

Questions and answers from our Navigating uncertainty webinar

We had some great questions during the webinar and we didn't quite get to answer them all on the call. Here is a summary of all the questions and answers, which we hope will add depth to your understanding of our work, focus and priorities for the community finance sector.

To help you navigate, we've broadly grouped the questions and answers into three areas

- Fair4All Finance's strategy and who we support
- Further survey insights
- Opportunities to explore

And if you have any further questions, we'd love to talk to you. You can contact us at hello@fair4allfinance.org.uk.

Fair4All's Strategy and who we support

Why hasn't Fair4All Finance provided any financial support for small <£2m loan book community credit unions? Is it driving a consolidation strategy? If not why no support?

From a really practical level it comes back to our organisational purpose, which is all about how we increase the financial resilience of people in vulnerable circumstances through increasing access to fair and affordable financial products and services. Our job is to look at how we can create a sustainable market at scale to address that need - and 'at scale' is the critical element.

When we set up our £5m Covid-19 Resilience Fund last year to support the community finance sector through this emergency, we needed to make really strategic choice around how we could balance the resources we had with also making sure what we were doing was actually making a contribution to our longer-term strategic aim.

So we're currently working with over 30 providers who are covering around 50% of affordable credit provision. However we are very mindful that we haven't been able to split our resources across some 400 credit unions operating across the British Isles. So we will be doing something later in the year, working very closely with ABCUL, to be able to really understand the business model of the smaller credit unions, the part they play and how we might best be able to support them.

Huge opportunity via mergers of credit unions and CDFIs - what can be practically done to encourage proactive mergers? Also in terms of partnerships - Councils have a central role to play but are often forgotten in discussions

One thing we would say about mergers is that we recognise it's not a one size fits all approach. And to get deep reach into certain communities we need some really focused local community finance providers. Equally we know that lending is a scale business, so we don't think within the sector we've solved balancing those challenges and thinking about how we can do that effectively yet.

We potentially have some resource to put into helping organisations who are looking to explore mergers and we've got a project ongoing with specific organisations who are pursuing merger opportunities. These can be in various forms, so the idea of merging into CUSOs and having that as a first stage of a partnership is really interesting and then a full merger. So if it's something you're thinking about pursuing then we can support that and we'll look to publish something on what we've seen as best practice later this year.

We've also seen some really excellent examples of deep collaborations between councils and community finance providers that have really sustained that provision. We think it works really well where it's done in a sustainable way and it's also connected to the local ecosystem.

We really encourage those conversations and we'd be up for helping with them if we can. From a council perspective, what we've heard is that partnerships have been really effective when it's understood how affordable credit fits into an ecosystem of debt advice and other welfare support.

Is anyone collecting leading practice in operating a smaller credit union? Or is there a plan to do that?

Can a small credit union apply for funding from Fair4All Finance? If so, how does one go about applying for it?

We have this planned for later in the year - we do encourage organisations of all size to submit their data to aid evidence and understanding. We'll be working with the trade bodies to define some new work with smaller credit unions later this year.

An ongoing challenge for growing credit unions that has been exacerbated by COVID is maintaining their regulatory capital position - what are the options for Fair4All Finance support on this?

As part of our Affordable Credit Scale Up programme we are looking at whether helping specific credit unions with subordinated debt could be an effective way to strengthen provision.

Can you expand on what you are doing with employers please?

Sacha chaired the Money and Pensions Service challenge group last year which looked at the role of the workplace in financial wellbeing. Through this we have been exploring ways that we can facilitate partnerships between employers and affordable credit providers, along with the Inclusive Economy Partnership. We intend to build the case for affordable credit provision through the workforce and signpost to best practice for employers.

With 'scale' of the provision of affordable credit being an objective, has any thought been given to supporting those organisations who are already scaling quickly or have a clear defined roadmap to scale? Whether that's supporting skills or investment in digital transformation. In essence much more effective to support organisations on an upward curve with high potential than turn around those who maybe struggling or experiencing a plateau

That's exactly how our Affordable Credit Scale Up programmes are focused - we look for organisations with a clear track record of serving this customer group, with a credible and ambitious growth plan and with leadership bandwidth for growth and capacity building.

From Castle & Crystal Credit Union - 'Thanks Sacha re scalability, here's what we did that helped us to grow nestegg.ai/case-studies that credit unions might find helpful.'

Further survey insights

Niall/Pal - the very sharp drop in loan issuance Spring 2020 does not seem to have yet washed through (proportionally) to interest income falls/net value of books? Any insight on why this might be?

You're right. The loan value and volume decrease hasn't completely been mirrored in loan income - it has decreased but there may be a lag between issuance and interest income? Possibly because larger credit unions operate with very long-term loans (e.g. 4 years) so it takes time for it to translate into lower interest income.

When do you think the updated University of Salford/Carnegie UK Trust report might be available?

The survey is still open for any last-minute responses [here](#). We're currently discussing what the final outputs will look like and will share them as soon as we can, likely before the end of the month. In the meantime you can see the slides from Pal and Niall's presentation [here](#).

Opportunities to explore

Can CUSOs work for small CUs that have a volunteer component of their operations FTEs? Won't cost be higher then?

This is one of the areas we collectively need to work through together, with an open mind as to the possibilities of this model.

GB credit unions have 3 in 100 adults as members, comprising customers who need low-cost loans and customers from the prime segment. The negative brand image needs changing if credit unions are to make inroads into the wider market.

Agreed - we are considering this in the context of the wider community finance brand awareness as referenced in the [Woolard Review](#).

Where can I find the scenario planning guide that is being discussed?

Here's a link to our [Navigating uncertainty guide](#) for community finance providers. It comes in two parts

- 1 **Navigating uncertainty** – a scenario planning toolkit and framework to help community finance providers to work with their boards to seize the opportunity to further transform their business
- 2 **How community finance and Fair4All Finance can work together** – to scale the provision of affordable credit

If working from home how did you organise and provide the software and hardware required?

For Bristol Credit Union we bought laptops and installed the right software on those, then worked with our IT support to arrange secure remote links to the office server. We also use Microsoft 365 so our email & other office programs are all in the cloud, along with many of our shared files. Also moved to VOIP phone system so calls can be answered remotely. Thanks to Fair4All Finance too for the Covid Resilience funding that supported most of this. **James Berry, Bristol Credit Union**

Please remember that only 65% of British credit unions are members of ABCUL, please can you engage with the other 35% as well?

We engage with all credit unions through each trade body, but we also welcome feedback on how we can do this more effectively.