

# Fair4All Finance

## Covid-19 Resilience Fund and Affordable Credit Scale-up Programme

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# Covid-19 Resilience Fund and Affordable Credit Scale-up Programme

Fair4All Finance is launching two programmes to help the affordable credit sector emerge from the Covid-19 crisis in a resilient state and to scale it thereafter. The Covid-19 fund will provide up to £5m in grant funding to CDFIs and credit unions in England in April. Our scale-up programme will provide the tools and resources to significantly grow the sector following this crisis.

Covid-19 presents significant financial challenges to millions of people across the country. At this time, it is more important than ever that the financial system is supportive of their needs and helps them to maintain their financial wellbeing.

Affordable credit providers deliver valuable credit for essential goods to individuals and are supportive not-for-profit community organisations that are trusted to be there in the right way for customers. We are able to provide targeted support to providers to enable them to assist their customers, sustain operations and to come out of the crisis in a position to thrive.

Our **Covid-19 Resilience Fund** will provide short-term grant funding to help providers to deal with the financial and operational costs of the crisis. We aim to support 50 organisations with up to £5m of funding. **Funding decisions by end of September.**

Our **Affordable Credit Scale-up Programme** is a tailored programme to support sustainable growth for the affordable credit sector over the next five years through both investments and grants. We anticipate that both affordable credit and the wrap around services that these organisations provide will be more important than ever following the crisis. **Funding decisions by end of December.**

Organisations are able to apply for both the Covid-19 Fund and the Scale-up Programme.

# Covid-19 Resilience Fund

We know that the effects of this crisis on the affordable credit sector are already challenging and may become even more so. We have spent the last few weeks listening to the sector. Firstly, we have heard about the significant impacts on cash-flow and revenue through both supporting customers through the crisis with payment holidays and the reduced demand for lending. Further, we know there are operational costs to branch closures, scaling remote services, and the need to rapidly alter organisational structures. These issues are very immediate and place a significant burden on the sector. We anticipate that they will only increase over the coming months as the financial fallout of the crisis deepens.

Having listened to this feedback, we have designed this fund as follows.



## Fund Objectives

- To help the affordable credit sector come out of the crisis in a resilient position and capable of growth
- To enable organisations to support customers in vulnerable circumstances through the crisis including forbearance and continuing lending where appropriate



## Fund Overview

- The fund size is up to £5m, structured as grant funding
- Grants will range from £20,000-£350,000 in size
- Grants will be in either or both of two areas:
  - Technical assistance – grants to help move to a digital business model including scaling remote services, costs of branch closures, and adapting organisational structures
  - Financial resilience – short term liquidity to cover clearly time limited and temporary shortfalls in income where the organisation has a clear plan for, and a realistic prospect of, returning to sustainable trading within within 6 months. This could cover shortfalls in revenue, particularly due to customer repayment holidays or waivers due to the Covid-19 crisis

- **Timing:**
  - The grants are designed to provide short term support over the next 1-3 months
  - Initial funding will be deployed before the end of April
  - The application process is rolling but we encourage organisations to respond to our expression of interest by close of play on Thursday 16 April in order to receive a decision in April
  - Applications received after 16 April will be assessed on a rolling basis until the funds are used up or if the need for funds reduces



## Fund Eligibility

We want our fund to have the most impact by enabling the sector to support customers in vulnerable circumstances and by supporting the sector to come out of the crisis in a resilient position and able to thrive. We will not be able to support every organisation providing affordable credit, so we will focus our resources on those that meet the following eligibility criteria:

1. Have a track record of sustainably serving customers in vulnerable circumstances without reliance on grant income
2. Are focused on serving vulnerable groups in society, particularly those on low incomes, with lower financial resilience and little access to mainstream credit
3. Be of scale to maximize the grant's impact: have a current loan book size of at least £2m
4. Have a sustainable operation and a clear and realistic plan to use this support to both trade through the Covid-19 pandemic and to grow their lending operation following this period, returning to sustainable trading within 6 months
5. Have a demonstrable urgent need for grant funding to deal with the impact of the Covid-19 crisis and their ability to serve new and existing customers

### Organisations must also:

6. Be committed to a partnership-based approach to deal with the current crisis and be successful beyond, collaborating both with Fair4All Finance and the rest of the affordable credit sector
7. Be asset-locked and committed to social impact, demonstrated through their behaviour which is in line with Fair4All Finance's Affordable Credit Code of Good Practice
8. Have the majority of their operations and lending in England due to the restrictions on our funding
9. Non-credit union salary finance organisations will not be eligible for this fund



## Application Process

Please fill in [this application form](#) to be considered for the Covid-19 Resilience Fund. If you have any clarification questions about the Fund, please email us at [programmes@fair4allfinance.org.uk](mailto:programmes@fair4allfinance.org.uk).

We will hold a webinar on 14 April at 4pm with the purpose of answering questions with a collective interest. This webinar will provide clarification and background but will not contain additional information on the guidance and application form. [The webinar will be available via this link.](#)

# Affordable Credit Scale-up Programme

The Affordable Credit Scale-up Programme is designed to provide tailored support to sustainably scale affordable credit as part of the wider transformation of financial services to better meet the needs of people in vulnerable circumstances.

This Fund builds on our pilot programme which has been running since August 2019. The five organisations on this pilot programme – Enterprise Credit Union, Fair for You, Five Lamps, Leeds Credit Union and Moneyline – all received support tailored to the needs of their organisations to help them to scale. The case studies for each of these organisations and this support is contained in this brochure which will offer insight into the possible outcomes from participating in the programme.



## Programme Objectives

- To help to meet the 10x growth challenge for the provision of affordable credit
- To develop a model of sustainably serving people in vulnerable circumstances with affordable credit in order to increase their financial wellbeing
- To develop the tools and assets that will enable the affordable credit sector as a whole to scale



## Programme Overview

- The programme is designed to support organisations to scale, so the support will be tailored based on the unique needs of organisations and shaped with the management teams. It will be informed by the organisations' own assessment of needs and our detailed business diagnostic programme out of which clear recommendations for future development and a proposed support package will be produced
- The support package will comprise one or both of the following components:
  - Long-term patient capital at the equity layer or equivalent to strengthen balance sheets in order to enable organisations to scale their lending through leveraging commercial debt. This funding will be appropriate where we assess that there is a strong and realistic growth plan and the organisation is at a stage where it could achieve commercial debt to leverage the equity funding. Investments in this area could be up to several million, as per some of the award decisions for the pilot phase

- Grant funding to develop organisational capability, either to support organisations towards significant scale later on, or alongside equity funding. This grant funding will be in one of five areas, as identified in our February 2020 Transforming Affordable Credit report:
  - **System Change & Impact** – evidencing the social benefit that affordable credit has
  - **Funding, Finance and Investment** – support in developing ambitious and realistic growth plans, developing robust financial models
  - **Markets, Customer Insights & Product Design** – development of marketing, consumer insights and delivery of well-designed products that support wellbeing for people in vulnerable circumstances
  - **Operational Excellence** – designing and implementing the systems and processes which create a sustainable operating model
  - **Governance, Leadership & Talent** – support in setting up governance structures, leadership team development and talent development which are capable of delivering transformational change
  
- **Process:**
  - Your application should indicate your view of what your organisation needs first to go on a journey of scaling. We would like considered applications which identify what are priorities for support and expect applications to include a costed growth plan which is both ambitious and deliverable
  - The assessment process will be based on the potential of the organisation to effect system change, the clarity and quality of the submission, and the organisational readiness to undertake the various forms of support on offer
  - Prior to applying, organisations should consult the case studies below as a guide for what might be appropriate to seek given the stage of growth of their organisation
  - The Fair4All Finance Board Investment Committee will make the final decisions on the support offered through this programme following a rigorous business diagnostic process
  
- **Timing:**
  - The expression of interest process will be live from the end of May and will close on 22 June 2020 for online applications and to submit documents to the links that organisations receive after submitting applications online
  - We will inform you if you are on the shortlist by 31 July 2020. We will do a more detailed information request at this point to conduct a further assessment if needed
  - The programme outcomes, including funding, will follow the business diagnostic process which will take place between August and November 2020. We expect to be able to make the decisions for this programme in November and December 2020



## Fund Eligibility

The fund is designed for organisations who are operationally sustainable and want to significantly scale their provision of affordable credit in line with the 10x challenge that we have set for affordable credit.

### Organisations should apply who:

1. Have a track record of sustainably serving customers in vulnerable circumstances without reliance on grant income
2. Are focused on serving vulnerable groups in society, particularly those on low incomes, with lower financial resilience and little access to mainstream credit
3. Have a leadership team with ambition and capacity to deliver significant sustainable growth in their business and to contribute to wider development of affordable finance for people in vulnerable circumstances
4. Have a sustainable operation and a clear and realistic plan to trade through the Covid-19 pandemic and grow their lending operation following this period

### Organisations must also:

5. Be committed to a partnership-based approach to transforming the provision of affordable credit in the UK, collaborating both with Fair4All Finance and the rest of the affordable credit sector
6. Be committed to social impact, demonstrated through their behaviour which is in line with Fair4All Finance's Affordable Credit Code of Good Practice.
7. Have the majority of their operations and lending in England due to the restrictions on our funding



## Application Process

To receive a notification when the window is open, [please sign up to our newsletter here.](#)



# Case studies

# Case studies

## Affordable Credit Scale-up Pilot Programme

Fair4All Finance set a 10x challenge for the affordable credit sector and over the last eight months we have worked with five organisations to conduct a detailed business diagnostic of each of them. This was to understand how we best support sustainable growth of the sector and to prove that it is possible to provide credit to people in vulnerable circumstances in a way that is supportive and increases their overall financial wellbeing. We have summarised our overall learning in our February report [Transforming Affordable Credit in the UK](#)

Our work with our five pilot partners has informed how we best support organisations through our Affordable Credit Scale-up Programme in pursuit of the 10x challenge. This programme is different to standard fundraising. It instead offers the opportunity for organisations to set out ambitious growth plans and to work with us to both stress test them and to determine what support is needed to be successful in delivering them.

These case studies are intended to inform and inspire – to give insight into the different types of organisations we have worked with, their differing starting points, and to showcase where they are each doing really well. It also provides illustrations of the types of tailored support that are achievable through the programme. For some, the priority need was for capital to strengthen their balance sheet and support their growth, while for others that are better capitalised, the most appropriate investment was grant funding to support the development of critical tools and capabilities.

The organisations were chosen from 55 applicants and are some of the strongest in the affordable credit sector. We have learnt immense amounts through this process about how to serve customers with a considered, supportive approach. We are looking forward to working with them over the coming months and years in the delivery of their growth plans to help to ensure that customers in vulnerable circumstances have access to affordable and fair credit when they need it. We'd like to again record our thanks to them for their commitment to the programme and learning with us. We are confident the programme has been improved considerably from our learning and their feedback.

## > Enterprise Credit Union

*We were particularly impressed with how Enterprise Credit Union had used their prior access to the DWP Growth Fund to adjust their business model to be able to serve many more people in vulnerable circumstances. They have created innovative products that have contributed both to the resilience of their organisation and, even more importantly, enabled their customers to increase their financial resilience through growing their savings. They are committed to supporting the wider sector in this type of innovative product development.*

*The team have ambitious plans and needed practical support to translate those into a robust growth plan and development of their platforms to enable them to scale.*

**Sacha Romanovitch**, CEO, Fair4All Finance



### Track record of serving people in vulnerable circumstances

- Enterprise Credit Union serves communities in the Knowsley, Liverpool, St Helens and Warrington Boroughs of Merseyside
- Enterprise hold over £20m in member share deposits; have a loan book of over £22m and lend more than 18,000 loans per annum. 95% of all lending with ECU is charged at a rate that is significantly below the credit union interest rate cap. Starter loans, for new customers, operate through a tiered pricing approach
- 90% of their lending is to repeat customers, over 74% of all members have been with ECU for three years or more and over half of their membership having a household income under £20,000



### Product design and delivery

- Enterprise provides members with a tiered product pathway, allowing them to access lower interest and higher value loans based on shares held, longevity as a member and a good repayment record. This means that members are only able to access larger amounts of credit as they build financial resilience with the credit union
- Enterprise also offer a loan which is open to members who can pay non-means-tested child benefit directly; this splits payments into loan repayments and savings. The benefit mechanism is used for quasi-security for lending, particularly on starter loans



## Growth ambitions and opportunities for scale

- Enterprise’s membership has grown at a faster rate than the wider credit union movement, growing by 50% since 2015 compared to average growth across England of 10%. Benchmarked against its peers, it has consistently lent more with lower default rates, encouraged more members to save, and paid a higher dividend than the national credit union averages
- Enterprise has been growing organically and sustainably at a steady rate for years, and through the pilot programme, plan to accelerate this and expand at scale. ECU will work with Fair4All to develop a detailed growth plan that builds on their existing scenario and to set out their aspirations, aligning these with practical actions including implementing resilient infrastructure to support additional scale
- As the Credit Union maintains reserves, capital is not their immediate constraint to growth. Fair4All’s initial support will be focused on improving capacity and capability in key areas such as technology, operations and business planning



## What they need to deliver their ambition

- To capitalise on Enterprise’s current success they are developing a detailed growth plan which will set-up how the organisation can significantly scale. This plan will examine the required further investments including infrastructure, resources and capital
- To enable this scale, there are areas where we have identified that investing early will be worthwhile. This will include a comprehensive review of the current IT system and development of a roadmap to increase efficiency using technology, as well as the implementation of an upgraded financial model to assist growth planning
- Further, research will be conducted into the use of benefit-linked lending by Enterprise and other organisations, to ensure that the customer’s needs are aligned with the motivations of the lender. Depending on the outcomes of the research, the wider sector will potentially be able to benefit from this proven model (this will be conducted alongside similar research with Leeds Credit Union into lending that is connected to payroll deductions and child benefit)
- To support these projects, Fair4All will initially be providing £250,000 in grants, procured support and in-kind resource

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The pilot was a great learning experience all round and I’m delighted we were chosen to participate. I’d encourage others to engage with the second round of the programme and say to them - don’t think it’s easy because it isn’t. But it’s a fantastic opportunity to get excellent support to help you for the future. It can and should make you stronger, but you have to be willing to put as much into it as you expect out of it.

**Karen Bennett**, CEO, Enterprise Credit Union

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## > Fair for You

*Anyone who meets the team at Fair for You will experience their commitment and passion to make a difference to the lives of the people they serve. They have already scaled significantly and continued to innovate to design solutions that give people in vulnerable circumstances access to key products to improve their lives in a way that gives them dignity and respect. This carries through into their collections approach which reflects a real understanding of the realities of those with unpredictable lives and incomes. The investment they have already made in tracking their social impact has made this a natural area for them to build on as we develop tools and resources that can be shared with the wider sector.*

*Their key challenge was restructuring their balance sheet to allow them to secure further lending capital alongside support to continue innovation in product design and impact reporting. We are confident that the learning from them will create significant value for the sector as a whole.*

**Sacha Romanovitch, CEO, Fair4All Finance**



### Track record of serving people in vulnerable circumstances

- Fair for You was founded in 2015 as a socially responsible alternative to high-cost rent-to-own (RTO) providers. It is a nationwide, online, not-for-profit lender that provides customers with affordable and flexible loans in order to buy essential household items from one of Fair for You's partners
- Fair for You's loan book has grown by 475% in the three years to 2019, going from 4,000 loans in 2016 to 19,000 in 2019. At the time Fair4All Finance conducted its due diligence, Fair for You had loaned almost £18m through 53,000 loans since it began trading in 2016. Its social impact increases with this growth, as Fair for You saves customers £527 on average per loan through their product rather than a rent-to-own alternative. Fair for You is committed to serving customers in the most vulnerable financial circumstances and is predominantly aimed at women with dependent children. Fair for You's social impact extends beyond lending - Fair for You is contributing to a reduction in anxiety and to the improvement in mental health for customers who have previously been reliant on high-cost lenders
- It receives overwhelmingly positive feedback from its customers and has a 4.9 out of 5 TrustScore on TrustPilot. Thousands of testimonials reveal the profound impact that access to modest but essential items such as a decent mattress or a washing machine can have on people's cost of living and quality of life



## Product design and delivery

- Unlike its higher cost competitors, Fair for You does not charge punitive arrears fees and other add-on costs on top of their prices. Making a like-for-like comparison of Fair for You's prices with its competitors in the commercial rent-to-own sector is quite difficult, due to differences in loan term, fees and product selection. Illustrative examples of similar products suggest that leading commercial competitors could charge customers close to 100% of a product's price in interest and fees over the course of the loan, whereas Fair for You would charge between 20-25% in total
- Fair for You's strategy is informed by a deep understanding of its customers. Some items are only available to members of its Good Payers Club, which is based on the longevity of a customer's relationship with FFY and having a good repayment record. This helps create a trusted community around the business and contributes to FFY's low default rates. Part of the rationale for the Good Payers Club is the evidenced higher default rates on certain items, such as televisions or laptops. It is also a function of Fair for You's social mission to protect women and children in households by not providing, at least initially, goods that are more easily monetised by others associated with the household



## Growth ambitions and opportunities for scale

- Fair for You has seen rapid growth in the short time it has been active. This has been driven by a capable and experienced team, a resilient IT system and a strong business model that is supplemented by an additional revenue stream based on commission from partner suppliers
- Fair for You is ready to embark on a significant growth phase and has the ambition to scale to a loan book size of 250,000 loans per year in five years' time. This would be 111,000 new customers per year by this point, potentially saving these customers a total of £58m by avoiding high cost, short-term credit



## What they need to deliver their ambition

- Fair for You has a gap in its balance sheet for equity capital which will enable it to meet growth ambitions in a sustainable way. Fair for You sought investment to bridge this gap, in a way that is long term and enables them to raise investment from commercial markets in the future
- In light of these needs, Fair4All Finance will provide long-term patient capital working alongside the existing investors who funded its initial growth. The Fair4All commitment is a £5m equity investment to be drawn down over two years
- A £500,000 grant will also be given to Fair for You to enable growth and resilience including work on product development and social impact reporting. Through this work, Fair4All Finance will develop a standardised set of outcomes for affordable credit impact reporting, allowing Fair for You and other organisations in the sector to better evidence their impact and attract more social investment

## > Five Lamps

*Five Lamps is at a pivotal point in its journey. Their diverse operations embed them fully in the community they serve, and they have a strong track record of local partnerships to meet real need emerging for those they serve. They had attracted an energetic new CEO and already secured capital to drive the business forward. They have been bold in exploring new ways to attract customers and are prepared to experiment to learn and to openly share that learning with others in a generous and thoughtful way.*

*To deliver on their bold ambitions they need to build their detailed models and analytics to enable them to drive growth in a way that is sustainable not only financially but also in the demands such a diverse business places on the leadership team. The models and approaches developed with them will provide valuable tools and assets for the wider sector.*

**Sacha Romanovitch**, CEO, Fair4All Finance



### Track record of serving people in vulnerable circumstances

- Five Lamps Organisation (FLO) is a charity, trading as a Community Development Finance Institution (CDFI) - Five Lamps Trading Ltd (FLT) under brand Conduit and Conduit Scotland. This structure enables gift aid from FLT to flow to the charity for subsequent investment and the trading arm is focused on increased lending and disruption to the high cost credit market
- Established over 30 years ago, Five Lamps has a long and successful history of delivering social and economic development in its community, and through innovative partnerships. Besides lending, Five Lamps provides services including domiciliary care, youth services, and business lending to small and medium-sized enterprises
- Although headquartered in the North East, FLT operates nationally to lend on-line, through a contact centre and a branch presence in Scotland. Five Lamps has secured support from Local Authorities through a competitive tender and developed much needed and effective services including gateway and referral support integrating over twenty social advice partners within their Dunfermline hub. From a standing start, Scotland now represents 25% of FLT's lending
- FLT offers affordable loans to people unable to access mainstream financial services, including vulnerable people who are financially excluded and unable to secure loans through other lenders. Five Lamps lends to low income customers; the loans are split broadly 30% new and 70% repeat customers or top up loans
- Five Lamps has successfully attracted external investment to enable growth - including up to £5m in additional capital - enabling significant increases in lending. In the 12 months ending March 2019 FLT provided over 5800 loans totalling over £4m; in the 2019/2020-year lending has further increased more than 20% year on year
- It has an energetic and committed management team who are rapidly evolving the organisation to maximise sustainability and reach, including refining the product offering



## Product design and delivery

- Five Lamps' lending arm provides fair and affordable small and short-term loans to low-income households, with a high proportion of its customers displaying vulnerable characteristics
- Their interest rate is one of the most competitive in the CDFI space
- Their average loan size in March 2019 was circa £682 and is increasing as volume grows
- The loan product is currently set at a maximum of £1500 for 12 months or longer, direct from FLT on-line
- Five Lamps has been an early adopter of new marketing channels including loan aggregator websites – enabling product reach and swift deployment. Their presence on an aggregator site, online lending platform, end to end customer experience and rapid dispersal also allows for agile innovation and the testing of new product settings, including loans of a higher value (up to £2000) and longer duration
- Contact centre support helps customers engage with Five Lamps, augmenting the technology driven lending processes
- FLT has embraced practical partnerships with a range of organisations across the UK to extend and maximise its reach



## Growth ambitions and opportunities for scale

- Five Lamps has secured a £5million capital funding programme from a number of social investors to support a growth plan that is set to deliver over 60,000 loans across five years. With more than £4m already drawn and plans to utilise the balance in 2020, Five Lamps are reviewing the model and potential to grow the loan book even further
- This capital has led to significant increases in lending, from a standing start in August 2018 its trading arm has grown the loan book to over £4m with over 7000 loans issued in 2019/20
- Over the course of the pilot programme, with the support of Fair4All Finance, Five Lamps has built capacity in its team and improved its financial modelling
- It has invested in analytics on its lending model, focussed on sustainable lending, while preserving flexibility and fairness for its customers. This has contributed to putting Five Lamps on a stronger position for growth and further investment beyond the current £5m capital



## What they need to deliver their ambition

- Five Lamps Organisation has been growing steadily and with the creation of Five Lamps Trading and external investment significant growth has been achieved. There is potential for future growth underpinned by more detailed insight into their lending, a more dynamic means of modelling growth and finances, and additional capacity in the management team
- They have embarked on a number of organisational changes to support their next stage of growth, including implementing an integrated financial model to assist with growth planning, and using data analytics to maximise insight from Five Lamps recent partnership with an aggregator platform. This will generate valuable learning for both Five Lamps and the wider sector. Five Lamps are also developing analytics on their lending model to optimise sustainability
- To support these projects, Fair4All Finance has agreed to initially provide £155,000 in grant, procured support and in-kind resource. In addition to supporting the projects above, this funding will also support organisational development through increasing capacity in the management team. Five Lamps is open to and planning for additional future investment



## > Leeds Credit Union

*Leeds Credit Union is a great example of an organisation that has recognised the value of deeply embedded partnerships with the local authority and debt advice providers. This puts them at the heart of the community with a strong support structure in place for their customers. They have explored new ways to extend their reach to a wider customer set through the creation of a sister CDFI and have been thoughtful contributors to the wider development of the credit union sector.*

*For their next phase of development, the focus is on how they continue to extend their market penetration through focused partnerships and develop products that make this easy and also contribute to the sustainability of their business model.*

**Sacha Romanovitch**, CEO, Fair4All Finance



### Track record of serving people in vulnerable circumstances

- Leeds Credit Union is a large and established affordable credit provider serving people who live or work in Leeds, Wakefield, Harrogate and Craven. It is committed to improving financial inclusion and has a clear focus on serving low-income households in its community
- Leeds hold over £18.5m in member share deposits; have a loan book of over £12m and lend through more than 6,000 loans per annum



### Product design and delivery

- Leeds does 80% of its lending to vulnerable customers and 20% to customers with a greater ability to pay. They offer premium loans at lower interest rates to loyal customers with a stronger financial profile and track record. Leeds has also recently introduced lending connected to benefit payments and already has a large number of employer partnerships for salary linked lending
- Leeds Credit Union has a unique model in the affordable credit sector through its sister CDFI, Headrow Money Line. Headrow was started through loan capital provided by the credit union and is able to serve a potentially different demographic than the credit union as it does not have an interest rate cap and can accommodate a slightly higher risk profile in its lending. Headrow is currently small scale, but the model can enable LCU to further extend its customer reach and provide a single access point for customers' credit needs



## Growth ambitions and opportunities for scale

- Leeds has formed strong partnerships in its community and beyond. It grew from roots within Leeds City Council as an employee-based credit union and these links remain very strong today. Leeds has been funded as a key delivery partner in the Council's financial wellbeing and social inclusion strategies. It has approached expansion innovatively, operating employer credit union schemes in a range of disparate geographies. They have over 40 employer partners with potential to increase penetration within these. Leeds' partnership with Clarion, the largest social housing provider in the country, also provides a significant channel to serve vulnerable customers. This approach has enabled Leeds to become one of the largest credit unions in Great Britain, growing from 11,000 members in 2004 to almost 37,000 today. Some of Fair4All's support focuses on expanding these partnership channels further
- Leeds has prioritised investment in their IT infrastructure and are in the middle of an IT development programme. This investment will get them into better position to grow, improving their resilience, efficiency, channel utilisation and customer understanding. Leeds receive grant and service fee funding from a range of partner organisations and have diversified their income in this way. Fair4All is providing capability and capacity building funding to Leeds to complement its significant deposit base and the support it receives from other parties



## What they need to deliver their ambition

- Leeds is now looking to further capitalise on its existing partnerships, including through employers to increase penetration and through further development of the social housing proposition. The employer project will take the form initially of an employer partner toolkit, outlining the ways to increase the number of employees reached through Leeds' product. This toolkit will support Leeds Credit Union and other credit unions to reach more employer partners with higher levels of penetration, resulting in a growth in lending and saving and improved loan book quality
- To complement this, research will be conducted in the payroll linked lending model, to ensure that employee's needs are aligned with the motivations of the lender (this will be conducted alongside similar research with Enterprise Credit Union examining lending connected to benefits payments)
- To support these projects, Fair4All will provide £170,000 in initial grants, procured support and in-kind resource. This support will also include further analysis of Leeds Credit Union's growth plan, identifying further opportunities for scale and expansion



Working with the Fair4All team has been one of the most extensive and rewarding development programmes that we have been involved in. In my view Fair4All, together with the investment funds that they have at their disposal, provides the best development opportunity that has come along for our industry for years. Fair4All has brought a fresh approach to our sector and formed their own opinions about credit unions and CDFI's challenging out of date norms. Progressive credit unions and CDFI's will gain substantial benefit from joining their future programmes.

**Chris Smyth**, CEO, Leeds Credit Union



## > Moneyline

*Moneyline is a fantastic example of how you can serve customers in the most vulnerable circumstances in a scaled and sustainable way. Their in-depth understanding of the needs of their customers has been built into the design of all their systems and processes. Great service and outcomes for their customers and their business happen by design. This has set them up incredibly well to scale their operations whilst retaining a high-quality customer experience and sustaining the strong financial performance. They have built good commercial partnerships to continue to extend their product range in delivering on the wider financial wellbeing of their customers. They have benefitted from recruiting a board with a depth and breadth of experience which has helped them to shape a clear and ambitious growth plan.*

*The ability to realise these plans hinged on capital to allow them to leverage lending capital to scale. The further development of their customer journey will generate tools and design for the wider sector to help any organisation wanting to sustain great service at scale without an ever increasing head count!*

**Sacha Romanovitch**, CEO, Fair4All Finance



### Track record of serving people in vulnerable circumstances

- Moneyline is a CDFI headquartered in the North West of England with a predominantly branch-based lending model supplemented by a growing telephone service. Since its first shop was set up in 2002, its mission has been to serve customers in its community who are excluded from mainstream financial services. Currently, Moneyline make 12,000 loans per year
- Moneyline has developed an exceptional understanding of its customers and their needs. This has been achieved through the creation of detailed personas that segment its customer base by the way they interact with credit and their demographic and financial characteristics. These have been used throughout the business to ensure a common understanding of the organisations' customer base and to inform how the team interact with customers
- Moneyline's emphasis on relationship-lead lending (face-to-face branch and telephone lending) has also allowed it to build trusted relationships with the people it serves
- Its 'branch book' embeds the customer experience through all its systems and processes, providing staff with a detailed playbook for how to interact with and serve customers in a supportive and empathetic way. It is an excellent and unusual example of an operations manual deftly spanning process, quality and customer experience



### Product design and delivery

- Moneyline's customers primarily come from the lowest income households, with a high proportion being young women with dependent children, living in rented housing. Its approach is to offer a range of simple products that fit with its customers' complex lives and need for flexibility. For those excluded from mainstream financial services, Moneyline provides an alternative to high-cost short-term credit, offering affordable loans with an average size of £600
- Customers are encouraged to 'round up' loan repayments into linked savings accounts through a partnership with a mainstream bank and to take out cost-effective home contents insurance products through a partnership with a major insurer in order to build their financial resilience
- The management team's commercial experience and approach has helped secure these relationships to enable significant benefits to their customers through these partnerships



### Growth ambitions and opportunities for scale

- Over the years Moneyline has made good investments in its people, infrastructure, technology, customer insights and culture, all of which have contributed to a strong and sustainable business model. Despite this solid groundwork for growth, the organisation has been constrained by access to capital. Up to this point, Moneyline's expansion has been driven by debt financing by social investors, which has taken the organisation to where it is today. For the next stage of its growth, it was identified that Moneyline would benefit from a layer of long-term patient capital, allowing it to alter its corporate finance structure, bring in additional funding and scale its operations to reach more customers than ever before
- Moneyline is seeking to significantly scale its operation over the next five years, scaling annual loans from 12,000 to over 49,000 across a mix of channels. Based on customer savings versus high cost credit, this growth would facilitate £14.2m in cost savings to customers per year



### What they need to deliver their ambition

- Moneyline has grown so far with debt financing and was seeking investment in a new share structure to take on long term, non-withdrawable patient capital in a sustainable way. This structure of capital will enable debt financing throughout this growth period in addition to the equity funding. Therefore, to support Moneyline's ambition Fair4All has made a £7m equity commitment over the next two years to support their five-year growth plan
- Further, Moneyline have identified business needs on their customer journey and the technology that is required to support this growth. These changes both improve the customer journey and enable more sustainable growth through a lower cost to serve. To support these changes, Fair4All has committed a £600,000 grant for this work to take place

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If you are serious about sustainably scaling your organisation and realistic about the depth of exploration of your model required to be robust and resilient enough to grow impactfully I would urge you to apply for the scale up programme. At Moneyline we can move forward at pace with the re-assurance that our plans have been rigorously stress tested, by a high calibre team, whilst also benefitting from the collaboration and mutual learning inherent in the unique approach to the process. All of this is then subsequently backed with the optimum package of support to deliver ambitious growth.”

**Diane Burridge**, CEO, Moneyline

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