



## IRISH LEAGUE OF CREDIT UNIONS

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*AM*  
Ms Anne Marie Davison  
Head of Social Economy Unit  
Department of Enterprise, Trade and Investment  
Netherleigh House  
Massey Avenue  
Belfast BT4 2JP  
Northern Ireland

3rd May 2004

Re: Consultation Document on Developing a Successful Social Economy –  
Northern Ireland Government 3 year Strategic Plan 2004-2007

Dear Ms Davison,

Thank you for affording the Northern Ireland Committee the opportunity to meet with yourself and Barbara Swann recently. The committee felt that the meeting was productive and worthwhile enabling them to make their comments in an informal setting.

However the committee would like to reiterate their view that our meeting and the submission would have been more meaningful if we had had previous sight of the consultation document on the credit union review.

Furthermore, as you are aware, the development of the positive role that credit unions already have in the promotion of the social economy will be hampered by any further delay in the implementation of the new credit union legislation.

The credit union movement since its inception has always prided itself in its role of developing the social and financial well being of its members and the community in general, i.e. developing a successful social economy. We look forward to developing that role further in conjunction with your strategic plan.

Please find enclosed our formal submission on the above document.

If you wish to discuss any of the matters raised in this submission or require any further assistance please do not hesitate to contact me.

Yours sincerely,

*Paul Thornton*

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For the Northern Ireland Committee

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## **Response of the Northern Committee of the Irish League of Credit Unions to the Consultation Paper issued by DETI on -**

### ***“Developing a Successful Social Economy – NI Government 3 Year Strategic Plan”***

We have reviewed the consultation document and would like to make the following comments. We must point out that in order for credit unions to support any further development of the social economy the credit union movement itself must be allowed to develop its activities and range of services in the future. We again must stress our frustration at not being able to participate more fully in the development of the social economy until the new credit union legislation is in place.

#### **DETI Objectives:**

1. *Increase awareness of sector and establish its value to the local economy –* we are in agreement with this objective in broad terms.  
However as there is no specific mention of credit unions in the goals of the plan we would expect that credit unions would be included in any awareness campaign or information dissemination to all social economy partners.
2. *Develop the sector and increase its business strength -* we are in agreement with this objective in broad terms.  
Credit unions have traditionally been concerned with the social and economic wellbeing of their members at an individual level. We see it as a natural progression to be able to provide the same assistance to community groups and businesses. Government funding would need to be provided to enable us to achieve this. For example:
  - Capacity building training will need to be provided to enable credit union personnel to assess social economy business loan applications
  - Credit unions should be able to tap into government or government support agencies for the support necessary to identify, assess and advise on potential social economy business plans
  - To protect the interests of members of participating credit unions, some form of loan guarantee or underwriting will need to be in place for social economy business loans.

Due to the closure of post offices and banks and the contraction of associated services in affected areas, there is an opportunity for credit unions to fill the resulting void. Credit unions may require financial and other assistance to develop the infrastructure necessary to ensure that communities do not become financially excluded.
3. *Develop a Supportive and Enabling Environment –* we are in agreement with this objective in broad terms.  
Paragraph 3.2 makes specific reference to the proposed new credit union legislation. Our participation in the development of the social economy is at

present limited by current legislation. Future participation will be hampered by any delay in issuing the consultation document on proposed legislation changes and in the timescale anticipated in the implementation of these changes (end of 2005).

Potential areas in which credit unions could enhance the social economy (with the introduction of progressive legislation) may include:

- **Membership:** Credit unions should be allowed to accept membership from organisations as well as individuals. This would allow the acceptance of such groups as community groups and small businesses.
- **Lending / interest rates:** The review should address such areas as:
  - maximum loans
  - duration and restrictions for secured and unsecured loans
  - approval of loans for different classes and related interest rates.
- **Reserves / General Reserve:** Each year credit unions must allocate a fixed per cent of their surplus to a General Reserve and this is dependant on their surplus and the current reserve level in relation to total assets. We feel that the measurement or amount that must be allocated requires review. If the allocation was to be reduced this would increase the possibility of allocating reserves to social programmes within the common bond. As a corollary it would be advantageous if the credit union could create reserves other than the General Reserve for such allocation.
- **The introduction of deposit accounts for adult members.** This would allow the credit union to create a source of further finance that would subsequently create capital for the use of other members through loans etc. This would ultimately improve with the asset / liability management of the credit union

In addition we should explore more favourable tax and rates exemption regimes for credit unions in recognition of their input to the social economy. This would include a review of the issue of the liability of credit unions for corporation tax on income that is not member generated e.g. investment income. The removal of corporation tax would increase the possibility of using a sum equivalent to the tax liability for social purposes or investment in the community.

The Irish League of Credit Unions has requested in previous discussions with government officials the desire to have some form of tax efficient savings account for members. Obviously a tax efficient savings account for members may encourage members to save for the long term and thereby promote financial inclusion.

Finally, we feel that the issue of credit unions being liable for property rates should be reviewed with the objective to award credit unions some form of "charitable status".

#### **Action Plan/Monitoring and Evaluation/Equality Impact**

We are in general agreement with the proposals as outlined.

However, we would welcome more detail on plans for gathering information about the success of the Strategic Plan as it progresses.

In conclusion, the Irish League of Credit Unions wishes to acknowledge the positive step that has been taken in the establishment of this strategic plan. We look forward to developing all potential areas that will assist credit unions in participating in and working with the social economy.