

**FALKIRK COUNCIL**

**Subject: FINANCIAL CAPABILITY AND INCLUSION**  
**Meeting: EXECUTIVE**  
**Date: 17 SEPTEMBER 2013**  
**Author: DIRECTOR OF CORPORATE AND NEIGHBOURHOOD SERVICES**

**1. INTRODUCTION AND BACKGROUND**

**1.1** At its meeting on 25 June 2013, Council agreed:

- to consider the introduction of credit union account facilities for all secondary school pupils about to leave full time education and;
- to seek clarification and further information in relation to school credit union facilities currently within our schools and from Glasgow City Council on its credit union.

**1.2** This followed information on an initiative being taken by Glasgow City Council that will see the Council give £10 to every child starting secondary school, to open a credit union savings account.

**1.3** This report outlines the background to this initiative, provides Members with the context within which Glasgow City Council made this decision and advises Members on the local context in this regard.

**2. GLASGOW CITY COUNCIL – PAYDAY LENDING SOUNDING BOARD**

**2.1** Glasgow City Council has the largest credit union membership of any city in the UK. From a membership of 3% of the population in 2001, membership has grown significantly to 22% in 2010. This equates to over 135,000 members across 34 credit unions, with a financial asset portfolio in excess of £183m. The 34 Credit Unions in Glasgow range in size and how they are run i.e. by volunteers or by staff. In the Falkirk Council area we have 4 Credit Unions, the largest being Falkirk and District Credit Union.

**2.2** It was agreed by Glasgow City Council, following a report into Pay Day Lending that all pupils entering their first year in secondary schools be given the opportunity to open juvenile credit union savings accounts with a donation of £10 per pupil. Schools are being matched with local Credit Unions and accounts are being opened on a phased basis, depending on the capacity of the schools and the local Credit Unions to manage the process. There is an expectation that accounts will be opened at the local Credit Union branch with payments made into the branch as opposed to establishing Credit Union collection points in schools. This is in recognition of the capacity issues this presents for both schools and individual Credit Unions.

- 2.3 The report on Pay Day Loan, was developed by Glasgow City Council's Sounding Board. This is a cross party group established to examine pay day lending and its impact on the citizens of Glasgow. The Group acted very much like a policy development or scrutiny panel, taking on board evidence from a range of organisations and experts. The report to Glasgow City Council on this can be found at

<http://www.glasgow.gov.uk/councillorsandcommittees/submissiondocuments.asp?submissionid=62786>

The main Sounding Board's work resulted in an extensive report to Glasgow City Council's Executive which included recommendations beyond the one discussed at Council in June. These include:

### **Changing Behaviour**

- Provide all pupils entering their first year in secondary schools the opportunity to open a juvenile credit union savings account with a donation of £10 per pupil;
- Extend the financial capability apprentices' scheme to carry out preventative financial capability work in schools;
- Actively promote the services, ethos and value of the credit unions;
- Promote Glasgow Advice and Information Network (GAIN); and affordable credit alternatives such as Scot cash in all relevant Council correspondence.

### **Regulation & Constraint**

- Campaign for planning restrictions to limit payday loan outlets in the City;
- Seek to restrict the size and content of payday outlet window advertising;
- Block access to payday and short term lending websites from council computers and encourage community planning partners to do so;
- Support vigorous enforcement action by Trading Standards to ensure compliance with regulation; and
- Investigate the co-location of gambling establishments and payday loan outlets.

### **Promotion & Prevention**

- Work with parties, beginning with the Church of Scotland, to support alternative not for profit loan funds;
- Support existing credit unions and Scotcash website development to mimic key customer factors of simplicity, speed and cost;
- Develop a marketing campaign to promote affordable alternatives; and
- Identify and support approaches to speed up screening and availability of loan appointments at Scotcash and credit unions.

### **Influence & Evidence**

- Lobby UK Government for an end to the use of Continuous Payment Authority for any loans under a 26 week term;
- Lobby UK Government promoting the necessity of a real time database and for restrictions in the number of individual short term loans held at any one time;

- Develop data collection systems for GAIN members that will interrogate and collate payday and non standard loan data; and
- Ask Strathclyde Pension Fund to consider not investing directly in any payday and short term lender.

**2.4** For information, GAIN is a network of organisations working across Glasgow that give free, confidential and impartial advice. GAIN includes voluntary agencies, Citizens Advice Bureaux, legal, housing and independent money advice agencies. GAIN organisations provide free advice on a wide range of financial issues including debt, money management, benefits advice, and housing issues as well as providing free legal advice. The GAIN Helpline is a free phone helpline for people living and/or working in Glasgow and has advisers who will give people initial advice (including a full benefit check if appropriate) and refer on to a GAIN agency for more in depth advice if required.

**2.5** Scotcash is an independent company, set up to help the citizens of Glasgow gain access to financial services which, due to either their past or current situation, they have been unable to access. Scotcash is more than just another loans company; they offer a range of services and products such as Affordable Loans, Saving Accounts, White Goods Packages, Basic Bank Accounts and Money Advice. Members will recall Officers have been reviewing the feasibility of offering such a service in the Falkirk Council area. Discussions are currently underway with officers in other Councils to agree a way forward on this.

**2.6** From the above information, it is important to see the credit union initiative as one small part of a more fundamental approach to dealing with non-standard lending.

### **3. FALKIRK COUNCIL APPROACH**

**3.1** Falkirk and District Credit Union was formed in 2008 when 3 of the existing 5 credit unions operating in the Falkirk area amalgamated. The common bond is “anyone who resides in or is employed in the Falkirk Council area.” In 2008 it had 1000 members. When it started the service only covered approximately 30% of the Falkirk Council area and its stated objective was to assist Credit Unions to expand and open branches throughout the Council area. Membership currently stands at 1433 adult members and 346 junior members.

**3.2** The F&D Credit Union have 4 collection points in schools and there are 134 savers across the 4 schools.

- Bonnybridge Primary
- Grangemouth High
- Victoria Primary
- Westquarter Primary

**3.3** Although adult members pay a yearly membership fee, membership for under 16’s is free.

**3.4** In order to be able to provide a wider range of services and support in the community Falkirk and District Credit Union needs to grow, both in terms of number of savers and borrowers. This will take time and must be planned properly. The Credit Union importantly must be sustainable and therefore must ensure it has a proper business plan in place.

- 3.5 Falkirk Council is committed to working with all Credit Unions in the Falkirk Council area to encourage their growth and development. To facilitate this we are in the process of recruiting a Credit Union and Financial inclusion development worker who will work with the Credit Unions to look at their business models and support their growth.
- 3.6 Corporate and Neighbourhood Services have undertaken a feasibility study in partnership with a number of other councils to identify demand or need for low cost credit in the Falkirk Council area. This work will be taken forward by the Credit Union and Financial inclusion worker. This officer will look at increasing the provision of other financial services like Scotcash or Moneyline so that people living and working in the Falkirk Council area have a range of alternatives to non traditional lending, in addition to working with the Credit Unions on the services that they can offer.
- 3.7 Alongside this, Council has also agreed to appoint a financial capability development worker who will work to develop our services that will help make sure our citizens understand how much or little money they have and that the decisions and choices they make about money are right for them and their family. It is anticipated that this worker will work closely with CLD so that people with poor literacy and numeracy skills can get support and help they need.
- 3.8 The actions that Glasgow Council have identified are one way of addressing the issue that pay-day loan companies present, however we have to make sure that the actions that Falkirk Council take meet our communities' needs and fit with our area's priorities. The new development officers however do give us capacity to look more comprehensively at what we can do to address the issues of non-standardised lending, debt and financial management including looking at the work Glasgow City Council has undertaken in this regard. It is hoped that in the coming months we will present a more comprehensive report to Members on specific actions we would recommend be taken to address these critical issues.

**4. RECOMMENDATIONS**

**It is recommended that Members:**

- 4.1 **Note the information contained in this report; and**
- 4.2 **Ask officers to present a further report to the Executive on financial inclusion initiatives in due course.**

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**DIRECTOR OF CORPORATE AND NEIGHBOURHOOD SERVICES**

Date: 27 August 2013  
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## **LIST OF BACKGROUND PAPERS**

2. Report to Glasgow City Council: Payday Lending Sounding Board

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506045 and ask for Linda Gilliland.