



# VISION 2025



Association of British Credit Unions Limited

A vision & strategy for  
British credit unions to 2025



# CONSULTATION CONCLUSION

The time is right to harness our collective passion and energy and pursue our Vision for 2025.

THERE'S never been a more exciting – or challenging time – for the entire credit union movement in this country.

The time is right to set out a new and ambitious strategy which is why your ABCUL Board approved the launch of an unprecedented national consultation exercise during 2019.

One thing to emerge clearly was the passion and energy shared by those involved in each and every credit union regardless of the size or make-up of the organisation or its membership base.

There is naturally a diversity in the range of services credit unions aspire to provide and also the target audience for those services.

However, there is a common goal to help build financial resilience for people through the promotion of a savings culture, and the access to ethical, affordable lending, which credit unions all over the country are proud to provide for their members.

To be able to deliver against our ambitions in a rapidly changing and technologically advancing business climate requires a concerted and determined effort to agree and implement a strategy for change and growth. We can only achieve this by working together as a movement and to harness the passion and the individual skills we all possess.

It is also vital that ABCUL steps up its activities in lobbying for the legislative change that will give us the platform on which to base our vision.

The Town Hall consultation of 2019 delivered the opportunity for voices to be heard and views to be considered.

I believe 2020 is the most important year in decades as it is now that we set out a Vision and a road map based on that consultation that will give us a strategy to drive us forward over the next five years.

I want to thank everyone who took part in the consultation process for their input and to everyone for all their incredibly hard work in putting this strategy together. I also want to place on record my thanks to the ABCUL senior officers and staff team who facilitated, collated and analysed all the intelligence gathered.



**Karen Bennett ABCUL President and Chair of the ABCUL Board**





## A SHARED VISION FOR 2025

There is clear majority agreement on the direction of travel and priorities needed to take the Credit Union movement forward.

I believe that this year will be one of the most significant in the history of the British credit union movement because it will see us map out and begin to implement a five-year vision to drive our strategy until 2025.

To move forward with confidence we needed a solid, evidence-based foundation ... an intelligence-based view on the direction of travel and the priorities for action. That is exactly why ABCUL led the way with its sector-wide 2019 consultation, and it's exactly what our collective processes delivered.

We met with representatives from credit unions across the country – ABCUL members and non-members alike – during eight months of Town Hall events that took us to Birmingham, Cardiff, Glasgow, Liverpool, London, Taunton and York. We canvassed views through formal consultation events, other events with members, individual meetings with credit unions and an online survey. We also engaged with stakeholder groups right across the political and social spectrum.

The consultation was structured around four key themes – Sustainability; Relevance; Collaboration; and Purpose.

Debate was lively and wide ranging. Views and opinions were strongly held and ideas for strategic development were well considered and voiced with conviction. But for me one of the most encouraging things was the strong consensus around key areas of priority that need to be pursued with vigour if we are to achieve our shared 2025 Vision.

And it is also clear that while there is a preferred direction of travel there is a need for variation within the 2025 Vision with some credit unions identifying different needs or priorities for either shared services, business model change or potential mergers.

The intelligence we gathered is rich in value and the analysis is conclusive in the need for action and for that action to begin this year - and continue at a pace to win the support of regulators and governments in order for the British credit union movement to realise an ambitious 2025 Vision.

Consultation key objectives were to:

- Build consensus across the sector around a shared vision and strategy to 2025
- Establish an evidence base for policy changes to enable the realisation of the 2025 Vision
- Set out a roadmap for the development of ABCUL's products, services and membership to support the sector's strategic aims.

I believe we have achieved these key objectives and this document sets out the key consultation findings and the proposed road we need to travel to achieve the 2025 Vision.

**Robert Kelly** CEO, ABCUL

# CREDIT UNIONS – STANDING AT A CROSSROADS

Before setting out our vision for the future, it's important to look at where the credit union movement – and ABCUL - stand at the moment.

Credit unions already provide a valued service to nearly 1.5 million members across England, Scotland and Wales.

Our 2025 Vision acknowledges it is crucial for the movement to evolve if it is to prosper in the way we all want - and sets out the route to those changes. We need to become more digitally efficient and offer a wider range of services that will allow us to attract a bigger - and younger - membership.



## OUR VISION FOR CREDIT UNIONS IN 2025

By 2025, credit unions aim to be digital-first providers of savings, lending and payment products, offering the sort of technology that facilitates the access to products that many people expect these days.

Some larger credit unions, through the scale of their business, will be better able to compete, while other smaller credit unions may find co-ordinated consolidation, partnerships or mergers an attractive way to enable the right levels of investment in technology and digital banking platforms.



*Credit unions need to increase and diversify lending and develop their digital offerings to secure more (and younger) members.*



And despite the fast-paced changes in the high street banking sector, credit unions in 2025 will be growing across Britain, with many great examples of profitable business models that have developed over the years through patient and socially orientated investment and strong cultural reputation.

The credit union movement in 2025 will still enshrine the right of smaller, more traditional credit unions to retain their established community-based model but decisions about their business model can only be taken in the context of a regulatory and legislative framework less restrictive than it is at present.

Our 2025 Vision will see an established and collaborative environment with close co-operation between credit unions informally as well as through Credit Union Service Organisations (CUSOs). In addition, British credit unions will be led by professional leaders who are closely linked into and committed to traditional credit union values.

There will still be variation across credit unions although they may tend to have a clear focus on supporting excluded and underserved groups within society in low and middle-income households.

Our Vision also looks to see clear and evidenced social value that credit unions are disruptive against exploitative lenders and effective at building resilience through responsible lending and fostering a savings culture.

## ABCUL – STANDING AT A CROSSROADS

As a trade body, ABCUL already provides lobbying and a variety of support services to member unions across the country. But again the need for change and evolution is undeniable. ABCUL must lead the way as we present a confident and ambitious case to legislators to enable the credit union sector to expand services to include the potential provision of credit cards, insurance products,

a larger range of lending and savings products and even mortgages. We must also look to support members in other areas such as facilitating mergers; help with the development of CUSOs and lead the way with providing training and expertise in areas such as compliance and, crucially, marketing to ensure credit union leaders are given the confidence to drive the movement forward.



## OUR VISION FOR THE ROLE OF ABCUL IN 2025

Our Vision for 2025 sets out the crucial role ABCUL has to play in driving the movement forward.

That Vision sees ABCUL as the leading advocacy organisation for credit unions in England, Scotland and Wales, representing the sector to national and local governments, regulators, lawmakers, and all other relevant stakeholder organisations.

As by far the largest credit union trade body in Britain, ABCUL will be providing a core membership proposition supported by optional paid-for services developed in close co-operation with its members.

It will be modernised, flexible and fully equipped to support CUSO development and credit union collaboration.

ABCUL will enhance a strong track record in attracting investment as a catalyst for credit union growth.

In addition, 2025 will see ABCUL supporting education and development opportunities across the sector, including access to the ABCUL Academy to members, and working co-operatively with all other collections of credit unions for the common good of the sector.

As it develops more value for money services for members, ABCUL will also save members money through our on-going campaign for a proportionate regulatory regime and by providing a free to use information and enquiry service.

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*ABCUL could help to identify possible partnerships for collaboration and organise more specific training/thought leadership events to share good practice.*

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# THE FOUR SECTORS OF THE CONSULTATION

## 1: SUSTAINABILITY

The better service we can offer members the more successful we shall be. We need to speak to people about the kind of services they want - and then deliver them.

The consultation set out a number of key challenges to credit union sector level sustainability. While many credit unions perform well and have strong growth prospects there are many who would benefit from:

- Stronger lending performance
- More efficient operations and reductions in the core costs of operational functions
- Improved financial discipline
- A strengthening of governance and leadership
- Ability to realise efficiencies through economies of scale and the potential for strategic mergers.

Weaknesses in the areas highlighted above have resulted in low profitability and restrictions in the ability to invest and fund growth. In some cases, this has led to the failure of a credit union to continue in business.

Most voices agreed with the sustainability issues as presented and about half of all participants confirmed that they were worried about the sustainability of their own credit union.

The majority made it clear they were focused on growth – though not exclusively – and voiced support for exploring the viability of support for co-ordinated sector consolidation.

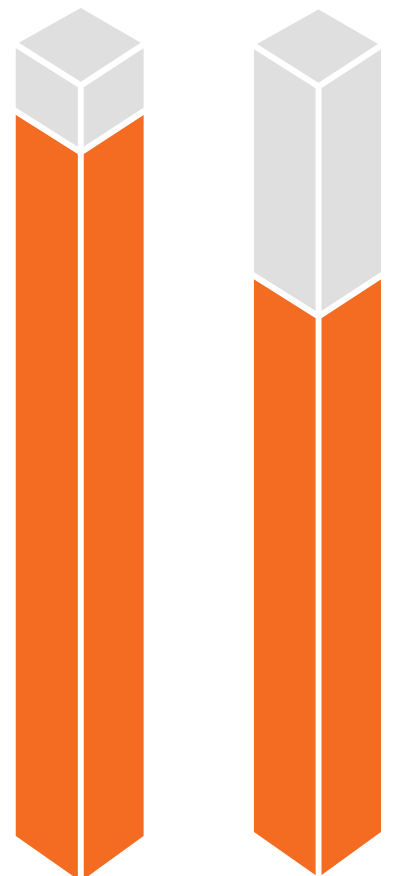
Credit unions generally accepted the challenge around governance and leadership and are looking for a range of support services to enable them to effectively overcome this. Leadership training and development was identified as the highest priority followed by attracting mentors from other sectors. The introduction of a code of governance was also favoured as a tool to help build governance and leadership.

While there was some variation in the views of credit unions toward strategic mergers as part of discussions around sustainability...there was strong support for ABCUL to initiate a more proactive role in helping to facilitate discussions on potential mergers and shared services for credit unions interested in considering such moves to strengthen sustainability and improve business model capability.



**92%**  
said growth was a priority for their credit union.

**70%**  
identified growth as their top goal.



**“**  
*When the time is right businesses flourish. The time for Co-op and CU growth has possibly never been better.*  
**”**



## 2: RELEVANCE

# 80%

agreed that partnership with FinTech providers was a key route to going digital.

We need to identify the consumers we are trying to help and provide services they can't obtain elsewhere at a fair price.

The consultation set out an analysis of credit unions' relevance to the savers and borrowers of today focusing on the limitations of the current product offering and the lack of sufficient automation and digital service delivery to meet the current consumer expectations of accessing any service.

The combined impact of these factors is contributing to a relatively low proportion of younger people in credit union membership and too few borrowers as a result.

In response to this theme, the consultation saw the following consensus emerge:

- Though some credit unions (around one third of respondents) are content to offer the traditional savings and unsecured personal loans only model, the majority want the freedom to determine which

products they offer based on sound business cases, appropriate risk analysis and member demand.

- Interest from credit unions is highest in car finance (70%), followed by credit cards (51%) and then insurance introductions (49%).
- Credit unions generally want to work with FinTech organisations to support digitisation of services, either through striking individual contracts or working with other credit unions on shared solutions.
- Credit unions by and large want to change how they deliver their services to members and are keen to explore new systems and approaches but face key barriers in adopting new technology principally - Affordability (lack of accumulated capital to invest), expertise and time to investigate options.

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*We need people to understand why we're here and what we can offer them. We need to be relevant to a wider range of modern consumers alongside our current membership.*

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### 3: COLLABORATION

Let's share best practice and success stories from leading credit unions, both large AND small.

The consultation set out an analysis of the low levels of collaboration within the British credit union movement relative to other, more developed sectors.

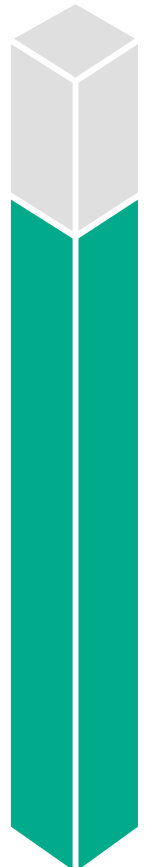
British credit unions have not yet developed the same level of ecosystem of Credit Union Service Organisations which are a key feature of most successful credit union systems globally and this is seen as a weakness.

The overall low level of collaboration and integration means many low value activities are duplicated and the benefits of working together are not maximised. There are a number of credit union representative bodies and this results in policy makers hearing multiple voices when listening to the sector and duplicates certain functions and services.

In response to this theme, the consultation saw the following consensus emerge:

- The credit union sector wants to collaborate more and this came through strongly in the polls, online survey and discussions at Town Halls.
- They want to lead the creation of CUSOs to create access to quality, affordable services tailored to the needs of credit unions. Many areas for collaboration were highlighted with IT, payments infrastructure and credit control being the most popular across respondents.
- Credit unions fear the dilution of voice and power of collective action arising from the existence of multiple representative bodies and would like to see them work together more.

**85%**  
actively support the idea that credit unions in Britain should work together to develop Credit Union Service Organisations.



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*The need for more effective collaboration and co-operation in our sector has never been greater.*  
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## 4: PURPOSE

# 88%

support for ABCUL taking the lead on developing data on who credit unions are serving and social value that they create.



### Credit unions can contribute towards alleviation of poverty and economic empowerment within the community.

The consultation set out an analysis of the challenge credit unions face in terms of defining and pursuing a clear purpose both in terms of market served as well as presentation to public policy makers and other relevant stakeholders.

To combat a perception as being seen as the “poor man’s bank” credit unions have often sought to position themselves as being for “everyone” and the clear mission of many credit unions as a vehicle for financial inclusion is being questioned by rival lenders and other stakeholders.

Targeting of clear sections of the population will support credit unions to tailor products, services and marketing more effectively as well as presenting a clear case to stakeholders on their role in the current financial services landscape.

In response to this theme, the consultation saw the following consensus emerge:

- Affordable credit alone cannot solve long term problems of inadequate and uncertain income and should not be seen as the

solution.

- ABCUL should take a lead in developing data around who credit unions are serving and the social value they create. However, there was not a clear consensus on the target market for credit unions in Britain. This undoubtedly reflects the diverse nature of our sector.
- Geographical differences emerged during the Town Hall events also with the range selecting ‘low and middle income’ consumers as the target market varying widely in different regions. The lack of agreement on market reflects the diversity of members currently being served by credit unions across Great Britain. This area will require more thought and engagement with credit unions and the potential to accommodate strategies that enable different credit unions to determine their own marketing approaches to target audiences.

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*To help our members improve their financial resilience and to build a better quality of life for individuals and families across the country.*

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# CREDIT UNIONS – THE ROAD MAP TO DELIVERING VISION 2025

The sector and individual credit unions are ready, and in some cases already engaged in, a range of strategic actions to achieve our shared goals. The starting gun has been fired to get the 2025 Vision off the starting blocks and on track to progress this year and throughout the five years ahead.

## SUSTAINABILITY:

- ✓ Accelerate automation of services and move to more digital delivery of the majority of credit union services but supported by retention of branches/ telephone options for certain services and members who rely on them.
- ✓ Take a proactive and long-term view of the sustainability of their institutions and start to plan for the future in the context of consolidation for scale and continued service. Work collaboratively to develop models of social investment in credit unions that work for both credit unions and investors.
- ✓ Build a sector-wide discipline and skill set in financial accounting and management alongside a culture of prudent cost management and operational efficiency to ensure profitability sufficient to reward members, build appropriate capital buffers and invest in the future.
- ✓ Embed culture of excellence in lending across the credit union movement as a key focus of the sector's future success.

## RELEVANCE:

- ✓ Build a traditional and digital marketing skills base within the sector to drive awareness of credit unions in support of sustainable growth.
- ✓ Work collaboratively to develop new products and services to increase engagement with existing members and to attract new ones as well.

## PURPOSE:

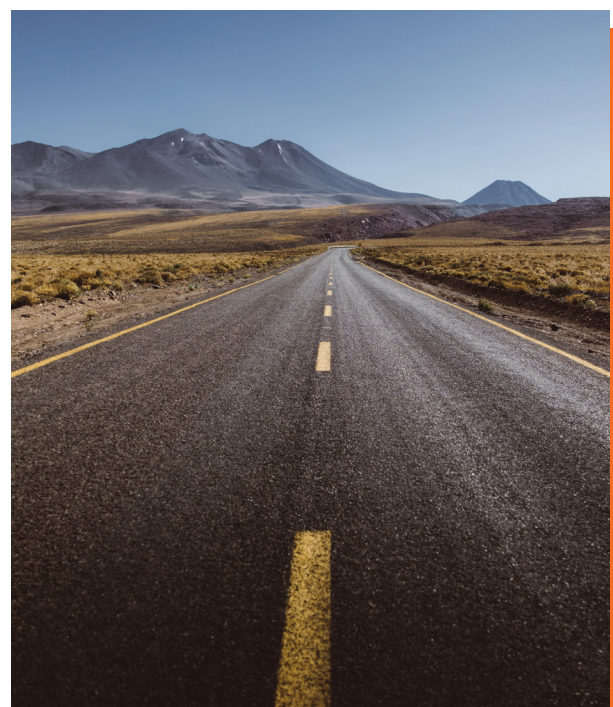
- ✓ Develop a much clearer sector-wide understanding of who credit unions are serving, the needs of these groups and the products that credit unions should offer to meet those needs.
- ✓ Build a clear data and evidence base on the social impact of credit unions and their role in building financial capability and extending services to under-served and excluded groups.

## COLLABORATION:

- ✓ Develop a broad range of CUSOs to deliver key activities to support sustainable growth and maximise efficiency for credit unions.
- ✓ Work together to develop credit union leaders to take the sector forward



*We need to provide products and services that members want, in the way they expect, and that are more easily accessible.*



# ABCUL – THE ROAD MAP TO DELIVERING VISION 2025

We sought views on how ABCUL might best respond to the strategic priorities of the sector and develop services to support the delivery of the 2025 Vision. A number of key actions for ABCUL emerged and will form the basis of our strategic road map.

## SUSTAINABILITY:

- ✔ Consult further on what coordinating and supporting strategic mergers looks like and how this can be delivered as effectively and respectfully as possible.
- ✔ Develop a paid compliance service for credit unions to share the cost of regulatory burden and achieve savings and increased standards.
- ✔ Continue to provide and to build on its core services of advocacy, events, networking, technical guidance and advice.
- ✔ Support the Credit Union Foundation to deliver a bespoke Leadership and Management School for the British credit sector.
- ✔ Attract additional capital investment into the sector.

## RELEVANCE:

- ✔ Lobby the Government for a new Credit Unions Act enabling the provision of products and services to members based on demand and a sound business case.
- ✔ Develop a marketing service for credit unions to maximise marketing budgets and drive awareness of credit unions in target markets.
- ✔ Facilitate the effective navigation of the FinTech environment to take advantage of the huge opportunities available to enhance service delivery in highly cost-effective ways.

## PURPOSE:

- ✔ Work to develop a clear and compelling narrative around the role credit unions play in extending access to affordable credit to those who need it most.
- ✔ Develop a shared data service providing clear intelligence for credit unions to analyse businesses activity.

## COLLABORATION:

- ✔ Facilitate the development of credit union-owned and led CUSOs.
- ✔ Explore the development of a system of standards and benchmarks for credit unions to raise performance and compliance.
- ✔ Work with other groupings of credit unions and trade bodies for the benefit of the whole sector and to maximise impact.
- ✔ Apply our co-operative principles in practice.

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*We are privileged to be able to serve in a financial sector that genuinely wants to serve their customers. Growth and profit is of course important but they are not so important that they exclude all else. The better service we can offer members the more successful we shall be.*

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Association of British Credit Unions Limited

- » Leading the way as Britain's best and biggest credit union trade body
- » Leading the way to an exciting 2025 Vision
- » Leading the way in advocacy and expert support to credit unions

## ABCUL saves its members money

- ✓ Changes won in the reform of CREDS (£30m over 10 years)
- ✓ Consumer credit licence exemptions and reduced fees (£3.5m per year)
- ✓ Senior Managers Regime (£1.75m on introduction and in ongoing compliance)
- ✓ Raising the loan interest rate cap (extra revenue of £2m per year)
- ✓ Creation of a deposit account guide (£1.25m in the last year)
- ✓ The ABCUL Academy (access to which saves credit unions £30k in development costs, plus £10k per year per credit union)

### Get in touch

If you'd like to hear more reasons to be an ABCUL member then give us a call on 0161 832 3694 or email us on [members@abc.ul.org](mailto:members@abc.ul.org).

You can also find us on

Facebook: @WeAreABCUL and Twitter: @ABCULCUs.

*Your Membership, Your Association*

