

Governance Remuneration and Controls Team  
Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

7<sup>th</sup> October 2025

To Whom It May Concern,

### **CP18/25 – Review of the Senior Managers and Certification Regime**

We welcome the opportunity to respond to this consultation. ABCUL is the primary trade association representing credit unions in England, Scotland and Wales with around two thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies that provide financial services – primarily savings and loan facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers, they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loan facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and/or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at 42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with over 230 credit unions active in Great Britain today with more than 1.5 million members and £2.7 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

## Consultation Response

ABCUL agrees to the publication of our organisation in the PRA's feedback response. We have responded to the PRA's proposals, which are relevant to our member credit unions and welcome the proposals to reduce regulatory burden where it applies to our member credit unions.

### Chapter 2

#### 12-week rule

ABCUL supports the proposed changes that allow firms to submit applications for a Senior Management Function (SMF) within a 12-week period.

Importantly, individuals already performing SMF roles will be allowed to continue in their positions while their applications are processed or recruitment for the role has been completed. ABCUL believes this provision is essential to maintaining stability in leadership during any transition period.

We also appreciate the clarification that submitting an application within these 12 weeks does not violate any regulatory rules. This flexibility is crucial because it allows credit unions to temporarily fill SMF roles without needing immediate regulatory approval, giving them time to find a permanent and suitable candidate.

ABCUL supports the PRA's proposal to extend Senior Manager Conduct rules to individuals operating under the 12-week rule. We hope this initiative will achieve its goal of ensuring continuity, adequate oversight, and compliance during unintended SMF transitions within firms. By doing so, it should enhance accountability in situations where key operational decisions are made, thereby mitigating potential risks associated with leadership changes and transitional periods. However, ABCUL notes that the process from SMF application to a regulatory decision could take up to a maximum of 6 months (the 12 weeks to complete the SMF application plus a statutory 3 months for review and decision-making).

ABCUL supports and encourages strong governance and succession planning amongst our member credit unions. We agree that the 12-week rule would not be appropriate for longer foreseen absences. Furthermore, we welcome the proposed addition of non-exhaustive examples in SS28/15 and SS35/15.

We welcome the proposals to engage further with trade bodies on the SM&CR approval process. ABCUL continues to listen to our member credit union and engage with the other credit union trade bodies to further understand the challenges and trends with regard to SMF application

submissions. Continued open discussion and channels of communication will further allow for clearer PRA regulatory expectations.

## **Chapter 4 Proposals**

ABCUL is also in favour of the new proposals to set an expectation that submission of an updated SoR and MRM should happen no later than six months following a significant change in responsibilities. The provided clarification on when the timeframe does not apply is also appreciated.

Moreover, ABCUL appreciates the flexibility given to firms in assigning prescribed responsibilities to various SMF holders. This approach allows for a more accurate representation of the differing governance structures of credit unions.

ABCUL recognises that many credit unions operate under a limited scope and are subject to fewer regulatory requirements compared to core or enhanced firms. They function within a distinctive regulatory environment that reflects their unique characteristics. ABCUL is particularly interested in the results of Phase 2 work, which aims to evaluate the position of Prescribed Responsibilities (PRs) within this framework more broadly.

Additionally, ABCUL encourages the PRA and FCA to synchronise their deadlines for providing references. This alignment is crucial for minimising confusion for dual-regulated firms. Given the differing sizes of credit unions, we would ask for the deadline to be extended, as smaller volunteer led organisations may find the 4 weeks deadline more difficult to adhere to. Extending this deadline would offer a more proportionate timeframe, providing the necessary clarity and guidance for smaller firms.

Furthermore, ABCUL supports extending the initial validity period for criminal record checks from three to six months. This change has the potential to lessen the administrative load on credit unions by reducing the time and cost associated with repeated checks. It is essential to ensure that the checks conducted by relevant authorities, such as the Disclosure and Barring Service, Disclosure Scotland, or Access NI, remain robust and agile. This integrity is critical to upholding the purpose of these checks.

ABCUL supports the PRA's approach of imposing no additional regulatory burden on credit unions concerning conduct rules and the concept of reasonable steps. Maintaining flexibility for credit unions to interpret and apply reasonable steps at their discretion is an appreciated and proportional approach. Nonetheless, ABCUL emphasises the need for balance between providing adequate guidance for credit unions and allowing sufficient flexibility in interpretation. Overly prescriptive guidance could inadvertently hinder rather than help.

ABCUL supports the proposed modifications to the Certification Regime and understand that until the HMT consultation has been completed and a policy position provided that it is difficult to make any impactful changes. In the event of replacing the current certification model with a rules-based framework we would want reassurance that a supported transition process is provided to firms with a timeline for those changes.

Additionally, ABCUL notes the proposals to remove all references to certain EU policy materials from SS28/15 and SM&CR-related sections of the PRA Rulebook, as well as amendments to legacy gendered language in SS28/165 and SS35/15, and redundant references to the Approved Persons Regime.

ABCUL welcomes a Phase 2 consultation in the event of legislative changes on the SM&CR and looks forward to engaging with the PRA on these changes.

Please contact us at [advocacy@abcul.org](mailto:advocacy@abcul.org) if you have any questions about our response to your consultation.

Kind regards,



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