

Appendix D – Credit Union Briefing

Investment in London Community Credit Union

Background

The London Community Credit Union (formerly Tower Hamlets Credit Union) provides an ethical banking service for its members. This includes loans, savings and current accounts.

The credit union provides cheap credit to local residents. This has been particularly important during the cost of living crisis and has helped members build their financial resilience and contributes more widely to the alleviation of poverty.

The LCCU is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority.

In 2022 the London Community Credit Union (LCCU) approached Tower Hamlets Council, Hackney Council and Newham Council seeking financial assistance as a result of the pandemic and the related impact on loans, interest income and bad debt provisions.

The financial assistance sought would support LCCU to meet the regulatory requirements for credit unions set by the Prudential Regulation Authority and keep the credit union afloat.

The purpose of the investment is to ensure the continued presence of a credit union in the Borough and enable the Credit Union to further grow its business base and operate independently, thereby contributing to the alleviation of poverty.

The investment and partnership agreement

In January 2023, there was collective agreement from all three councils confirming a conditional offer to the LCCU of one-off financial support totalling £240,000 (£80,000 from each Council).

Financial support was subject to a number of conditions including the development of an agreement setting out what was expected from the investment (i.e. deferred shares agreement, regular progress monitoring and liaison meetings).

Subject to final formal approvals, these arrangements are now in place. Hackney and Newham have completed their approval processes and are set to meet their contribution.

LCCU Key statistics

The credit union supports 16,000 members.

Tower Hamlets is the largest component of the LCCU membership at 32% (Newham 28%, Hackney 19%, others total 21%).

80% of LCCU customers hold no more than £1,000 in savings, these are the people who are very much living day to day with no real financial buffer, hence frequently come to the LCCU for a modest, short-term loan to tide them over.

Loan applicants are primarily comprised of the following:

- In salaried employment and on low pay, eg. schools assistant, NHS cleaner.
- In fluctuating work, such as self-employed or zero hours, eg. security officer or taxi driver.
- In receipt of social security, such as JSA and ESA.

The gender split is Female 49.9% and Male 50.1%.

Finance Implications

As the funding is investment in shares, this is capital expenditure with the funding coming from Covid grant reserve.