

About credit unions

What is a Credit union?

A credit union is a savings and loans co-operative which promotes financial inclusion by encouraging its members to save and by providing low cost loans - including to those who find it difficult to borrow from mainstream banks.

Are you like a bank?

As a co-operative all our members are shareholders and so the benefits from successful growth of a credit union are distributed to its members unlike traditional financial institutions: whilst banks might gamble with risky financial instruments; we can only invest prudently in our local community.

Are investments safe?

Credit unions are regulated and authorised by the Financial Services Authority (FSA), just like any other bank. Their staff and Directors are designated as 'authorised persons' by the FSA which means they undergo a range of checks to protect you and your investment in the business. Our members' savings are fully protected by the Financial Services Compensation Scheme.

About the proposed SurreySave Credit Union

Why establish a credit union in Surrey?

A credit union will increase the flow of credit to all households in Surrey, improving consumer choice at a time of crisis in the mainstream banking sector. There are also thousands of families that only have access to credit at the highest rates and we want to offer an alternative to the doorstep lender, pawnbroker and cheque casher.

SurreySave will be a credit union for the whole community, offering flexible credit and a range of savings accounts offering competitive rates of interest.

What services will it offer?

SurreySave will have a range of savings products, including instant access and longer term bond accounts. Three different types of loan product will cater for a range of circumstances, lending to people out of work with a temporary cash crisis, as well as homeowners. We will also offer a bill payment service and to work very closely with money advice agencies.

Who is responsible for establishing the credit union?

A charitable company called the *Surrey Financial Inclusion Partnership Ltd* will be applying to the FSA for authorisation. The Partnership works closely with a Steering Group of supporters and other interested parties. This includes District Councils, Registered Social Landlords and the advice sector.

When do you intend to start and where will you be located?

We are aiming to start trading in 2010, but this depends on the time it takes for the FSA to assess our application. Work is ongoing in relation to the credit union's *exact location and is dependent on the funding we receive*. Whilst the service may have a greater presence in certain areas we will offer a service to all Surrey residents and workers from day one. There will be a geographical roll out of the service and details of this will be published closer to our launch.

Who can join the credit union?

We are applying for a geographical 'common bond' and anyone living or working in Surrey will be able to join the credit union. However the regulations governing credit unions are due to change before we launch and we envisage being able to offer a service to additional qualifying people living outside of the common bond.

How do I join?

We cannot accept membership applications until we are authorised by the FSA. However if you want the opportunity to become a member when we do launch, please complete a pledge form which is available on our website or directly from the Financial Inclusion Partnership – details below.

About the financial and business model

How will the credit union be funded?

Ultimately a credit union will fund itself from the income it generates from the loans it offers and the investments it makes. 'Pump prime' funding is required to get the credit union off the ground and grow quickly.

What sort of funding support are you looking for?

We need revenue funding and lending capital. In-kind support including office accommodation, expertise and ICT are in particular demand. *If you are interested in supporting the Partnership (a charitable company) please get in touch.*

What about your start-up funding?

For potential donors, it is important to look at funding the credit union as an investment which pays a good return. Local organisations could actually *lose* money by not investing in the credit union and these issues are explored more fully in our investment prospectus (also available on the website).

We have secured a proportion of core funding costs already and what remains is to fund delivery in specific geographical areas. If we are unable to secure funding for a particular neighbourhood the credit union will have a weaker presence in that area. *Our systems allow for us to ring fence funding for a particular area or client / tenant group.*

Is the business model robust?

We will launch a service which is appropriate to the needs of all Surrey residents – rich or poor. Such a rounded service will avoid the financial risks that have weakened the so called 'sub prime' market. As an Industrial and Provident Society we will be legally obliged to be cautious with our investments and as a credit union we will promote thrift and sound financial education of our membership. *A detailed risk management action plan is included in the business plan to the FSA.*

How will the current financial crisis impact on the credit union?

The credit union takes a different approach to credit assessment than many high street banks. Our approach to lending involves a detailed assessment of individual need and ability to repay. To achieve this we will work closely with money advice services to ensure that our members can, if needed.

We plan to increase access to credit at a time of restricted lending activity in the mainstream banking sector, thereby boosting the local economy. By offering money saving alternatives to the home credit industry, we will ensure that £100,000s will be retained in local communities.¹

¹ A typical £500 doorstep loan over one year costs £250 more than the same loan from the credit union. We aim to offer 1,500 such loans in our first five years with potential savings to local communities of £375,000.