

A Credit Union for Clergy and Church of England Employees?

This leaflet comes to you as a private initiative to bring lasting benefit to clergy by setting up our own Credit Union. Please could you take a few minutes to read it and respond, many thanks,

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Treasurer of the Association of British Credit Unions Ltd.

What is a Credit Union?

Credit unions are savings and loans co-operatives owned and run by their members. They offer savings products and affordable loans tailored to members needs. Profit is returned to members by way of dividend on shares (each pound saved is technically a share).

How does it differ from a bank?

A credit union (in common with building societies) is a mutual organisation. Each member has one vote at the AGM. A credit union works for the best interest of the member, not to maximise profits for remote shareholders or pay large bonuses to staff. Loan Protection Insurance comes as a member benefit and there are no hidden charges on loans and no early repayment penalties.

Is it a safe place to deposit my money?

Credit unions are licensed deposit takers authorised and regulated by the Financial Services Authority. Member's savings are covered by the Financial Services Compensation Scheme so the first £50,000 of a member's savings are completely safe.

Why would I want to borrow money and at what rate?

Clergy income remains similar throughout our working lives yet we experience peaks and troughs of expenditure such as the birth of

children or university fees and find we need to spread expenditure over a period of time. On small loans credit unions typically charge 1% per month on the reducing balance of the loan (so borrow £1000 and repay it over a year and pay £65.20 in interest). Larger loans over longer periods will incur a substantially lower rate of interest.

How much interest is paid on savings?

A change in the law later this year will allow credit unions to offer fixed rate savings products, currently credit unions are restricted to paying dividends on shares. Credit unions can offer cash ISA's for tax efficient savings. It is envisaged paying market-leading rates on an instant access cash ISA, less on ordinary accounts but more on fixed term deposits.

How would the Credit Union work?

It would be a completely separate legal entity from the Church of England and would be run by a volunteer Board of Directors elected by members (so we would be pleased to hear from anyone with relevant financial and marketing experience). It would employ staff to process transactions. Savings and loan repayments can be made by deduction at source from the payroll keeping running costs to a minimum. Disbursements would be by cheque or BACS transfer.

What Next?

Because operating costs are so low, an employee based Credit Union can offer market leading savings and loan products. With the credit crunch and the 'discrediting' of the banks there has never been a better time to start what is a mutual, ethical, self-help solution to our financial needs. In the long run it could even offer mortgages for retirement housing. To assist our planning I would be most grateful if you could spend 5 minutes responding to an online survey at:

<http://www.zoomerang.com/Survey/?p=WEB228SGQMW3B3>