

All Party Parliamentary Group on Credit Unions

Credit Union Payroll Partnership with Department of Work & Pensions

Minutes of meeting held at 14.30 on 6 July 2016, Committee Room 17, House of Parliament

The Chair of the All Party Parliamentary Group on credit unions, Robin Walker MP welcomed the Group, noting his re-election in the AGM of the Group earlier that day. The chair introduced the Minister of State for Welfare Reform, Lord Freud who announced the launch of the payroll savings partnership between the Department of Work and Pensions and a consortium of three credit unions:

- **Commsave Credit Union**
- **Hull and East Yorkshire Credit Union**
- **Voyager Alliance Credit Union**

Lord Freud thanked the Chair and ABCUL for the opportunity to attend the meeting on an important day for both the Department of Work and Pensions and credit unions. Lord Freud declared his long standing support of credit unions including his membership of London Mutual Credit Union.

Lord Freud stated that from a government perspective it is essential that everyone has access to affordable, good quality and safe financial products, and that the credit union movement is key to meeting this aim.

Lord Freud noted the scale of the sector which had reached a new high of over 1.2 million members, showing growth in the last 12 months in membership of 5.7%. He said it was an exciting time for the movement but even more progress could be made which is why the government has invested £38 million in the Credit Union Expansion Project to help credit unions grow, modernise and become financially sustainable.

He felt that the I.T banking platform which the Expansion Project is currently working on should help the movement deliver faster more dynamic services. He said the majority of universal credit recipients were now using mobile for their banking and that there was a real opportunity for credit unions to ‘leapfrog’ legacy systems used by the banks.

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Lord Freud recalled extolling the benefits of credit union payroll savings to the CBI and TUC in 2013, however, it did not seem right to ask others to do what the government was not willing to do itself, therefore he was pleased to announce the Department of Work and Pensions as the first central government department to launch credit union payroll services for its employees.

Lord Freud stated that he wanted DWP staff to benefit from upfront savings and competitive loans from an ethical provider and that he will continue to encourage ministerial colleagues to support the introduction of payroll savings schemes to their own departments.

Ending his speech on the payroll savings scheme, Lord Freud said he hoped the credit unions would not only receive money from DWP staff but also expertise, stating that there is much to be gained from the knowledge and skills that civil servants can bring to credit unions. Lord Freud also congratulated 1st Class Credit Union, NHS Credit Union and Hoot Credit Union in gaining five-star status in the latest round of the Fairbanking Foundation awards and suggested other credit unions follow their example.

Director of Human Resources for the Department of Work and Pensions, Debbie Adler then spoke about the payroll savings scheme from a human resources perspective. She stated that she has become increasingly convinced about the benefits credit unions can offer to DWP staff. The Department employs 79,000 people across the UK and the payroll scheme will be available to the entirety of that workforce.

Debbie Adler said that the DWP has an employee assistance program and see increases of debt and cases of financial difficulty through this channel and that the partnership with the credit unions is seen as complementary to other schemes DWP runs to help employees. In particular, she stated that encouraging people to save can be a difficult habit to instil and credit unions support this via the 'behavioural nudge' of deducting contributions at source making take-up more effective and building trust – this is supported by research and is a key part of the scheme's benefit.

Debbie Adler also stated that stress in the workplace caused by financial difficulties can be difficult to manage and it is more important than ever to have

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such an offering available. It is in the best interests of employers to reduce this stress and consequent absenteeism.

Debbie said that joining the credit union would be the choice of individual DWP employees and that due diligence regarding the scheme had been completed to their satisfaction. She went on to say that the DWP would be happy to share with other Departments the details of how they set up the scheme. She also commented that the partnership aligns neatly with the wider political imperative to spread the credit union movement more widely across the UK.

Speaking on behalf of the three credit unions, John Smith, Chief Executive of Hull and East Yorkshire Credit Union, started by stating how proud and pleased the three credit unions are to have been selected to offer the service. He outlined the shared vision of the Department and the credit unions of a consortium of credit unions working collaboratively across the Department of Work and Pensions staff in the UK to bring mutual benefit to all concerned. He stated that the consortium felt that they have collaborated with each other and the Department really well so far and that their determination and a strong bond of friendship would help them work through any issues that arise.

He highlighted that all three credit unions have worked extensively with private, public and third sector employers in the past and that the schemes they have delivered are popular with workers of all ages, income levels and occupations. He concluded by saying the credit unions involved would continue to work hard and evolve and he wanted to involve DWP staff as workplace champions and in the governance of the credit union. The credit unions, he said, represented “Common Sense with Money”.

Lieutenant Colonel Ralph Griffin then shared with the group his experience of the similar credit union partnership he helped establish with the Ministry of Defence for Armed Forces personnel. He said the arrangement allowed soldiers, sailors and aircrew to take more financial responsibility for themselves, and having a federation of three credit unions provided them choice. He described the merits of having several credit unions serve an employer such as pooling resources for research and marketing and sharing best practice between the credit unions.

Following the set remarks the meeting was then opened up to questions and discussion.

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Lindsay Melvin the Chief Executive of the Chartered Institute of Payroll Professionals (CIPP), suggested that the vast majority of the payroll industry has done away with administration charges for processing payroll deductions for credit unions and that there is huge value in using the e-payslip to distribute communications and marketing material to workers. However, several credit unions in the meeting stated that they had seen an increase of charges from payroll companies and felt there was still work to be done in this area.

The chair of the meeting Robin Walker MP wished to promote the availability of the parliamentary credit union by holding more events in Westminster. London Mutual Credit Union runs the parliamentary service and its Chief Executive, Lakshman Chandrasekera commented that there would be more digital promotion from the credit union itself and that they had set funds aside to market to parliamentarians.

Debbie Adler answered a question from ABCUL Chief Executive, Mark Lyonette, on what advice she had on approaching employers, specifically other government departments to which she responded that credit unions should demonstrate that their scheme would be a positive addition to wider employee benefits rather than displacing them. Debbie also felt that the ethical nature of credit unions could be important to an employers too and that credit unions need to have a strong response to concerns regarding data privacy, costs of administration and anxieties employers might have about being seen to endorse a credit union.

In response to discussion about privacy concerns it was mentioned that the payroll process was the same for savings and loans and employers would not know whether an employee was contributing to savings or repaying a loan. Similarly, no other data needs to be shared by the employer other than a file confirming the deduction from each individual each month.

Another question was raised on what criteria were being developed to ensure that smaller credit unions are able to provide payroll deductions to government departments. Ian Albert, Department of Work and Pensions, responded that smaller credit unions were encouraged to bid as consortia where they did not have the capacity to serve the Department alone.

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In summing up, the chair of the meeting Robin Walker MP thanked all who had attended for their time and contributions to the meeting.

For more information contact the Group secretariat, ABCUL.