that such groups would be unable to form their own credit union, with a view to attracting membership from its member groups?

Mr Adair: Sorry, can you repeat the question?

Mr Flanagan: If corporate membership is limited to 10% for individual credit unions, will that have an impact on individual sporting or community organisations that may wish to establish their own internal credit union?

Mr Dowey: You cannot do that without fulfilling all the regulations. All directors have to be approved by the regulator. There is a whole process to go through before you can form a credit union. You cannot operate a credit union informally; that is just not possible.

Mr McCrory: There are incoming regulations from Europe on the minimum capital requirement to set up a new financial institution of any sort.

Mr Adair: Given the legislation that is coming down the line from Europe, the chances of another credit union being set up in Northern Ireland would be very slim in that situation.

With the 10%, unless organisations wanted to set up as an industrial and provident credit union — I do not think that they could do that — they would have to jump through the hoops and set it up themselves. It would have nothing to do with the existing credit union. Also, if you had a credit union with 10,000 members, you would need a lot of corporate entities to meet the 10%.

I do not ever see us being in the 10% situation. Likewise, I do not see us being in the 25% that you talked about, because, at that stage, credit unions will rein the horse in. When they look at the lending, they will say that they have too many eggs in one basket. It is similar to when we invest. We do not invest all our money in one bank. Therefore, I do not ever see us being in a situation in which we would be anywhere near that 25%. I answered the question on the basis of how you asked it.

Mr Dowey: Unless, of course, government underwrites the lending.

Mr Flanagan: They are looking for that other £4.5 million.

The Chairperson: They would not do that with a bank.

Mrs Overend: There is no harm in asking, is there?

Mr Dowey: Sorry, I was chancing my arm.

Mrs Overend: I want to touch briefly on the proposal to allow credit unions to offer interest-bearing shares as well as dividend-bearing shares. I understand that you are both in agreement on that proposal. I want to double-check that you were content with the proposal and whether there was anything else that you want to add.

Mr Dowey: I do not think that there is anything that we can add to that, Mrs Overend.

Mr Adair: Sandra — if I can call you that — I think that the rationale behind that was that, currently, any person's shares are withdrawable within 60 days. Therefore, if there were those kind of shares, you would know in advance whether a person was going to put them in for five years or any other set time to guarantee the interest rate. That would allow credit unions, even better than they can now, to forecast how much money they have to lend out. Hence, the reason why we were quite happy to run with that situation. It was something that we wanted.

Mrs Overend: Thank you.

Mr Agnew: I should have done so earlier, but I declare an interest as a member of Bangor Credit Union. It is particularly important that I do so because of my question. It affects me to some extent as I have an outstanding loan.

Am I right that there has been some difference of opinion between the two bodies on the attachment of shares issue? Will you clarify where you are now with that issue?

Mr Dowey: I will take this question first, Brian. To be perfectly honest, we do not disagree with the Irish League position. When someone borrows from a credit union, his or her shares are attached to that loan. If that person has another account and is saving, we cannot understand why those shares cannot also be attached to the loan. If someone borrows money from and owes money to a credit union, we think that the credit union is entitled to have a lean on all their savings. That is our position, and I think that that is also the position of the Irish League.

Mr McCrory: I think that that is self-explanatory. We are of one voice on that.

Mr Agnew: Do you agree with the Department's position that this will clarify things for members? I come at this from my own experience. When I took out my loan, it was made clear that the shares

would be attached. If you have a situation whereby — I want to make sure that I get the Department's position correct — you make it clear that that is the case when the loan is taken out, but I am just not sure. I will repeat the question: do you agree that it will give more certainty to members?

Mr Adair: May I answer the question in a different way? Most credit unions now allow people to set up special savings accounts called Easy Share accounts. Those came about as a result of conversations with the Consumer Council after Farepak went bust. With Easy Share accounts, we try to encourage people to save for specific things like Christmas, and so on. Those are not used against a person's loan, and they can come in and take money out as and when they want. They are encouraged to do that.

It is different when they are not using those type of accounts. I want you to understand something, Steven; I am sure that you would accept it. If a person owes you £5,000, has £10,000 in savings and will not pay the £5,000, and the money continues to gather interest, surely we have the right to tell that person that he or she owes us £5,000, he or she is not paying it, and we are paying interest on £10,000. All that we are saying is that the excess of those shares are in a certain situation. That is what we want.

Mr Agnew: I certainly accept the principle. As a member of a credit union, I accept and support it.

I want to ask a very different question about membership of credit unions. Chris mentioned that a surprising number of young people are members of credit unions, which is not the common perception. What about female members and officers? I am conscious that I am looking at four men. For want of a better phrase, has it traditionally been a male-dominated industry?

Mr Dowey: I can put a lie to that. At our board meeting last night, it was all females and two males. Our board of directors is constituted in that way. That is just the way that it is made up. There is a range across all the credit unions. However, as I said, from the personal experience in my credit union, the directors are all female apart from two males.

Mr Adair: I suppose that the best answer to that is that we are all males, and we are not working. We have no jobs, and the females all have jobs to go to. That is why we are here and they are not.

The movement has worked very hard to make sure that we have a gender balance. To some extent, we have not got there fully yet, but we recognise that. We should bear in mind that it was a woman who set up the movement in the first place. There are also more women members of credit unions than men. The difficulty is that women, because of their roles with children and things like that, find it difficult to get to board meetings at night-time. As I said, the only reason why we are here is because we are the non-workers, and they are the workers.

Mr Dowey: Our only difficulty is keeping them quiet. Sorry. *[Interruption.]* Sorry, Sandra.

Mrs Overend: I hope that that was not directed at me?

Mr Dowey: No, it was directed at my board of directors.

Mr Mitchel McLaughlin: I have to tell you that it is in the Hansard report.

Mr Frew: I want to quiz you on the monthly interest rate and the 1% or 3% argument. From the consultation responses, it seems that there was a difference of opinion at a time and that you have come to a compromise or agreement.

I see credit unions as useful bodies that can go some way to combating the scourge of inappropriate lending. I thought that there was an opportunity, especially with the transfer of regulation to the FCA and the PRA, to give credit unions more flexibility with the services that they can provide. Is your position not restricting what you can do?

You do an awful lot of good, and people turn to you for inexpensive loans. However, whether you use it or not, surely it would be wise to have that flexibility in the legislation. Collectively, as federations or groups, you could agree to say no, not at the minute, or leave it to individual credit union branches. You would have that flexibility.

Mr Adair: There is a difficulty with that. Credit unions have traditionally represented and given loans to the more vulnerable in society. In my opinion, it is illogical. There is no economic argument that people who can ill afford to repay a loan at 1% could afford to repay it at 3%. I hope that I am not entering too much into politics, but to create an income stream from people who are not able to pay is like trying to say to a rich man that he can keep his money but that we will take it from the poor. There is no economic sense. It was not the unanimous view of the Irish League of Credit Unions that we would not go down that road, but the vast majority of people took that view. We do not want it in there, even as an enabling measure, because, if one credit union were to implement it, it would be seen as something that we should all do. It is not in the interests of the credit union movement to do that, given the situation with payday lenders. If you were to lend at 3%, that is an APR of around 39%. Banks are not even charging that. It is illogical, and credit unions that say that they are here to help people by giving them the dignity of having money in their pocket so that they are not going to these gombeen men and moneylenders who say that they will lend it to them. Society is about helping people. The ethos of the credit union movement is, "You help me, and I will help you, and we will both help each other". That is the very essence of what the credit union movement is all about. It is of fundamental importance that we should not go down the road of saying to people, "You are poor, so we want to take more money off you, even though you do not have it". I urge you not to go along with that 3%.

Mr Frew: Hypothetically, you could increase the rate to 3% or 2%, or to between 1% and 2%. Let us talk about a rise of half a percentage point to 1.5%. Have any figures or business plans been produced to detail how much that would bring in and, depending on the amount raised, what other services you could provide?

Mr McCrory: There are two points. If we were to go to a 3% model, and a credit union were to adopt that, that would introduce the concept of people being treated differently in the credit union. Some people, based on their credit history, would be allowed to pay 1%, and others would be sufficiently impaired in that the referencing agency would say that they have to pay 3%. All our members are treated equally and pay the same, so there would be a fundamental breach at that point. That is part of the issue that we cannot get over.

Mr Frew: I am keen to hear from David.

Mr Dowey: We canvassed our member credit unions on this issue. Their view was that, although the Department may — *[Interruption.]*

The Chairperson: Does someone have a mobile phone on? Mobiles should be switched off.

Mr Adair: Mine is off. It is not mine. *[Laughter.]*

The Chairperson: It interferes with the recording mechanism.

Mr McCrory: I thought that my phone was off, but the power button was still on. Sorry, Chair.

Mr Dowey: As I was saying, when we canvassed our member credit unions, their view was very much that, if the Department were to propose this facility, they would not object to it. The Department can put that in, but 100% of member credit unions said that they would not use it. As Brian testified, it takes us away, first, from the original ethos of credit unions. If we were to start charging beyond 1%, we would not be helping the most vulnerable people in our society. Secondly, as Brian said, you would be charging different rates to different people. There will then be conflict and disagreement, and people will start to make derogatory comments about the credit union and its operating policies. We do not want to get ourselves into that situation, so although the Department may propose 3% — we have no objection to it doing so — we certainly will not be using it.

Mr McCreery: To clarify: the advantage of having a 1% cap is that it means that, across Northern Ireland, you know exactly what you are getting when you go into a credit union. There are not varying rates, and the fear is that, if a few credit unions were to break ranks, there would be varying rates depending on where you lived. We understand your point about flexibility and that three, four or five years down the line, there may be a need to up it to 1.5% or 2% if we developed a new product that could help with payday loans. Our understanding, from discussing this with the Department, is that it could be brought forward quite quickly through subordinate legislation, and we estimate that it could

take around three to six months max. So there is some flexibility. There is no real need or want for it now but, if we want it, it can be brought in quite quickly.

Mr Frew: The onus is not on credit unions, of course, but there is a scourge of expensive lending. Credit unions have a wide spectrum of customers, but have you done any surveys or work to identify how many of your most vulnerable and poorest customers avail themselves of payday loans or use the local Jimmy Hardknuckles?

Mr Adair: I believe that people are looking at the payday loan issue in a totally different light altogether. Nobody in their right mind who is a member of a credit union would go to a payday lender to borrow money and pay those rates when they could get it in a credit union. I will bore you for one minute. If you borrow £1,000 from a credit union and pay that back over a year as you were scheduled to pay it, it would cost you £44. I do not know whether any of you watched television yesterday morning, but somebody had borrowed £500 from a payday lender and now owes £3,500. Those are the types of rates. If somebody who borrows £1,000 now had to pay £132 for that money for a year as opposed to £44, that extra money — the £100-odd — could tip that person over so that he or she is not able to repay the money. So it could be short-sightedness for credit unions to do that. In the short term, they will get extra interest, but they will lose the loan in the first place. There is no economic sense in it unless you do a specific product. At this point, we do not see a specific credit union product that would need the 3%. We also believe strongly — I do so more than anybody else; I believe passionately in this — that you cannot go away from the ethos of the credit union movement from when it was first set up, which was to deliver a service to the most vulnerable in our society and to allow people to have the dignity to spend cash as opposed to going to other people. It used to be that they went to clubs or catalogues, and all the money went out of Northern Ireland.

There was an example in the credit union movement last year. The credit union movement in Derry lent out in excess of £10 million just for Christmas, and that was ploughed back into the local economy. Those are the figures. Moneylenders are getting benefits because they offer the facility of going to your house. Some moneylenders will go to the house and bring their hard men with them and, if you do not pay, they will take it out on your nose. I do not know whether you are aware of an incident in Limerick not very long ago. Moneylenders were standing outside the credit union. Women had their family allowance books, went into the credit union and lifted their money, came out and handed it to somebody else. We do not want that situation at all, gentlemen.

Mr McCrory: As well as not understanding the premise, if 3% were seen to be the methodology by which you address payday lending, why is everybody not charging 3%? There is no business case and no established research to show that 3% will address the issue of high interest rates or payday lending. That figure has again been cut and pasted from the UK. It is a bit of a fishing exercise.

Mr Dowey: May I say two things?

The Chairperson: Very briefly, because we have covered a lot in this session.

Mr Dowey: I will be brief. First, we held a meeting last week with certain officials from a particular Department, which I will not name. The issue of payday lending came up, and I was astonished — I do not know how Brian felt — to hear the person chairing that meeting say that the Government did not see payday lending as an issue or a problem. They asked us whether we could define the problem. I was astonished to hear that from a departmental official.

Secondly, the Irish League and the Ulster Federation have entered into a project in Cookstown with the credit unions in the Cookstown District Council area, which you will be aware of, to try to deal with some of the issues around payday lending. We are operating with St Vincent de Paul and a women's group there to try to underwrite loans. Sorry, Sandra, I was not really being flippant when I was talking about government underwriting some of those costs, because there is a role to be played there for a pot of money to be set aside to underwrite a process by which credit unions can lend money in those circumstances.

The Chairperson: Could it be the case that some of the people who are turning to payday lenders as a last resort are people who may have tied a dog — as they say in our country — with you and others? That is, they could owe you a lot of money — high-risk people.

Mr Adair: There is a pony tied to the fence.

The Chairperson: Correct.

Mr Adair: That could well be.

The Chairperson: Inevitably, that is a situation, because I am aware that debt and getting loans from people can be a bit of a tricky problem. They are hardly going to come back to you and ask for additional moneys if, in fact, they are not even making a stab at paying off what they owe.

Mr Adair: Patsy, if those people came back to us, we would be the first people to help them. I have said that on many occasions. You know what footsteps in the sand are. Credit unions have helped people to get through to the other side. If those people would only come back and talk to us, we would help them through any situation and get them to the other side.

The Chairperson: I appreciate that, but as the old Arab said —

Mr Adair: I was going to make a throwaway remark to Paul that you could help us if you encouraged the Government not to charge the amounts of corporation tax that we are charged. That would give us an income stream that would allow us to do other things in the credit union movement, without trying to charge members the money.

The Chairperson: I appreciate that. However, you do take my point. That is based on knowledge as opposed to being an opinion. You can be stung only so many times.

Mr Dowey: That is why we were interested in the pilot in Cookstown. We wanted to see how that operated and whether it was successful. The credit union's money was not at risk per se. It was being underwritten by the two organisations. In those conditions, we thought that there was a way to progress that type of lending.

Mr Adair: However, you would accept, Patsy, that 3% would be no good in the situation that you are talking about.

The Chairperson: Not at all. It does not matter whether it is 1% or 3%, you are not going to lend to people if you are never going to get it back again.

Mr Adair: Whether or not there was a donkey tied to the post.

The Chairperson: That is right. First, I will make a very brief point about the increase in charges for a copy of the rules for non-members. I am sure that that does not come up every day in every credit union, but I have to ask the question. You are the experienced people, and I am sure that it does not come up as a frequent issue. Secondly, there is no charge for material that is displayed on the web or, indeed, transmitted to members by email. Will you give me a brief view on that so we can tidy it up for our own housekeeping?

Mr McCreery: From our perspective, the legislation does not prescribe how you have to deliver the rules. It does not have to be a printed copy. We frequently update our rule book, and we can distribute that either through our websites or via email. It is not really an issue for us at this stage.

Mr Adair: Most credit unions have a website with all the information. The rules are up on the website, and people can download them for free.

Mr McCreery: We are very rarely asked for a printed copy.

The Chairperson: That is what I wanted to hear. We have to ask the question simply to close that end off, but it is not a major issue.

Mr Adair: Some of the smaller credit unions might not have a website, but there are standard rules for the Irish League of Credit Unions.

Mr McCrory: When people ask for a hard copy, a cost is incurred. We also suggest that there should be an inbuilt mechanism to allow for inflation over time, but, ideally, people would get it from —

The Chairperson: That is the case, particularly for non-members, but it is rare.

Thanks very much for your time today. It has been very valuable for us. Thank you also for the time that each of you gives — indeed, the credit union movement gives — to the community. It is incredibly valuable work, which at times is underappreciated by many people.