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Welsh Government

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Building solid roots

Helping to create North Wales Credit Union scaling solutions for financial inclusion



Wrexham Credit Union launch

Overview

This story shows how a Council in North Wales played a crucial role in creating the largest credit union in Wales. By switching focus from investing in a range of small scale projects to a single approach, causes rather than effects of financial exclusion are tackled.

Background

Wrexham County Borough Council (WCBC) provided support and investment over a 10 year period, leading to the creation of an independent credit union (CU) for Wrexham. By merging with five other credit unions across the region, the resulting North Wales Credit Union is now the largest in Wales, and is still building strong links with WCBC to help to deliver on many of the county's financial inclusion aims.

Results

Identify outcomes that increase the wellbeing of Wales

Evidence

Make decisions using better information

Collaboration

Work with others across boundaries

Long term

Fix the causes rather than the symptoms

Connect

Focus on the economic, social and environmental benefits

Transparency

Measure and report on the difference you make

This is one of a series of SD stories that can be found on the Welsh Government website at <http://wales.gov.uk/topics/sustainabledevelopment/>



Why

For WCBC the story started in 2001, when they pulled together a wide steering group to assess possible projects to tackle social inclusion and poverty. At the time the Council was investing in a wide range of small projects through working groups, and they saw the need for an approach to focus on fuel poverty and tackle financial and social inclusion.

A steering group was set up to explore available options. From this process, the potential for a credit union (a member owned financial cooperative, democratically controlled by its members, providing credit at competitive rates and other financial services to its members) for Wrexham was identified. Top level support was secured and a development officer funded by WCBC was put in place to support and oversee the project's growth.

What they did

A hurdle along the way was an enforced

pause of around two years, which resulted from the possibility of state aid support for credit unions being deemed to be anti-competitive, with potential legal action from loan shark and pay day loan companies. This pause was not altogether unhelpful as it allowed the steering group time to strengthen and formulate a strong business plan and structure.

Following internal legal advice, it was necessary for WCBC to procure a credit union rather than the original intention to host it internally until it was strong enough to stand on its own.

The Wrexham County Borough Credit Union was born, which was separate from WCBC from day one, but with extremely strong links between partners. This arrangement led to the creation of a three-year entrustment contract, during which WCBC investment was over £200,000 in direct finance, plus continuing officer time, support and advice. The existing steering group then went on to become volunteer directors of the new Credit Union, in their own time.

Progress was reported to the Corporate Governance and Policy Scrutiny Committee in October 2008 and again in 2009. Funding came to an end in 2010, by which time, through effective and professional steering group leadership, a forward looking business plan was in place.

“Maintaining long term buy-in from Councillors and leaders meant spending lots of time and energy keeping people up-to-date with the progress of the credit union. It was sometimes hard in the early days to have to explain why membership was only growing slowly, and then to ask the Council for further support. But they kept the faith. You had to keep minds focused on the wider long term prize of delivering a sustainable credit union for everyone in Wrexham.”

Michael Cantwell,
volunteer director 2001 - 2011

“Setting up a credit union for Wrexham was a long haul, and a lot harder than any of us imagined at the start. It was a continuous battle to keep everyone feeling involved and fired up, especially in the days when we had to wait for the outcome of the state aid ruling, which led to the daunting prospect for the Directors of going it alone”.

Keith Lane, credit union development officer

The credit unions across North Wales had been planning to merge for the purposes of modernisation and economies of scale. This coincided with a big push from the Welsh Government to support and promote credit unions throughout Wales. Wrexham CU brought strong local authority links to the table and essentially the partners merged into Llandudno credit union as the host. The new fully merged body was renamed as North Wales Credit Union (NWCU) and launched in 2011.

North Wales Credit Union has become a professional financial community bank with a strong presence. With more than 12,000 members, it is helping to deliver

the original financial inclusion and Community regeneration aims of not only Wrexham Council, but also the other local authority areas across north Wales.

What obstacles existed

One of the major hurdles that Wrexham CU worked hard to overcome was slow rates of growth partly due to the perception of credit unions being a ‘poor mans bank’. This image has tagged along with the

historical roots and aims of most credit unions being based on ethics of minimising the impact of financial exclusion within the communities they work in. This knowledge informed the desire for the credit unions across north Wales to work together, and NWCU is now able to offer current account interest rates comparative and often bettering those of the major high street banks.

A further complication facing the health of credit unions in Wales is the scaling down of Welsh Government funding. This will lead to the majority of the smaller credit unions not being viable. NWCU is overcoming this through a comprehensive business plan, which is on route for a maintained slow but steady growth, aiming to reach sustainability by 2015.

“We kept things interesting by making the most of the wealth of training opportunities available from the Wales Co-op Centre and from ABCUL (the trade body for credit unions). This meant that Volunteer Directors were always learning something new, and were keen to come out to Board meetings (even on a wet October evening...).”

Keith Lane, credit union development officer 2003 - 2007

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What changed

The existence of a stable and viable Credit Union offers a safe alternative to pay-day loans and other high interest loan schemes, helping reduce levels of financial exclusion and its related negative spiral of effects on the health, wellbeing and options available for individuals and communities at risk throughout Wrexham Borough County and the wider region that the NWCU serves.

- North Wales Credit Union is the largest credit union in Wales
- It is one of the biggest Welsh mutual organisations, with over 12,000 members
- 10% of members now have the Credit Union Current Account, to make online payments and open budget accounts
- Member savings are up 10%, with over £5m in instant access accounts
- 2012 saw a healthy dividend of 1.5%
- 2800 loans (up 4%) worth more than £2m were made in 2012
- The North Wales Credit Union was the 2012 Best New Welsh Social Enterprise of the Year

What they learned

Gaining top level support proved to be crucial in securing long

term commitment to changing the direction of budget spends.

Pulling together and supporting a diverse and well qualified steering group has ensured due diligence and has led to the long term stability of NWCU.

The merger process took two years and required extensive member communication and negotiation. The outcome of this lengthy process has led to a good structure, but fewer opportunities for participation at a local level. There is now a need for strong marketing to capitalise on the strength in depth that partnership offers, particularly with its potential for the provision of other services.

“I'm proud that we we're able to build a credit union for Wrexham which was able to then merge with our partners from across north wales, from a position of real strength. It's great for the communities we serve, and a real reward for the hard work that everyone keeps putting in.”

Sharon Angus Crawshaw, volunteer director, 2001 - 2011

Contact and Links

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