

# TONBRIDGE & MALLING BOROUGH COUNCIL

## COMMUNITIES ADVISORY BOARD

28 March 2013

### Report of the Chief Executive

#### Part 1- Public

#### Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

#### 1 KENT SAVERS CREDIT UNION

**To outline the overall purpose of the Credit Union and how this might be more fully promoted within the Borough to those most in need.**

#### 1.1 Background

- 1.1.1 Credit Unions are regulated by the Financial Services Agency and are run as financial co-operatives, owned and controlled by their members. As such, Kent Savers runs on a not for profit basis and aims to promote saving and provide members with loans at reasonable rates, enabling people to control their own money.
- 1.1.2 Kent Savers is more accessible than a high street bank and aims to make it easier for those with a poor credit history to borrow money. They provide a safer and cheaper alternative to other money lending sources such as doorstep lenders, loan sharks and payday loans. Payday loans allow people to obtain money to help with a temporary shortfall in finances until the next pay day. While payday loans can be a useful tool for some people, others can find they start rolling over the debt from one month to the next. Interest and charges can be quite high for payday loans and the amount owed can mount up quite rapidly if they are taken over a long period.
- 1.1.3 The Kent Savers website lists an "Instant Loan" of £500 as having an APR of 26.8%. As a rough example Wonga.com lists a £300 loan as having an APR of 4214% - this is supposed to be a short term loan so in theory customers would never pay the money back over a year or long term period. However, if debt is rolled over, then interest charges would quickly escalate. This is an area of concern for Tonbridge & Malling CAB who is currently undertaking research into the experience of clients who use payday loans. They are hoping to discover why people chose payday loans rather than other financial products. The survey will include people who have had positive experiences of using payday loans as well as those who have struggled with debts after taking out a payday loan. This information will be shared with the Borough Council once the report is finalised.

- 1.1.4 In addition to providing a safer option for money lending, Kent Savers also aims to compare well with other banks and building societies for those able to save money. As it is a credit union, money paid out on savings will be a share of the profits – a dividend, rather than a percentage interest rate.

## **1.2 Promotion of Kent Savers within the Borough**

- 1.2.1 The promotion of Kent Savers would help to reduce the use of less reputable money lending sources as well as providing an opportunity to encourage savings. In order for Kent Savers to operate successfully, it must attract customers who are able to save money and cannot purely loan money to those less affluent. With this in mind, Kent Savers would want any promotion to target a wide audience and not just focus on loans within the priority community areas.
- 1.2.2 Kent Savers are able to offer training to relevant staff to enable them to promote the credit union to customers who they feel may benefit from it. For example in other districts, training has been undertaken for staff working at Gateways. There may also be housing and benefits officers as well as local partners who would find the training useful.
- 1.2.3 Information and a link from the Council's website to Kent Savers would help in the first instance to guide people interested in saving or securing loans. Kent Savers also produce leaflets and posters which could be made available at community centres, receptions and shared with partner organisations where appropriate.
- 1.2.4 A representative from Kent Savers could be asked to present at Tonbridge Forum, and the Parish Partnership Panel, to explain the benefits of the credit union and encourage promotion of the services on offer. There may also be interested partners within the Tonbridge & Malling LSP who may be able to assist with promotion, so Kent Savers could be an item on a future agenda.
- 1.2.5 Given the significant impact of Universal Credit and the estimated rent arrears arising from reduced benefit payments and from those unable to manage their own finances, it would also be appropriate to work with local housing providers to promote Kent Savers.

## **1.3 Legal Implications**

- 1.3.1 As a credit union, Kent Savers is legally obliged to encourage its members to save money. Usually a proportion of a loan repayment is allocated to a savings account, so that once the loan is paid there is also a certain amount saved.

## **1.4 Financial and Value for Money Considerations**

- 1.4.1 For savers, credit unions can only pay a share of the profits. This dividend is based on each member's average daily savings balance. The dividend is decided by their members at the annual general meeting.

## 1.5 Risk Assessment

- 1.5.1 Kent Savers are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

## 1.6 Equality Impact Assessment

- 1.6.1 See 'Screening for equality impacts' table at end of report

## 1.7 Recommendations

- 1.7.1 That promotion of Kent Savers be undertaken, via website, with partner organisations and existing forums;
- 1.7.2 That the possibility of Kent Savers providing training sessions for Gateway and other relevant staff be investigated;
- 1.7.3 That the research findings currently being developed by Tonbridge & Malling CAB, regarding payday loans be brought to a future Advisory Board for further analysis of the situation locally with regard to debt and loans for those most in need.

Background papers:

contact: Gill Fox

Nil

Julie Beilby  
Chief Executive

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	Yes	Providing information and advice on safe and accessible loans will help those most in need access funds, reducing the dependency on less reputable lenders.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*