

## **Fair 4 All Finance Credit Union Transformation Fund Consultation – ABCUL Response**

ABCUL strongly welcomes the £30 million Credit Union Transformation Fund and looks forward to continuing to work with Fair4All Finance to ensure that this investment is directed toward the structural changes needed for the sector to scale and modernise. Our response draws directly on the sector-wide Credit Union Growth Plan, which brings together the shared evidence, priorities and ambitions of credit unions across Great Britain. The Growth Plan provides a clear analysis of the societal benefits of growing the credit union sector, how this growth can be achieved, and the scale of the opportunity if the right reforms and investments are put in place.

The Growth Plan sets a roadmap for a resumption in the credit union growth rate seen between 2002 and 2012, when membership doubled and lending and savings tripled. With the right programme of collaborative investment, modern infrastructure and strong governance, the sector can resume that growth trajectory, doubling membership to around 4.4 million and trebling lending to approximately £8 billion by 2035. With an effective deployment of the Transformation Fund and supporting policy on regulation and legislation, we believe that the sector's growth could easily outstrip merely doubling.

This potential is not hypothetical; it is rooted in clear and pressing needs. Fair4All Finance research has identified a £2 billion gap in the supply of affordable credit a gap that an expanded credit union sector would be perfectly positioned to fill. Similarly, we have a pernicious and long-standing problem with household savings as 14 million people – ¼ of working age households – holding less than £100 in savings. Credit unions have a track record of building resilience through savings with techniques such as Save As You Borrow and payroll saving in workplaces.

Similarly, there are problems of access in adjacent markets with a lack of insurance cover among the lowest income households extending to a quarter the population. Credit unions internationally play a role in addressing such access gaps and with legislation passed in 2023

to allow a similar role for credit unions in the UK, there are opportunities to expand what we do.

These gaps in availability of key financial products in credit, savings and insurance all point to the market demand for an expanded credit union sector. They also reflect a wider public interest: research commissioned by Fair4All Finance estimates that improved financial inclusion through workplace savings in particular could contribute £6.4 billion to the UK economy every year, showing the scale of benefit that could flow from a more resilient, accessible and competitive credit union sector.

In this consultation response, we aim to show how the Transformation Fund can be used to create long-term systemic change in key areas of priority for Fair4All Finance and the Financial Inclusion Strategy. The Growth Plan points to the need for modern, shared infrastructure that supports growth and reduces duplication. This includes the development of Credit Union Service Organisations (CUSOs), supported by a CUSO incubator, to help credit unions pool investment, spread costs and access the technology and product capabilities that individual organisations, particularly smaller ones, cannot build alone. This is a tried and tested model which is ubiquitous across the credit union world globally.

Alongside collaboration through CUSOs, the Growth Plan also emphasises the important role of strategic, growth-focussed consolidation and merger within the sector in order to achieve the institutional scale required to support the levels of investment in technology, marketing and innovation needed to deliver transformational growth. The pattern of consolidation seen already in GB credit unions – with 700 credit unions in 2000 reducing to c. 230 today – is one that is seen globally. We would like to see a shift in the emphasis of such consolidation to strategic growth-focused consolidation.

The Fund also offers an opportunity to fund shared digital platforms and solutions, such as modern lending systems, standardised data and analytics tools, and common integration points with banking and payments services. The Growth Plan highlights how essential these shared tools are for the sector's ability to grow safely and efficiently, and how they enable credit unions to offer members a wider range of services.

Another key area is the expansion of workplace and payroll saving. The Growth Plan provides strong evidence that payroll partnerships help build financial resilience, and it shows that 56% of credit unions already work with employers to offer payroll savings. By supporting the development of a shared, standardised payroll savings platform, the transformation programme can help credit unions connect with employers more easily and improve the consistency and quality of the member experience. Embedding “Save As You Borrow” and other behaviour-building features within this infrastructure would strengthen its long-term impact. The opportunity in opt-out payroll savings and sidecar savings as demonstrated by the work of Nest Insight could take this mechanism for extending credit union reach and financial resilience through savings to another level again.

What follows also reflects the Growth Plan’s emphasis on leadership, skills and governance. Long-term growth requires strong and confident leadership across the sector, which is why the Plan highlights programmes such as CU Futures, which has supported 101 emerging leaders to date. Continued investment in training, mentoring and governance development will be crucial to ensuring that credit unions are able to deliver growth safely and sustainably, particularly during consolidation, diversification and major technology upgrades.

Ultimately, success would mean a sector operating on modern shared rails, with regional hubs working together through common systems; strategic, growth focused consolidation delivering institutional scale; CUSOs delivering efficient and scalable technology and product platforms; workplace saving available through a consistent, scalable and easy-to-deploy model; and governance and leadership strengthened across the movement.

On this foundation, the Growth Plan’s projections become only a baseline and even more ambitious levels of growth become possible. A sector transformed in this way would make a meaningful contribution to closing the affordable credit gap, increasing savings resilience and reducing the protection gap. This transformation is not only achievable, but also essential to meeting the needs of millions of people who stand to benefit from the fair, affordable and inclusive services that credit unions provide.

But it is equally important that the transformation strategy reflects a vision shaped by the credit union sector itself, ensuring that it builds on the collective ambitions and evidence set out in the Growth Plan, and credit unions themselves. While the consultation provides a strong foundation, the programme should continue to be guided by sector-led priorities so that growth is meaningful, sustainable, and aligned with member need rather than pursued for its own sake.

To this end, we strongly recommend the creation of a Credit Union Transformation Board to provide robust and effective governance around the investment process which has sector buy-in and seeks to arrive at a shared understanding and framework to support the growth agenda. This Board should include, alongside Fair4All Finance, representatives of the sector, HM Treasury, the PRA and FCA and relevant sector stakeholders and partners such as Swoboda Research Centre, MaPS and Nest Insight as well as representatives of the devolved nations and English regions.

We believe this is the right model for sector governance, both in order to address the challenge of sector buy-in and support but as importantly as that, to avoid the mis-steps seen in the Irish transformation story which saw credit unions organically arrive at a multitude of overlapping and competing transformation projects, in particular in CUSOs, which ultimately led to duplication and dilution of effort and has required a post hoc rationalisation process to bring coherence after the fact. The Irish experience strongly suggests that a planned, strategic approach with buy-in from all the key players is more likely to maximise the impact of what is ultimately a limited investment fund.

This is a pivotal, once-in-a-generation opportunity to achieve levels of impact, reach and significance for British society from credit unions as is seen in many places around the world. If we can get this right together, we truly have an opportunity to not only transform credit unions but financial inclusion and resilience in Britain.

### **1.1 The headline vision for a Credit Union Transformation Strategy supported by a £30m investment from Fair4All Finance was published in the Financial Inclusion**

**Strategy and we have also today set out our vision for this programme. Do you agree with the opportunities that we have set out for transformation and growth?**

ABCUL agrees with the opportunities that Fair4All Finance (F4AF) has set out for transformation and growth. F4AF's consultation describes a bold, time-limited transformation programme designed to help credit unions scale sustainably, modernise technology, collaborate regionally, and better meet the needs of people currently excluded from affordable financial services. This aligns strongly with the Credit Union Growth Plan, which sets out broadly the same structural enablers for long-term sector expansion.

F4AF further identifies technology, shared services, governance, and capital as strategic priorities for their investment. The consultation highlights the need for modern systems, better data, and shared operational capacity, exactly the areas in which the Growth Plan calls for Credit Union Service Organisations (CUSOs), shared digital components and sector-wide collaboration to unlock scale and reduce duplicated cost.

We agree that these opportunities are essential for the sector's future. As the Growth Plan shows, with the right investment in shared infrastructure, leadership, and modern technology, the sector can double membership to around 4.4 million and treble lending to £8 billion by 2035, directly addressing a £2 billion unmet need for affordable credit, improving savings resilience for 14 million people who currently have under £100, and helping close the protection gap faced by vulnerable households. Indeed, if we get the investment right we believe that a doubling can be surpassed.

We also agree with F4AF's emphasis on supporting consolidation and collaboration. The consultation acknowledges the role that mergers, shared services and regional hubs can play in strengthening institutions and reducing risk, which is consistent with the Growth Plan's call for coordinated, growth-focused consolidation and investment in governance and leadership.

Overall, ABCUL strongly supports the opportunities F4AF has set out. Their programme is aligned not only with the Growth Plan's sector-wide evidence base, but also with our shared

ambition to modernise credit unions, widen access, and deliver meaningful growth and financial resilience across England

## **2. We would like the strategy to have a regional focus, building on existing local initiatives, credit union hubs and linking to devolved authorities.**

A regional focus is well aligned with the Growth Plan but ensuring that regional models incorporate not only urban-centred collaborations but also the needs and realities of more rural or provincial credit unions would help deliver a more equitable and inclusive approach.

### **Strengths of urban-centred Regional Hubs**

Drawing specifically on the SoundPound Group in Greater Manchester, a collaborative venture between credit unions in Greater Manchester. The SoundPound Group's partnership with Transport for Greater Manchester (TfGM) on the Annual Bee Network Bus Ticket Loan shows how regional collaboration can directly reduce poverty premiums.

Many low-income households pay more for essential services because they cannot afford annual or upfront costs. By enabling members to spread the £800 annual Bee Network bus ticket across weekly or monthly payments at no extra cost, SoundPound makes the lowest-cost form of travel genuinely accessible to those who would otherwise be forced into more expensive weekly or 28-day tickets. This represents a 23% saving, around £240 a year, compared to paying weekly or monthly for the same travel (SoundPound Group).

Early data shows the impact: by April 2025, 242 Bee Bus Tickets had already been issued, saving local residents at least £80,000 collectively on their annual bus travel. This is a clear example of a credit union collaboration tackling a poverty premium at scale, reducing costs for people who typically face the highest barriers to affordable transport.

The SoundPound group highlights the significant benefit of regional, place-based collaboration that can be scaled and replicated across England to reduce poverty premium and promote financial resilience.

The SoundPound experience has been directly catalysed by the devolution of powers to the Greater Manchester metro mayor. There are emerging opportunities to build on the SoundPound model in other devolved regions such as Merseyside, West Yorkshire, South Yorkshire, the West Midlands and Greater London. The Mayoral authorities in all of these areas are exploring ways in which they might collaborate with credit unions to deliver a step change in reach and impact. Likewise, they have similar plans around public transport, health and social care and educational interventions which all provide opportunities for credit unions to support the local agenda and access investment.

Similarly, recent public pronouncements by the Chancellor of the Exchequer on devolved income tax suggest that the devolved administrations will soon gain even more powers and levers to support investment locally which have the potential to benefit credit union growth. Finally, we note the limitations of the current fund to England and the need to incorporate into our transformation thinking effort to align with the Scottish and Welsh Governments and their own investment in financial inclusion and credit unions. Community Wealth Building legislation passed recently at Holyrood has great potential to facilitate partnerships between co-operative enterprise such as credit unions and public anchor institutions for the benefit of both and society at large and this is a model with potential to be replicated in England also. A transformation strategy which did not seek to align efforts with those in Scotland and Wales would be a missed opportunity. We suggest representatives of Scottish & Welsh governments – as well as the devolved regions in England – might be invited to attend the Credit Union Transformation Board to strengthen these links.

### **Ensuring Regional Models Reflect Both Urban and Rural nature of Credit Unions**

While a regional focus with an emphasis on devolved administrations aligns well with the Growth Plan, it is crucial in the transformation strategy that we also acknowledge the limitations of this approach which is urban-centric and risks overlooking the important contribution of credit unions operating in rural and provincial areas, outside of the devolved

areas. These credit unions have an important contribution to make and also face a challenging set of realities with sparse populations experiencing particular challenges which exacerbate exclusion.

Many credit unions outside major urban areas demonstrate deep community reach, long-standing trust, and strong relationships with members who might otherwise be underserved. However, the current framing may not effectively serve areas lacking devolved governance structures or mayoral systems, where the level of integration seen in examples like urban collaborative hubs may neither be practical nor anticipated. Credit unions in more rural areas often form the backbone of their regions, and regional strategies should ensure they can fully participate in, and benefit from, collaboration.

We believe there are opportunities to strengthen the Transformation Fund narrative here in respect of how the regional lens might be complemented by a more national focus on technology and product innovation investments. There may also be opportunities to think about how the Fund might support credit unions in more rural or provincial localities specifically on a regional basis. This is likely to have a strong emphasis on digital and online delivery given the challenges of delivery in the context of a diffuse population.

## **2.1 What would be the most effective ways to bring together these different elements for successful delivery?**

The Growth Plan emphasises three elements that should work together. First, regions need shared infrastructure, which could be delivered through CUSOs providing common systems for technology, lending, payments and analytics so that credit unions can modernise affordably and scale or innovative partnerships.

Additionally, existing ABCUL forums could also serve as an effective vehicle for coordinating and supporting the delivery of regional hubs, providing established structures through which credit unions can collaborate, share learning, and shape regional approaches. We are committed to opening up these regional collaborative forums to credit unions who are not affiliated to ABCUL – either independent or affiliated to alternative trade bodies – in order to

support this as part of our wider approach to sector strategy and shared vision as reflected in the Growth Plan.

There is also a clear need for credit unions to become more digitally advanced, both to enhance the member experience and to strengthen cybersecurity. However, digital progress may need to be balanced with the understanding that some members remain digitally and financially excluded. To support growth for these members, credit unions require assistance to expand their capacity to provide services in areas such as cash access, cash cards, and credit cards, moving towards more reliable and member-appropriate alternatives.

## **2.2 We recognise the tremendous importance of payroll and workplace credit unions and the opportunities and threats they face. Alongside our focus on regional approaches, how can the transformation strategy support the expansion of payroll and workplace credit unions?**

The Growth Plan, building on the groundbreaking work of Nest Insight, shows that payroll savings can transform household resilience. 56% of credit unions already offer payroll savings and the sector has played a pioneering role in developing the model.

To expand this model, the transformation fund should support wider rollout of employer-credit union partnerships with a particular emphasis on support for appropriate and scalable infrastructure to support wider employer participation in payroll savings and in readiness for the potential roll out of auto enrolment or side car savings models.

We recognise and strongly support the transformational potential of auto enrolment and sidecar models for financial resilience through savings. However, we also perceive a risk to the credit union sector's established model should we not be appropriately prepared for their widespread adoption. And since payroll savings partnerships are an integral element of credit unions' model and an important mechanism for the diversification of their membership bases, should this risk crystallise, it will undermine and cut against wider efforts to drive growth and build sustainable, scalable credit unions.

## **2.3 Strategic consolidation of credit unions to increase scale are likely to be a key part of transformation:**

### **a What are the key barriers to strategic mergers of strong credit unions?**

Several barriers currently limit the ability of well-run credit unions to combine their strengths through strategic mergers. One significant challenge is the geographic common-bond limit, currently capped at 3 million people. We therefore strongly welcome HM Treasury's recent confirmation of its intention to increase the cap to 10 million. This restriction has historically forced merging institutions to carve out parts of their natural communities, reducing the benefits of consolidation, removing credit union services from certain established communities and in some cases preventing mergers that could have protected or expanded services.

Capacity is another barrier. Mergers place heavy demands on leadership, governance and operations, especially when they involve aligning risk frameworks, strengthening oversight, and managing system and process integration. There is an ongoing need to invest in governance and leadership capability, including updating the Code of Governance for Credit Unions, so boards and executives are prepared for the complexities of strategic mergers. Investment in governance and skills could better assist credit unions in identifying where a strategic merger could preserve the credit union's operations and avoid closures.

Operational and technological differences also contribute to making integrations more difficult and costly. Many credit unions still rely on disparate systems, and integrating these, while also delivering an uplift in digital capability, creates additional pressures. Without shared digital infrastructure or back-office services, each merger can become a bespoke and resource-intensive exercise.

Lastly, and perhaps most challengingly, are the cultural and leadership barriers to merger which arise from a broad perception that to merge is somehow to fail and that mergers are only to be contemplated as a last resort. This drives a closed mindset to considering merger

and is made more challenging still by the perceived costs of merger for individuals whose personal interests may not be aligned with a merger.

### **b How could the transformation strategy support more of these?**

The transformation programme can play an important role in overcoming these barriers by targeting support where it delivers the most value. For example, a “Merger Taskforce”, including funding for due diligence, programme management, data and systems migration, and governance and risk strengthening as well as post-merger business planning would be highly beneficial for credit unions considering merger. It would allow strong credit unions to complete mergers with the necessary capacity and reduce the operational burden on day-to-day operations.

Supporting the sector to build and access common digital infrastructure will also make integrations smoother. Shared platforms, such as credit decisioning systems, analytics tools, and payments and back-office capabilities, enable merging credit unions to move onto modern, unified systems rather than attempting to combine multiple legacy environments. Strengthening the pipeline of skilled leaders and boards is another key contribution. Investment and support in leadership development, accredited programmes, apprenticeships and refreshed governance standards will help ensure that boards have the expertise and confidence to take on consolidation and manage larger, more complex credit unions. There is also an important role for the regulator to play in accelerating mergers and to reduce regulatory friction where possible.

Ultimately, a concerted programme of financial and wider capacity-building support for strategic, growth-focussed mergers which recognises both the technical and cultural challenges of successful merger and places as much emphasis on the human challenges as the technological or commercial will be most likely to deliver successful growth-focused consolidation.

**4 Buy in and ownership from the credit union sector will be crucial to the strategy’s success.**

**a What do you think the right approach is for governance of the programme, and who should be involved?**

We strongly agree that buy in and ownership from the credit union sector will be crucial to the strategy's success. We strongly support the creation of a Credit Union Transformation Board, involving credit union sector leaders as well as key stakeholders including the regulators, government and interested parties such as Swoboda Research Centre, MaPs and Nest Insight and the devolved administrations.

This will have the twin benefits of ensuring both sector and wider stakeholder buy-in and co-ordination with, for instance, the expected credit union regulatory review and the Co-op Development Unit as well as providing a clearly defined framework for investments and priorities minimising the risk of duplication and the associated dilution of limited resources. This model seeks to learn key lessons from the Credit Union Expansion Project which was "done to" the credit union sector and lost both its confidence and touch with the core problem it was seeking to solve. It also learns from the Irish experience of transformation which saw a variety of organic CUSO and transformation initiatives spring up, often in competition and conflict with one another and which are now having a structure and strategy retrofitted to them post hoc. Our colleagues in the Irish sector strongly encourage us to think about a more strategic approach to our own transformation journey.

**b How should the programme work with key leaders in the credit union sector?**

As already noted, we recommend the creation of a Credit Union Transformation Board or similar governance structure. This should include strong sector representation from ABCUL and other representative bodies as well as leading CEOs from the sector. These sector leaders would work alongside wider stakeholders such as regulators, government and researchers as described above.

We would also highlight once again the emphasis within the Growth Plan on leadership and governance in the sector including an updated Code of Governance for Credit Unions, and

investment in leadership and skills development in collaboration with ABCUL and other sector bodies.

Working closely with experienced leaders, through advisory groups, forums, working groups, will help raise standards across the sector and ensure that credit unions have the skills and confidence needed to drive transformation.

**2.5 Long term change and the future of the sector need a strong group of future leaders and boards with an increasingly diverse range of skills and experience. Do you think this funding should support these areas, and if so, how?**

Yes. The Growth Plan is clear that leadership and skills are essential for future growth, which should be supported by the transformation strategy. Programmes like CU Futures, which has supported 101 emerging leaders, show how targeted development can strengthen the sector. There are a range of interventions that are required to deliver the community of skilled and committed leaders and boards capable of delivering sector transformation. Some of this is for the sector to deliver and ABCUL and the Credit Union Foundation have concrete plans to drive some of this forward.

However, the transformation fund should, through the governance and Board suggested, focus some resources on catalysing sector efforts on leadership. Ideas included in the Growth Plan to this end include:

- Leadership & skills development programmes, partially funded by the apprenticeship levy
- Linking to wider mutuals and co-op sector programmes
- Bursaries for credit union leaders to access training provided in the market
- An updated Code of Governance and director training programme for the sector
- A volunteer match-making scheme to link skilled professionals in the banking, mutual and co-op sector with opportunities to volunteer on credit union boards

**3. Credit union service organisations (CUSOs)**

### **3.1 We believe reform to PRA rules is needed to enable CUSOs and we have published our views on where the proposed reforms do not go far enough. Where are the opportunities to build on the PRA's Consultation: Credit union transformation consultation on investing in CUSOs?**

The Growth Plan identifies CUSOs as vital to modernising the sector. Many credit unions lack the scale to invest individually in new technology, product development or back-office capabilities, and CUSOs offer a way to share these costs and benefits. A CUSO incubator, as proposed in the Plan, would help new collaborations develop business models, governance, and commercial plans that allow them to become investment ready. Many emerging CUSOs currently struggle to access the resources and capacity needed to turn compelling ideas and concepts into going concerns.

We are pleased to see the PRA respond to feedback from the sector and Fair4All Finance in its recent response to their CUSO investment consultation. We note their willingness to consider investments which exceed their revised notional cap of 7.5% of capital and we believe that PRA involvement in a Credit Union Transformation Board as suggested above, will provide a mechanism to explore such flexibility in the wider context of a transformation framework.

While the PRA rules are a welcome first step in the recognition and development of a CUSO framework, we believe there is more required to define the CUSO structure and provide guard rails for their development. This builds on our learning from an emerging partnership we are developing with the National Association of Credit Union Service Organisations (NACUSO) in the US who are the representative body for their vibrant and thriving CUSO network.

The current proposals, for example, do not yet provide the flexibility or scale required to support meaningful collaboration and shared service development. The Transformation Consultation highlights the need for specialist functions such as risk, analytics, and member operations to be delivered through shared services, and for CUSOs to play a central role in supporting payroll savings schemes and product innovation, but the current framework is not

sufficient to support the full scope of these ambitions. A Credit Union Transformation Board would have the opportunity to identify and fill some of these gaps in the framework.

A key area for development lies in widening the definition of a CUSO so that ownership is not restricted solely to groups of credit unions. As the Growth Plan identifies, and our dialogue with NACUSO confirms, international models include mixed-ownership structures, such as credit unions partnering with technology providers or social investors which have been crucial drivers of growth and innovation.

Finally, there is scope for the PRA to align its reforms more explicitly with a broader sector-wide approach to consolidation and shared services, supporting the creation of a CUSO incubator as recommended in the Growth Plan, technological modernisation and new product development. Taken together, these changes would ensure the regulatory framework supports, not limits, the kind of ambitious, collaborative infrastructure that both the Consultation and the Growth Plan view as central to the long-term growth and resilience of the sector. Once again, a Credit Union Transformation Board which included regulatory input would create a mechanism to support this.

### **3.2 What would make investment in and development of CUSOs more attractive and more likely to succeed?**

A dedicated CUSO incubator would make a significant difference, allowing emerging CUSO ideas to develop with appropriate capacity-building support to enable groups of credit unions and their partners to make their ideas investment-ready. Links between the CUSO development agenda and the new Co-op Development Unit at the FCA and the PRA credit union team via a Credit Union Transformation Board would provide a basis for securing appropriate regulatory support for emerging CUSO proposals as well as HM Treasury involvement to the extent that the emerging CUSO framework required legislative intervention.

The Growth Plan also suggests that attracting wider investment could be supported through tax incentives for credit union capital, and HM Treasury involvement in the Board would support this also.

Within its control, the transformation fund can help by offering grants, equity or repayable loan capital to early-stage CUSOs with robust, scalable business plans, reducing risk for participating credit unions and encouraging partnerships that can reach sustainable scale. The incubator concept would support the development of the requisite business planning here.

### **3.3 Which CUSOs are needed in terms of the functions and support that they can offer? How should we prioritise these?**

The Growth Plan highlights several priority areas for CUSO development:

- Shared technology and back-office platforms, including digital lending journeys, links to aggregators, decisioning systems, data and analytics, and strong financial-crime controls, are core capabilities that credit unions need but cannot always build alone. There are examples of where such technology has been developed within the sector with the potential for spin-out to a CUSO – such as the Clockwise banking platform – and there may also be areas for the development of joint-venture CUSOs between credit unions and fintechs.
- Another priority is product-specific CUSOs, such as those focused on car finance, credit cards, mortgages, and insurance mediation. Legislative change in 2023 could then be taken advantage of through these, allowing credit unions to enter new markets. All product innovations of this kind require specific technical know-how and technological developments which make sense for pooled investment via a CUSO model. There is also a question here around regulatory permissions and oversight and we believe there is an opportunity to fast-track this process, with the new FCA Co-op Development Unit, by building links between the Transformation Fund and the regulatory authorities, in particular, through membership of the Transformation Board we propose.

- Third, there is clear need for investment in services and technology to enable payroll savings at scale and to fully take advantage of the recently announced national payroll coalition. And in the longer-term, paving the way for a seamless transition to opt-out payroll savings.
- CUSOs focussed on efficiencies in common back-office functions are another key area, building on the pioneering work of CU Share in Scotland. Areas such as HR, compliance, collections and internal audit are all examples of duplicated investment within the sector currently which also involve heavy reliance upon third-party outsourced services making them clear candidates for CUSO development on a shared investment basis.
- Joint procurement and access to collectively-negotiated services such as credit data and payments present a key area for CUSO development which should enable the sector to access core essential services more cheaply through aggregated buying power. There are lots of examples within the sector of credit unions paying significantly more than larger institutions for key data and services due to their limited individual scale. By aggregating this buying power, we believe there are clear opportunities to reduce the unit cost. The Transformation Board could bring pressure to bear on large corporate partners such as the credit reference agencies and banks to assist in this process.
- Finally, targeted CUSOs could support long-term growth areas such as green lending and SME finance, where risk-sharing is available. Credit unions are currently setting a precedent in the green lending market with over a third of UK homeowners living in a region by a credit union now offering a green loan (Green Finance Institute). Credit unions are well placed to expand their reach in green loans, making the transition to a net-zero economy accessible and affordable for everyone. Likewise the Enterprising Communities Fund in Greater Manchester presents an opportunity to replicate a collaborative model for meeting the unmet demand for SME financing by building links between credit unions, business-lending CDFIs and social impact funders.
- There may well be specific areas not covered here which might also present a compelling case for CUSO development. Equally, with limited funds, not all CUSO concepts are likely

to be supportable. Once again, this is an area to which coherence can be brought by the creation of a Credit Union Transformation Board to identify priorities and provide a coherent framework and strategy for CUSO development with appropriate stakeholder support.

- We would also strongly recommend developing links with NACUSO in the US and the thriving CUSO ecosystem in the US which affords an opportunity to learn from the experience of CUSO development in the mature US market. ABCUL is forging a partnership here which we hope to leverage through the Transformation process.

### **3.4 Aside from funding, what other resources and support would be required to implement CUSOs? For example, would you support an ideas incubator to help develop the investment case for proposals?**

The credit union may need specific support in the form of expertise in specialist functions. Technical expertise will be needed if credit unions are going through digital transformation. For these reasons the Growth Plan identifies a CUSO incubator mechanism to provide focused business development assistance, helping emerging CUSOs to refine their ideas, test viability, and become investible, scalable self-sustaining ventures.

Similarly links to the regulatory interventions in support of the sector via the Co-op Development Unit also provides an opportunity to support CUSO development from a regulatory perspective and reinforces the case for a Credit Union Transformation Board.

## **4. Products**

The Growth Plan makes clear that for the sector to grow, credit unions must diversify beyond traditional unsecured personal loans. In other countries, credit unions commonly offer payment services, car finance, credit cards, mortgages and insurance services. Recent

legislative changes in Great Britain now allow credit unions to develop these products, and the Plan highlights strong demand across consumer credit markets. Larger credit unions have already shown how entering digital lending markets via aggregators can drive growth. The transformation strategy could therefore support infrastructure and capabilities that make product diversification possible and sustainable.

#### **4.1 Should the transformation project be agnostic of products or should emphasis be put on specific products (such as affordable credit, savings and insurance)?**

While flexibility is valuable, the Growth Plan suggests there are clear areas where credit unions can make the biggest difference. These include: affordable credit (delivered through modern, digital channels); car finance, credit cards and mortgages (where consumers face poor outcomes in parts of the market); and insurance mediation, building on the long tradition of credit unions providing life protection on savings and loans. Focusing support on these areas ensures the strategy targets the biggest opportunities while still allowing space for local innovation.

This will also continue to preserve the credit union ethos and long-held co-operative values of 'people helping people' that underpins the sector. Credit union products that deliver social impact, fill unmet needs, improve financial capability and resilience should be emphasised.

#### **4.2 What additional products and services should be commonplace to offer more choice to credit union members?**

The Growth Plan identifies several services that should become more widely available:

- **A broad range of credit products** including car finance, credit cards and mortgages including second charge mortgages for debt consolidation in which credit unions enjoy key, enabling exemptions
- **Prize-linked savings**, which encourage saving among members with low financial resilience
- **Save As You Borrow**, which has strong evidence of turning non-savers into regular savers
- **Help to Save** the government-backed matched savings scheme

- **Insurance products**, particularly for members who currently lack cover
- **Green lending**, supporting home energy improvements and ensuring everyone has access to the benefits of the green transition
- **SME lending** building on the partnership model demonstrated with the Greater Manchester Enterprising Communities Fund and with links to the British Business Bank
- **Financial education**, delivered through schools, workplaces and communities
- **Automatic Payroll Savings**, to provide a financial buffer and transformational impact on rates of saving

These services build financial resilience, widen choice and strengthen long-term financial wellbeing.

Another key area for exploration relates to payments and cash access services. While these are ubiquitous across the credit union sector internationally, and provide a central mechanism for broader credit union relevance to members, they are expensive to deliver and administer and so present interesting questions of priority and viability for credit unions in the UK.

Many credit unions continue to play a role in helping their members access payment services where they are unbanked and often rely upon e-money prepaid card providers to do so. Similarly, many credit union members rely heavily on cash therefore these questions are not easily resolved and would benefit from further close consideration through the Credit Union Transformation Board process.

## 5. Credit union technology

Technology underpins almost every growth opportunity identified in the Growth Plan. The sector needs modern digital lending tools, strong risk and data capabilities, reliable payments systems and infrastructure that supports payroll savings. The Plan also highlights how partnerships with larger mutuals and banks can help credit unions access banking services and expertise while longer-term options, such as a Central Finance Facility are explored.

## **5.1 What funding and support is required for genuine technology progression and a competitive technology marketplace for credit unions?**

The sector requires a vibrant marketplace for fit-for-purpose technology platforms and a direct replacement to the legacy back-office systems which many credit unions feel trapped with but which the lack of a market for affordable alternatives offers no alternative.

This is a pernicious and long-standing challenge and we recognise the difficulties that Fair4All Finance has faced historically in investing into the credit union technology market due to the lack of demand from technology providers. Targeted investments such as that made in Singlify are likely to be part of the solution here. Similarly, investment in CUSO models for the few examples of in-house technology developments also present an opportunity such as with Clockwise Credit Union in Leicester.

Finally, we believe there may be opportunities to learn from the relative success in the CDFI sector where systems investments and developments have been broadly much more effective in catalysing growth. ABCUL is committed to building connections and learning across the credit union and CDFI sectors to this end.

## **5.2 What do you see as the role of fintechs in credit union transformation?**

Fintechs can play a key role by building and operating systems that credit unions then access through CUSOs or shared platforms. The Growth Plan suggests that allowing mixed ownership in CUSOs would enable deeper collaboration with fintech partners, although this is ultimately a matter for regulators. The transformation strategy can prepare the ground by supporting CUSO-ready projects and creating partnership frameworks that make collaboration easier and lower risk. For example, support for credit unions to partner with Fintechs to utilise expertise in providing automatic payroll savings.

Fintechs could also provide credit unions with robust and credit decisioning through smart credit decisioning platforms. One notable example of this is Credit Canary, already working with several credit unions, Credit Canary integrates open banking, credit, and tax data to provide contextual insights for lenders. A fintech with this capability could support credit

unions to significantly scale through utilising smart decisioning processes. A further proliferation of fintech providers of this type (of which there are numerous other examples) – either owned by CUSOs or otherwise – should be a priority for the Fund.

Similarly, there may be a role for partnership with organisations such as Innovate Finance to formally bring together the fintech and credit union sectors as part of the Transformation Board process in order to drive a collaboration agenda between the two sectors.

With the right support and oversight, fintechs have the potential to support significant credit union transformation including wider rollout of, for example:

- Credit decisioning
- Payroll saving solutions
- Mobile Apps
- Financial Education
- Digital banking platforms
- Digital tools to improve member journeys and experience.

Collaboration with fintechs could work in tandem with CUSOs to help reduce costs and bring innovations to the credit union sector.

### **5.3 What technology investments would most improve credit unions' ability to serve financially excluded members?**

The most important investments are those that broaden access and remove friction: simple digital loan applications, systems that link to price-comparison marketplaces, and automated decisioning tools. At the same time, embedding savings features like Save As You Borrow or prize-linked incentives directly into lending journeys helps build resilience. Data and risk tools also help credit unions serve vulnerable customers responsibly while managing operational risk.

### **5.4 How can we support the credit union technology stack to offer market leading solutions like payroll savings schemes?**

The Growth Plan recommends a shared payroll platform, with standard connections to HR and payroll systems, automated processing of contributions and withdrawals, and clear reporting. This structure allows any credit union to work with any employer with minimal setup work. Funding the development of this shared, reusable platform is the most effective way to bring payroll savings to scale.

Fintechs such as Sync Savings are exploring models to support solutions to this challenge, and the Fund should encourage more such collaboration via the Credit Union Transformation Board process.

### **5.5 What technology is needed to enable slick referrals from building societies and banks to credit unions and what can be learnt from existing work on this?**

Slick referrals require a standardised digital referral pathway, supported by APIs that allow banks or building societies to send customers directly to credit unions based on their needs. The Growth Plan notes existing collaborations between credit unions and larger mutuals. Formalising these into shared referral processes and partnerships will allow for effective referral processes to ensure members get the support they need.

Any solution of this kind must integrate clear, shared decisioning systems to enable the avoidance of the double-decline problem. Piloting of these models is already underway and should be built upon with fintech partners such as NestEgg.

We also believe there is a strong opportunity here to invest in the Find Your Credit Union asset which is successful in securing traffic from media outlets and has great potential to be built upon as a gateway for potential credit union members by directly integrating it with application journeys.

## **6. Open questions**

Beyond immediate delivery, the Growth Plan highlights several enablers that can support sustainable growth. These include maintaining proportionate regulation, reviewing capital requirements for the largest credit unions, and exploring safe ways to support liquidity sharing between credit unions.

The Plan also identifies long-term ambitions, such as access to Bank of England liquidity facilities and developing a Central Finance Facility that could provide liquidity and payments infrastructure and become a 'credit union for credit unions'. While these areas fall beyond F4AF's direct remit, the transformation strategy can still prepare and support credit unions during a time of significant change.

This would also be a benefit of the Credit Union Transformation Board model we have proposed. The Mutuels Landscape Report published jointly by the PRA and FCA in December 2025 made a clear commitment to reviewing credit union regulation on a wholesale basis to support growth. By including regulatory input in the Board we propose, we believe there are exciting opportunities to align regulatory review processes with the Transformation agenda and to deepen the impact of both on the growth agenda.

### **6.1 Is there anything else we should be considering to support a transformation of the credit union sector?**

Within the scope of the transformation fund, the most valuable contributions are likely to come from supporting CUSO development, shared technology, regional collaboration, and strategic merger support. The Growth Plan also proposes broader policy reforms, such as potential need to review tax to encourage investment in credit union capital, but these would require government action. The transformation strategy can contribute by helping to invest and support early-stage innovations that can be scaled.

Once again, the Credit Union Transformation Board, if it included government and regulatory input, would provide an opportunity for the investment to align with policy enhancements to boost the effectiveness and impact of both.

## **6.2 What other emerging trends or new evidence should we consider in developing this work?**

A key area that lacks clear emphasis and strategy currently is awareness raising and marketing. Credit unions have very low levels of brand recognition and understanding in the British market which presents a challenge but also a clear opportunity to define the sector's image positively, free from any obvious baggage or unhelpful associations.

There is an interesting model in Ireland which involves credit unions voluntarily subscribing to a central marketing and awareness raising service run by the Irish League of Credit Unions. This has developed from an initial focus on celebrity endorsements and TV advertising to a broader emphasis on market research and informed brand management with key messaging shared across the sector with a clear focus on addressing misperceptions.

There are opportunities to build similar approaches in GB alongside wider online distribution efforts through aggregators and referral mechanisms with banks and other financial institutions.