



8. Support debt advice

Many congregations already work with debt advisers, such as Christians Against Poverty or Community Money Advice. Some CUs will offer debt advice directly, but it is perhaps easier for them to work alongside a debt adviser.

Given the low interest rates that CUs can offer, it is often possible for a CU to work with members to consolidate their debts, with the reduction in interest costs making it possible to avoid going through a formal debt arrangement.

Find out how your local CU deals with this, and build an effective partnership with them.

9. Provide project funding

Many CUs have fragile finances. Small sums of money, used for particular purposes, such as website design, can make a substantial difference to the effectiveness of a CU. As with any project, it is important that its objectives are clear from the start, with the implementation plan being followed closely.

No CU should be seeking support for its ongoing operations in this way.

10. IF ALL ELSE FAILS: Start your own credit union

There are still many places in Scotland where there are very few CUs. The process of forming a CU is quite complicated. There are substantial requirements in terms of initial membership, capital raising and business planning.

However, over 100 CUs in Scotland have overcome these hurdles. With only 250,000 CU members, there is still space for many more.

Summary

1. Encourage your members to join a local credit union, and to borrow from them
2. Encourage local employers to have a payroll deduction arrangement with a credit union
3. Put your money where your mouth is: invest some church funds in a credit union
4. Offer practical help by volunteering, especially financial services, IT and marketing skills
5. Offer to host the CU in your church buildings to increase its profile in the area
6. Sponsor additional services
7. Support outreach work
8. Support debt advice
9. Provide project funding
10. IF ALL ELSE FAILS: Start your own credit union

You can find your local credit union at www.findyourcreditunion.co.uk

For more information, contact:

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10 ways your church can get involved with Credit Unions





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Members of many parish churches are already credit union members. This is hardly surprising since there are over 100 credit unions (CUs) in Scotland with a total membership of 250,000.

All CUs offer their members a convenient way to save and borrow. They are owned and run by their members, and funds are protected under the Financial Services Compensation Scheme.

The basic business of a CU begins with members building up their savings. The CU then makes loans from the pot of savings. So long as members borrow – and repay – enough from the pot, the interest that they pay on their loans covers the CU's costs, with enough money left over for a dividend to be paid on the savings.

They come in a wide variety of shapes and sizes. The largest have over 10,000 members, but many still have only a few hundred. Many loans are less than a thousand pounds, yet even on such small amounts, interest is typically charged at around 1 or 2% per month.

Such low interest rates are only sustainable because CUs serve a specific community, can be managed by volunteers, and can be set up with very little capital, compared with other financial institutions. All this means that they have a track record of working with sections of the population who would otherwise struggle to get access to these financial services.

The Church of Scotland is committed to supporting the work of CUs because they offer an alternative to mainstream financial services, and are open to everyone.

Here are some ways in which your church can get involved with local Credit Unions.

1. Encourage your members to join a local credit union, and to consider borrowing from them.

Joining a credit union is good, but in order to work well, CUs need borrowers as well as savers – thrift is good, but if you need a loan, think about going to your local CU first.

2. Encourage local employers to have a payroll deduction arrangement with a credit union.

Perhaps the biggest obstacle to the growth of CUs is the belief that they are for poor people. When large employers offer payroll deduction to their staff, it challenges that perception. It also gives the CU a large flow of regular saving and good quality borrowing – which actually makes it easier for them to work with poor people.

3. Put your money where your mouth is: invest some church funds in a credit union.

CUs struggle to raise the capital that they need for regular operations. Talk to your local CU about the possibilities – for example, deferred shares may be a way in which your congregation could deposit funds. This would add to the CU's capital but be aware that this would tie the money for at least 7-10 years.

4. Can your members offer practical help volunteering: e.g. financial or IT skills?

CUs rely very heavily on the skills of volunteers, particularly for governance. There are many church members who could provide knowledge gained from a career in such areas as financial services, IT, or marketing, who could easily find a niche in a local CU.

5. Offer to host the CU in your church buildings to increase its profile in the area.

Many churches already offer CUs facilities so that they can act as collection points. We know of one congregation which has entered into an agreement to host a 'self-branded' branch. Over time, this may be able to develop into an independent community CU.

6. Sponsor additional services.

CUs have still to make the leap from offering a savings and loan service to being community banks. Every time a CU wishes to add a new service, it has to find relatively small sums of money to set it up. This might include credit search software, direct debit origination, and, most importantly for becoming a credible banking organisation, current account and debit card facilities. For CU members without a current account, a pre-paid debit card is a relatively cheap way of being able to make payments. Your congregation might work with your local credit union, perhaps sponsoring this service.

7. Support outreach work.

CUs exist to support thrift and have a duty to engage in financial education. They need to reach out to school pupils and college and university students, given that they will very quickly become targets for other lenders, including payday loan companies. Your congregation could discuss working with a local CU to support community education projects.