

## **Management Scrutiny Committee**

### **Focus Group: At What Cost – Money Lending?**

**Thursday 15<sup>th</sup> December 2011**

**Present:** Cllrs Tate, Walker, Watson, Wilson and Wood.

**Also Present:** Theresa Finch (Christians Against Poverty UK), Gavin Hennessey (Bridges Community Bank), Dorothy Gardener (Sunderland MIND), Nigel Cummings (Scrutiny Officer) and Linda Kaya (Scrutiny and Area Arrangements Support Officer).

#### **Notes**

Members of the Management Scrutiny Committee attended a focus group meeting with a number of service providers from across the city to discuss issues related to the policy review looking at high cost credit and illegal money lending. The main points from this discussion were as follows:

#### **Bridges Community Bank**

GH, Chief Executive – Bridges Community Bank, explained that South Tyneside Credit Union had gone through difficulties and in order to attract funding from Government they successfully turned the Credit Union around through the formation of a Community Bank.

Wearside First Credit Union, based in Sunderland, was also experiencing difficulties and was finding it hard to attract funding. Wearside First has now gained approval from FSA to change into a Community Bank and will be known in future as Bridges Community Bank. To further strengthen the credit unions position they have joined forces with South Tyneside's Credit Union, enabling them to enjoy savings on economies of scale e.g. a shared IT system.

It was noted that a community bank is a small organisation offering basic lending services, Bridges have 10 staff and are also supported by volunteers. They have re-branded and now have several collection points throughout the city.

The majority of loans that Credit Unions offer are from £1,000 to £5,000 but they can offer up to £10,000. The maximum % rate is 2% which is 26.2% APR. Whereas banks front load interest on a loan, community banks only charge interest on the length of term of the loan.

#### ***Why had Sunderland Credit Union failed in the first place and what had GH's organisation done differently to make it successful?***

GH explained that the organisation had not been managed properly by the previous Board. The Board members didn't have the expertise or the skills to run the organisation. South Tyneside Community Bank had experienced staff

including bank advisors and accountants. Wearside Credit Union had been largely run by the volunteers who weren't supported. The volunteers are still involved and will continue to work at the credit union. The merger with South Tyneside is due to go ahead in February/March 2012.

***How will the credit union will assist the most vulnerable people?***

GH reported that the credit union can help with debt consolidation and enable their clients to reduce their monthly out goings. All clients are encouraged to open savings accounts, even if they only save £1 a week. Clients are offered advice and are encouraged to borrow less. It was also noted that the demand for Christmas loans had been phenomenal.

***What about the potential for future funding?***

It was noted that the South Tyneside organisation has secured £175k for three years from the Northern Rock Foundation. However it was stressed that the organisation was not dependent upon the grant, and that they were self sufficient.

***Where there any reasons why Wearside Credit Union could not secure grant funding from the Northern Rock Foundation?***

It was explained that the Wearside Credit Union was not eligible because the Northern Rock Foundation had issues with the Credit Union's bad history in management. However it was noted that there was a DWP Growth Fund controlled by central government, which was a potential funding avenue.

***How can we encourage people to save?***

There are a number of initiatives including looking to educated children in schools to save. The organisation has found that there are several generations of families that for a variety of reasons have never saved. This directly impacts on encouraging young people to save. GH explained that there are approximately 17 schools in South Tyneside participating in the programme, plus one of the Academy's.

It was also highlighted that currently churches and similar organisations are unable to hold accounts with credit unions. However legislation is changing and soon organisations such as sports halls and churches will be able to use credit unions, thus creating new business opportunities.

***What support was given to South Tyneside Council Credit Union?***

It was reported that they received £18k from the council in financial terms. However they also received support from the council in the form of promotions to encourage staff to save with the community bank and hold workshops for council staff.

***Are the same staff employed or involved with the running of the Wearside Credit Union?***

The credit union was staffed by the same people. It was also reported that one member of staff was being supported through an apprenticeship scheme from 1<sup>st</sup> January 2012, at Sunderland College. There were also 2 new members of staff, and an application form has been submitted to the SWITCH project.

***How do you promote the organisation and its message within the community?***

The main way would be through leaflet drops, although only get about 1% take up on such drops, the rest is by word of mouth. It was noted that the organisation is not allowed to cold call on potential clients.

It was suggested that the Community Bank could attend the area committee meetings and make contact with Voluntary and Community Network in Sunderland to make themselves known.

**Christians Against Poverty**

Christians Against Poverty (CAP) started 15 years ago and now have 190 centres around the country, with a head office in Bradford. CAP work in partnership with the church offering free debt advice. Initially they make a home visit, set a manageable budget and negotiate with the clients creditors. Often due to their relationship with creditors they can reduce or eliminate further interest charges. The applicant has a CAP account, they make one payment into the account then CAP make the payments to the creditors. They can't go overdrawn on their CAP account. The client is given a caseworker from the Lead office. CAP also encourages people to save.

If there are unexpected expenses the local church can support this. They give out food vouchers to clients. They can give a one off payment (£75) to the client take them on a shopping trip for food. Currently the church is giving out Christmas hampers. The organisation is open to everybody.

***How many people get in touch with CAP?***

It was highlighted that they give out leaflets and have advertised articles in the echo, but generally it is by word of mouth. CAP also has a free phone number to book in appointments; however it was pointed out that they may not be able to take the client on if loan sharks are involved or if the person is in too much debt.

It was also suggested that these organisations could advertise in Community News.

**Sunderland MIND**

DG explained that Sunderland MIND works with people who have mental health problems. It was highlighted that the organisation offers encounters

issues with the Provident organisation who are taking advantage of these vulnerable people.

Cllr Watson suggested that they publicise the services of Credit Union and CAP at MIND.

DG suggested that both organisations attend their Financial Capability Event.

***What are the main financial issues facing your organisations?***

Pay Day Loans; Money Shop; Cash Genie; Brighthouse, however you pay these organisations they are subject to high interest rates and charges.

**Summing up – Action Points**

To explore the possibility of both CAP and the Community Bank attending the 5 Area Committees to publicise their services.

To provide the Community & Voluntary Sector Network with contact details for CAP and the Community Bank.

To explore the possibility of promotion of these organisations in the Community News.

Sunderland MIND to look at both CAP and the Community Bank attending the MIND organisations Financial Capability Event.