

15 August 2012

Ann Jones AM
25 Kinmel Street
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Dear Ann,

Possible review of 2010 Financial Inclusion report

In 2010, the forerunner to the Communities, Equality and Local Government Committee – the Communities and Culture Committee – completed a review of Financial Inclusion and the impact of Financial Education. This looked in part at the role of the Welsh credit union system both in providing financially inclusive services but also in supporting financial education. The report expressed some reservations about the effectiveness of credit unions in Wales but endorsed the Welsh Government's efforts to stabilise the sector whose development it rightly assessed as being patchy.

We are grateful to the Committee for completing this report which had the beneficial effect of increasing the awareness issues of financial inclusion and the development of credit unions both in the Welsh Assembly and more widely.

Since the publication of this report, there have been a number of developments at both Welsh and UK level.

Firstly, in the wider financial inclusion and education space:

- The effect of the economic crisis upon the availability of credit and increasing pressure upon family finances.
- The establishment of the Money Advice Service from the Consumer Financial Education Body and the assignment of co-ordinating face-to-face debt advice to it.
- The increasing use of a relatively new form of high cost, short term credit in the form of pay day lending.
- A continuing lack of competition in home credit with Provident Financial having an ever-more-dominant market position.
- The conclusion of HM Treasury's Financial Inclusion Fund which co-ordinated and monitored interventions to tackle financial exclusion.
- The failure of the outgoing Labour UK Government to pass legislation which would have made financial education a compulsory element of the National Curriculum.

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Likewise, in the specific area of Welsh credit union development there have been a series of significant developments:

- The passage of long-awaited transformative legislative reforms to the Credit Unions Act which provide the sector with a range of new powers and flexibilities which came into force in January 2012.
- The winding down of the Welsh Government's Credit Union Action Plan which closes in 2013 and aimed, among other things, to significantly increase credit union membership and assets.
- The closure of the UK Labour Government's Financial Inclusion Growth Fund which provided credit unions, including several in Wales, with capital to on-lend to those at risk of financial exclusion and which supported several credit unions in Wales to provide an affordable alternative to high cost lenders.
- The announcement by the Department for Work & Pensions that it will invest £38 million in credit union expansion and modernisation, open to credit unions across Great Britain, based around collaborative efforts to improve efficiency, skills and service with a view to achieving self-sustainability in 5 to 7 years and increasing British credit union membership by one million.

Given the scale and pace of change we have seen in the two years since the Committee's last report, ABCUL and our 17 member credit unions in Wales (of 21 Welsh credit unions in total) feel that it might be an opportune time to assess the progress that has been made by the Welsh Government and the agencies it supports in ensuring fair access for all to affordable and appropriate financial services.

Much has been achieved in Wales through the actions of the Welsh Government – the entire country has access to credit union services, for example, and the membership of credit unions continues to expand – however, our members feel that there are opportunities to further enhance and increase the effectiveness of the support which the Welsh Government provides so that it has the maximum possible impact and benefit for the Welsh people.

In particular, a recent survey of our Welsh members found that 86% of respondents identified achieving self-sustainable development as the key challenge facing the sector. It is only through achieving self-sustainability that credit union services can be guaranteed for the people of Wales into the future and the sector wishes to be able to stand on its own two feet instead of remaining reliant upon ongoing subsidy.

It is this challenge we feel the Welsh Government should tackle head-on as it considers the support it might provide for the sector after 2013. UK Governments both now and before the last general election have acknowledged the importance of incentivising self-sustainability in their support for credit unions and we hope that this learning might be utilised by the Welsh Government too when considering its future support.

We do hope that you will consider revisiting your 2010 report both in terms of the wider financial inclusion agenda and the development of sustainable credit unions and look forward to hearing from you soon.

Yours sincerely,



Mark Lyonette
ABCUL Chief Executive

cc: Peter Black AM	Janet Finch-Saunders AM	Mike Hedges AM
Mark Isherwood AM	Bethan Jenkins AM	Gwyn R Price AM
Ken Skates AM	Rhodri Glyn Thomas AM	Joyce Watson AM

Marc Wyn Jones, Committee Clerk