

**Address by Ed Farrell, CEO, Irish League of Credit Unions to the
Joint Committee on Finance Public Expenditure and Reform
on Wednesday 25th November 2015**

Mr Chairman, Members of the Committee, I am grateful to you for inviting the Irish League of Credit Unions to make a presentation to the members on regulatory reform and its impact on credit unions. I am joined today by John Knox from the Research & Development Department of the League. The Irish League of credit unions represents 437 credit unions across the island of Ireland. The League affiliated credit unions in the Republic of Ireland have almost 3 million members, savings in excess of €11 billion and over €13 billion in total assets.

As the committee is aware credit unions are a voluntary, visionary movement. Members own and run credit unions. Being a grass roots, not-for-profit, organisation founded and run for a social purpose, credit unions are a unique financial institution. Democratically run, volunteer led and based on helping members, not profiting from customers, our ethos sets us apart. The economic crash has put enormous pressure on families, and credit unions have been there for them. Now we want to do more. The clear, focused policy steps we advocate, will strengthen credit unions, ensure that prudent lending is available to those who cannot access it elsewhere and make a major contribution to key national objectives including social housing and small business. The specific policies we advocate for are set out in the League's Six Strategic Steps policy document.

Credit unions have an exciting developmental agenda as demonstrated by our payments company CUSOP. We are rolling out electronic payments facilities in credit unions and with some financial assistance this could be done much more quickly. As you all know providing loans at affordable interest rates for those who cannot access credit elsewhere is the reason credit unions were established. With this in mind credit unions are at the forefront of a project to provide those on welfare with a real alternative to moneylenders. Led by the Department of Social Protection and in conjunction with the Social Finance Foundation over 30 credit unions are involved in a 6 month pilot of a new loan scheme which we hope will be a solution to this pressing social need.

Providing credit to small and micro businesses is something credit unions already do, and is a key contribution our movement can make to a recovering economy. Our aim is to create a central fund, in which individual credit unions could invest so that loans would be available to small businesses nationwide. Expertly supported and effectively regulated, pooling the resources participating credit unions hold individually, will ensure availability of credit more widely throughout the economy. This would match available credit union capacity with small enterprise that needs credit to survive and develop. This proposal meets a need that clearly is not being adequately met by other lending agencies, and it is in keeping with the social, community based, objectives of our movement.

Serving a broader social agenda, is part of what credit unions were set up to do. At present credit unions hold surplus funds of €8 billion in investments on behalf of members. We believe these surplus funds could be used more effectively. Under current regulations, there are limited options for the management and placement of these funds. We believe these funds could be better used to deliver key social goals, while also fully protecting them. For example credit unions surplus funds could be used to assist in important areas of Government policy such as Social Housing. In this regard we have recently submitted a detailed proposal to the Minister for the Environment, Community and Local Government.

However, there is a major barrier to this and many of the other initiatives I have outlined and that is the impending regulations which are due to apply to credit unions. The final sections of the 2012 Credit Union Act are due to be commenced in January 2016 and the accompanying regulations will place limits on the savings credit unions can take in from their members, but also limit the types of investments they can make. There is now a growing disconnect between the ethos of credit unions and that of our regulator, the Registry of Credit Unions, which sits within the Central Bank. That disconnect is highlighted again in the recent publication by the Central Bank of the 'ICURN Central Bank of Ireland Peer Review Report – Central bank Performance of its Regulatory Functions in Relation to Credit Unions'. We note that the ICURN review team expressed

concern at the sheer volume and complexity of the requirements with which credit union boards of directors and management must now comply. It is acutely frustrating therefore, that the views expressed on behalf of credit unions in relation to the overly onerous regulatory approach of the Central Bank have not been taken into account or acknowledged.

This is not about being for or against regulation. It is about better, more effective regulation and doing the right thing. A lot has changed, since the report of the Government Commission on Credit Unions was published and its recommendations partially implemented. The Governments own analysis of Ireland's economic position says as much. Now is the time we strongly believe to briefly pause, review and then move forward on the basis of better regulation for the future of credit unions.