

Lincolnshire Credit Union Ltd
Report to Boston Big Local Partnership
For the period April – June 2019



Theme 4	Encouraging Enterprise
Priority 1	Support Residents in Financial Difficulty
Report code	4.1.2
Quarter	1st Quarter

Information accurate as at 23st May 2019

Lincolnshire Credit Union Ltd.

The Lincolnshire Credit Union (LCU) is a not for profit, Community focused savings and loans provider for people who live or work in Greater Lincolnshire. The LCU specialises in small loans for those who may not be able to access mainstream lenders and relies on savers to provide the lending capital to enable it to do this.

In essence the Credit Union is a financial cooperative – pooling members savings to enable us to grant loans.

LCU is not a registered charity and is therefore precluded from accessing many funding streams aimed at charities. Its income is predominately derived from the interest charged on its loans.

Savings are fully protected under the Financial Services Compensation Scheme in the same way as a High Street Bank.

The LCU does not compete with Banks and, instead, concentrates on supporting those individuals who may turn to a high cost lender such as a payday lender, door-step lender (e.g. Provident), rent-to-own (e.g. BrightHouse) and Illegal Money lenders (e.g. Loan sharks). As such the Credit Union is always cheaper than those alternatives

LCU does not offer transactional accounts. Instead it partners with the Change Account, assisting individuals to open a transactional account with this third-party provider. The usual monthly charge for the Change Account is £4.25, however for people joining through the portal on the LCU website the charge is reduced to £2.00 per month.

The Credit Union's ethical nature can be explained as:

- Not for profit – no external shareholders
- We have no interest in people remaining in a cycle of debt and encourage saving at the same time as borrowing
- Maximum interest rate is capped by law at 42.6% APR
- No administration / arrangement fees
- No early repayment charges
- Interest charged only on outstanding balance of loan
- LCU aims to tackle financial exclusion through its partnership with the Change Account and representatives sit on the Steering Group of the Lincolnshire Financial Inclusion Partnership

1. Activities undertaken in the BBL area

As the aim of Credit Union activities is to improve BBL residents/workers' financial capability, it is taking barriers down and incentivising them to manage their money responsibly by encouraging the building of both a savings habit and the ability to borrow responsibly. For those who may be financially excluded by mainstream/High Street providers LCU is also introducing them to an alternative provider for transactional accounts.

The LCU used BBL funding this quarter for the following: -

1. **LCU Costs:** To permit a physical LCU and online presence in the BBL area (including CEO and BDO visits), allowing the LCU to promote what it does

and what it could do for the residents, workers or volunteers in the BBL area, including our services and the option to qualify for the BBL funding to cover their start-up charges.

2. **Residents Charges (LCU):** To cover LCU's one-off entrance fee (£3) and £1 savings in order to ensure that residents/workers/volunteers have a savings account active and ready for them to start the saving habit; and
3. **Residents Charges (Change Account):** To cover the equivalent of 6 month's worth of maintenance costs for the Change Account (our preferred partner for transactional accounts for those who cannot get one on the High Street).

The main activities in the area for the first quarter of the 2 years grant funding have been: -

Physical presence in the BBL area: The Business Development Officer (BDO) spent 1.5 days in Boston meeting with Lincolnshire Community & Voluntary Service, Boston Borough Council, the Boston Jobcentre Plus and LCU volunteers.

- **Lincolnshire Community & Voluntary Service (LCVS).** The Chief Executive Officer (CEO) and the BDO visited LCVS and discussed with them the possibility of LCVS making a Corporate Deposit of up to £20,000 with the Credit Union and to offer their staff access to the Payroll Deduction Scheme, so they can save or repay a loan, should they need one, straight from their salaries. LCVS were particularly interested in the impact that the savings of its staff and the organisation, as a whole, would have for the Credit Union and the Community – that is making more capital available for the LCU to lend out to residents who may be financially disadvantaged and who otherwise, would turn to high-cost lenders. They agreed to raise this with their management team and consider whether this is something the LCVS would want to go forward with.

During the discussion the CEO and BDO mentioned that the LCU intended to translate one of its leaflets, potentially the one for Christmas Saver Accounts, into the most spoken languages in Boston and

the LCVS offered to help. To make the leaflet suitable for translation the BDO is looking for support out in the wider community.

- **Boston Borough Council.** The BDO met the Health, Safety and Wellbeing advisor at Boston Borough Council. They agreed that the Credit Union could promote the Payroll Deduction Scheme to the staff working in the Municipal Buildings. The BDO subsequently forwarded promotional materials that included information, informing Boston Borough Council staff working in the BBL area, that they could qualify to have their LCU entrance fee covered by BBL.

The Health, Safety and Wellbeing Advisor at Boston Bourgh Council also offered the BDO the opportunity to talk to the staff but, as yet, a date has not been arranged.

- **Boston Jobcentre Plus.** The BDO met the Armed Forces and Employer Advisor at the Boston Jobcentre Plus and explained what the LCU does and how it could help their service users. Once more, the BDO mentioned that BBL residents, workers and volunteers could qualify for their entrance fee, plus £1 savings deposit, to activate their LCU account, being covered by BBL.

The BDO was offered the chance to give a presentation at a partnership meeting, a date is still to be agreed.

- **LCU volunteers in Boston.** The BDO and the LCU's volunteer in Boston agreed that the Volunteer would support the BDO from now on with proof reading, forms/promotional materials creation, etc.

2. Results from the activities undertaken

LCU entrance fees covered by BBL. According to The Independent, the first signal that an individual is in a good financial position is their level of savings and not paying off the mortgage or to be debt free, as many would argue. To incentivise savings and take down barriers, that paying for a service could pose to people, the Credit Union paid the residents' entrance fees for those who joined us during the first quarter of the grant funding and deposited a £1 saving in their savings accounts to activate their accounts.

In total, **3 residents** benefited from this incentive, two live in the BBL area and one works in the area. Two of them are non-UK nationals.

Change Account's 6 monthly fees covered. From the LCU's experience in the sector, we are aware that a considerable part of society struggles to open a bank account - even a Basic Account, for example, that provides basic services and is usually free of charge can prove difficult to obtain. Because the LCU is a savings and a loans provider, but does not offer transactional accounts, we have partnered with the Change Account. They are a provider of transactional accounts that do not carry-out credit checks on people, have different ID requirements to a High Street bank, and have arrangements for people to utilise organisations under the Homeless Link framework as the individual's address. In fact, our partnership allows people who apply for the Change Account through the portal on our website to pay a monthly fee of £2 in comparison to the usual £4.25, if they apply through the Change Account's own website.

During the first quarter of the grant we did not receive any applications, but we are confident that we can help financially excluded people in the area apply for a transactional account. The Jobcentre Plus is now aware of this service.

Loan applications. LCU lends its members' deposits out (in accordance with regulatory ratios) to people who may be financially disadvantaged and may turn to high-cost lenders, such as Payday Lenders, Doorstep Lenders, Rent-to-Own schemes or Loan Sharks. Our loan decisions are made by a human being and we decide on affordability (credit checks also apply).

During Quarter One, 7 residents in the PE21 postcode area applied for a Credit Union loan, from which 2 were BBL residents and 2 were non-UK nationals (Note: although we do not hold our members' nationalities, we use the word 'potential' as their names/surnames lead us to think they could be non-UK nationals).

In summary, as table 1 shows, two BBL residents applied for a total of £1,300, from which one lived in the BBL area and the other was a non-UK national that works in the area. Nevertheless, as they did not meet the Credit Union's lending criteria the loans were not granted.

Table 1. Loan applications processed during Quarter 1

Loans	BBL Residents/Workers		
	Approved (A)	Declined (A)	Total Loan Applicants
Total Number of loans	0	2	2
- Potential non-UK nationals	0	1	1
Total amount (in £)	£0	£1,300	£1,300

To summarize, **Table 2** compares the targets defined initially for the grant’s 1st year and the actual results for this first quarter (April & May 2019), according to each service provided (entrance, loans & support to open Change Accounts). Note that the last column shows the number of applicants for each service left to hit the annual targets.

Table 2. Target against actuals per activity undertaken

Activity	Annual Targets	Actual for Quarter 1	Actuals - Targets
Open LCU accounts	15 members	3 members	- 12
Apply for LCU loans	5 applicants	2 loan applicants	- 3
Support to open Change Accounts	5 applicants	0 resident	- 5

3. Activities planned for Quarter 2

During Quarter 2 the BDO will focus on designing a leaflet that can be interpreted and translated to the most spoken languages (apart from English) in Boston, such as Polish and Lithuanian.