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# Annual Report 2012 - 2013

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North London Credit Union

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Ethical – Fair – Secure

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## Introduction

This report reflects on the performance of the North London Credit Union (NLCU) for the financial year ended 30<sup>th</sup> September 2013, reports on the progress made in the seven months since and looks forward to the remainder of the financial year.

## Glossary

**Credit union:** a not-for-profit financial mutual, which is owned and run by its members. UK credit unions are governed by very strict legislation and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) & the Prudential Regulation Authority (PRA). Savings are covered by the Financial Services Compensation Scheme (FSCS).

**Board of Directors:** an independent (voluntary) Board are elected or re-elected each year at the Annual General Meeting. The Board are responsible for the running of the credit union on behalf of its members. Although any credit union member can apply to become a Board Director, there are stringent external approval procedures in place to ensure that only 'fit and proper persons' can be appointed to directorships.

**Supervisory Committee:** are Non-Executive members of the Board, meaning that they can attend Board meetings but not vote. They are not allowed to have any other role in the Credit Union. They carry out regular checks to ensure that the Credit Union is run legally and in the best interests of its members.

**Financial inclusion:** put simply, financial inclusion is the delivery of financial services at affordable cost to sections of disadvantaged and low-income segments of society. Although credit unions offer products for everyone, they traditionally provide services to those who otherwise would have to turn to illegal or very high-cost lenders. NLCU sees financial inclusion as an integral part of its purpose within the community it serves and constantly seeks new ways and partners to deliver it.

**Liquidity Ratio:** measures the ability of a company to cover its current liabilities immediately. The recommended minimum for the banking industry is around 5%.

**Acknowledgements:**

The Board would like to place on record its thanks to a number of people who have supported NLCU over the last few year.

To the membership, for responding positively to requests for support, for their backing on social media and through recommending the Credit Union to friends, family and colleagues, which is still by far the most successful way of attracting new members.

To officers and councillors at the London Borough of Enfield, especially Mary O'Sullivan, Paul Reddaway and Suzanne Linsey; and Councillors, Del Goddard, Andrew Stafford, Alan Sitkin and Joanne Laban.

To the three Enfield MPs, Andy Love, David Burrowes and Nick de Bois, who have been unfailingly supportive of all NLCU and Financing Enterprise ventures this year.

To Enterprise Enfield, for the assistance with the delivery of the Start Up Loans programme, which was essential to our success during the year, and particularly to Chief Executive Despina Johnson, Relationship Manager Colin Glynn, and the Agency's team of business advisors.

To Nick Chandra, Jennifer Adesina and all at the Revive Centre, who have been generous with their support, in particular allowing us free use of the premises for our Board meetings, training courses and not least, tonight's meeting.

Finally, to the credit union's Chief Executive Peter Lovell, and his team of staff and volunteers, for their continued hard work, enthusiasm and dedication.

## Key achievements

The 2012-13 financial year was one of controlled expansion and increased community presence.

NLCU pursued growth on a number of fronts, however remained cautious, due to the economic climate then prevailing.

**Membership, loans and savings all continued to increase steadily.**

The success of Start-Up Loans London in delivering both the pilot and the 2013/14 targets for the government-backed **Start-Up Loan programme** enabled (indeed, necessitated) the recruitment of new members of staff who, although employed to work on Start-Up Loans, were able to support credit union activity and were valuable in freeing-up the time of NLCU staff. The success of the programme also contributed significantly to income during the year.

A **rebranding project** was completed, investing in a new logo, branding and social media presence (Twitter @NthLDNCredUnion and Facebook) and a revamped, new-look website ([www.northlondoncreditunion.org](http://www.northlondoncreditunion.org)) to give us a professional, modern image, in keeping with our aims of attracting new members from across a range of backgrounds.

In the autumn of 2013 NLCU joined the **Credit Union Expansion Project (CUEP)**, which provided support across a number of different streams of work, including marketing, IT platforms and procurement. This is an exciting opportunity designed to shape the future of the credit union sector in the UK, with a £36 million investment from the Treasury into nationwide infrastructure improvements, branding and marketing of the credit union sector and opening up the possibility of combined purchasing power. CUEP runs until 2015 and also aims to reduce the cost to individual credit unions of offering new products (see below).

NLCU were, for the first time in their 20-year history, engaged in **partnership-work with Enfield Council** with whom there is an existing payroll scheme in place, to market credit union services to council staff and Enfield Homes tenants.

**Lending for businesses** has remained a steady part of NLCU's loan book, although the number of applications dealt with through the credit union has declined. This is because any businesses within their first year of trading are now dealt with through Financing Start Up Enterprise. This is the social enterprise (previously named North London Enterprise Fund and Start-Up Loans London) delivering The Start Up Loan programme, which offers a government-subsidised interest rate and other significant benefits.

Highlights: NLCU members contributed to ground-breaking research into debt, carried out by leading think-tank Demos.

"Looking beyond the financial impact of debt..."

THE BORROWERS

Jo Saher

DEMOS

In order to reach groups that NLCU have traditionally found it difficult to recruit and following an approach through Enfield Council, NLCU are offering the opportunity for interested parties to form subsections of the NLCU, which have been named 'Special Interest Groups'. The first such group is North London Credit Union: Enfield African Forum Special Interest Group.

Training and the finer details are being agreed and it is hoped that the Group will launch soon!



ENFIELD AFRICAN FORUM  
SPECIAL INTEREST GROUP

It is NLCU's intention to increase business lending, in particular through referrals from a new banking referral scheme and through other means.

A new **payroll deduction scheme** was put in place with Barnet and Southgate College and negotiations have begun with other local employers to provide the same.

NLCU have seen the benefit of credit unions being increasingly in the news over the past few months. As a consequence of this there has been a marked increase in requests from not-for-profit organisations and charities to get involved in **community work**, which NLCU have accepted wherever possible, including providing low-cost finance to residents of North London women's shelters, working with local faith groups and increasing our work with housing associations.

As part of NLCU's **financial inclusion** strategy, workshops were arranged, run by the National Skills Academy for Financial Services (NSAFS), for fourteen people to become accredited 'Money Mentors', helping them enable others to manage their money.

**New products:** The Credit Union Current Account is still prohibitively expensive, although it is anticipated that it will become more affordable as a result of the Expansion Project.

In the meantime and to complement the current account when it becomes available, NLCU have entered into a partnership with Contis, who offer a pre-paid Visa card specifically designed for credit union members, the 'credEcardplus'. This product was chosen because it offers something for every member: cashback on shopping from a range of high-street stores; an online portal and Smartphone app to help you manage your money (similar to a 'jam-jar' account) and its available without a credit check.

Various packaged **savings accounts** have been introduced, for example, 'Holidays', 'Christmas', 'Back-to-School' and 'Bump-to-Bundle', which all operate in the same way : the member chooses how much they want to save each month (from a £10 per month minimum) and then savings are paid into their account at the agreed time. For example, for a Christmas savings account, we would usually transfer the accumulated savings to the member in early December. Savings can now be made onto the prepaid card, as an alternative to their nominated bank account.

A '**Beat Your Bank**' offer is currently being trialled on payroll schemes. Where the applicant has received a confirmed offer from a recognised lender, NLCU guarantee to beat that rate by 0.5%APR, on loans between £7,500 and £15,000. In addition, a new lower rate for those earning over £35,000 a year (£40,000 household income) is being trialled, again initially for payroll members (who present the lowest risk in statistical terms).

**Debt consolidation loans** have continued to increase in volume. This reflects a number of factors, anecdotally the main one being the increasing visibility of NLCU to organisations wishing to refer clients, as well as to individuals struggling with debts and concerned friends and family (NLCU staff

**Highlights:** in October 2013, North London Credit Union won a grant from Enfield Council's Office of Fair Trading Sharkstoppers campaign. The £1,000 was given in recognition of NLCU's work to offer an alternative to illegal money lenders. NLCU have been asked to use it to offer an incentive to new members opening accounts.



members have been contacted via social media, by individuals concerned about debt, either their own or that of loved ones).

Commentators would also point to the increasing number of high-cost lenders in the sector, which may increase the likelihood of people taking on more debt than they can afford, or to the debts becoming unmanageable. It is true that the lending panel sees increasing numbers of applications from individuals with multiple pay-day loans.

Often, the stress of having a number of different bills to keep track of each month leads the applicant to NLCU, even if the repayments themselves are affordable. In addition to being a lower overall and monthly cost, members value having only one payment and knowing clearly when the loan will be repaid. Members also appreciate the savings that they accumulate over the life of the loan.

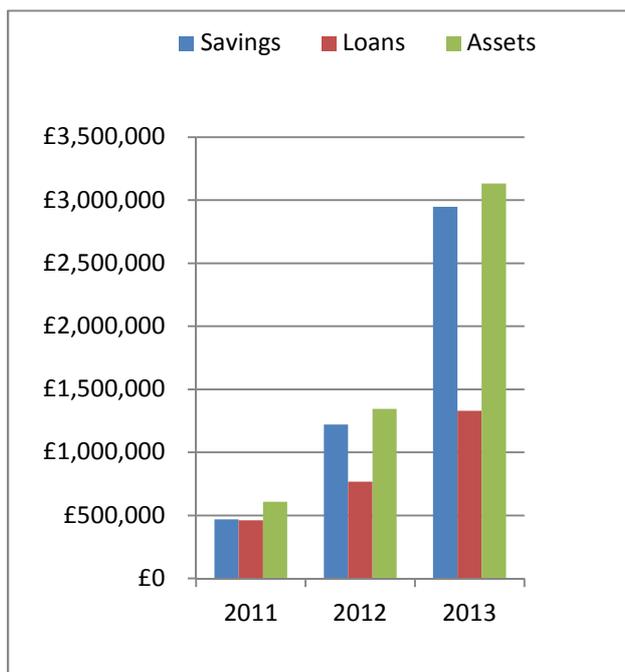
Clearly, NLCU is sympathetic to applicants wishing to reduce the costs and uncertainty of their debts and lends where it is able, within the constraints of the lending principles. If NLCU are unable to assist, the applicant is directed to one of the main money advice charities.

# Balance Sheet Highlights

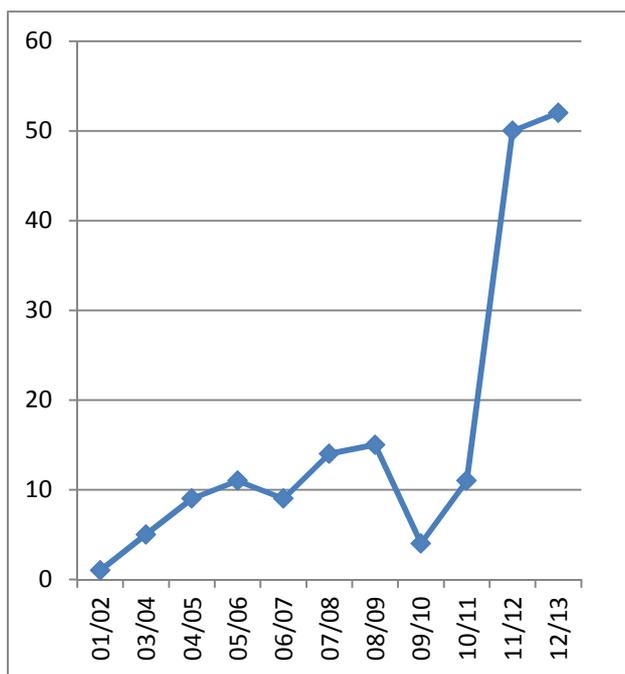
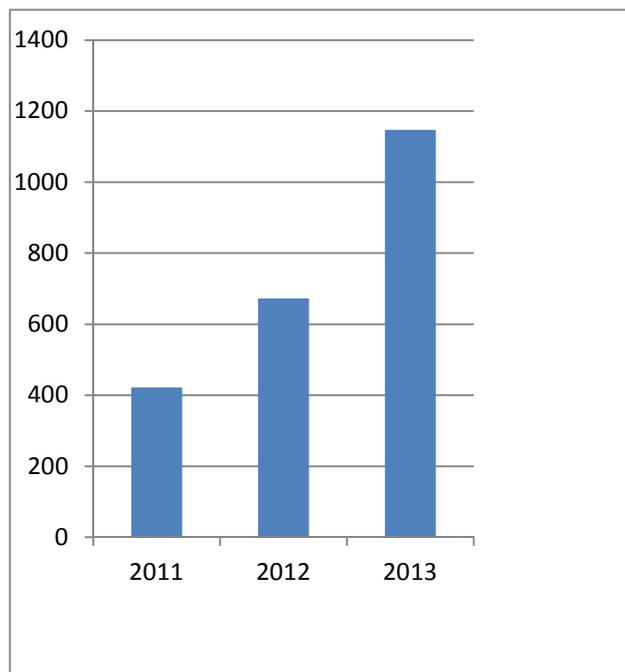
	2011	2012	2013
Membership	422	673	1146
Savings	£468,360	£1,221,451	£2,948,130
Loans	£461,535	£766,745	£1,329,787
Assets	£609,583	£1,346,026	£3,131,910
Capital Ratio (Risk Adjusted)	19.4%	9.1%	5.7%
Liquidity Ratio	9.1%	30.8%	51.0%

\*Excludes members under 18.

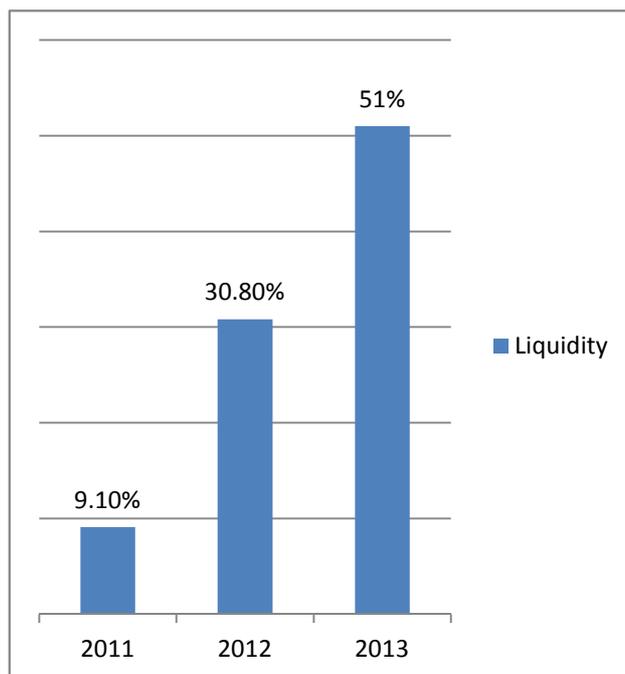
## Savings, Loans & Assets



## Active Membership



## Debt Consolidation Loans



## Liquidity Ratio

## **Financial Highlights**

North London Credit Union in 2012/13 continues to expand, delivering high quality services to an increasing membership across our area of operations. While the economy is showing signs of recovery, many of our members are still experiencing challenges such as job losses or where the cost of living has risen faster than incomes. However, members have shown a high degree of commitment and loyalty in saving and repaying their loans, as demonstrated by the significant increase in savings and our loan products.

Activities that have had some financial impact on NLCU during the year include:

- Significant growth of the ISA product launched in March 2011, which has grown from £0.8m to £2.4m (up 300%).
- Our work as a delivery partner for the government-funded Start Up Loans programme. Apart from many other benefits, this has enabled our associate social enterprise (now called Financing Enterprise Limited) to contribute £130k in management fees.
- Against this, grant income was negligible, whereas in 2011/12 we received over £60k in grant income. In future grant income will be sought for the delivery of specific projects, rather than for core funding.
- Bad debt provision increased significantly during the year, partly as a result of specific loans being written off during the year, and due to an increase in overall lending. Both these factors are referred to in more detail later.
- Many items of expenditure increased, some considerably. Much of this increase can be attributed to activity on our Start Up Loans programme, which is reimbursed by the corresponding management charge.

## **Income**

Income went up by 88% (£125k) from the previous year. Most of the increase was due to a management fee referred to above, partly offset by the loss of grant income of £60k.

An extremely welcome development was a rise in interest derived from loans to members, up by £77k (128%), indicating the success of our marketing campaigns.

## **Expenditure**

Total expenditure during the year increased from £125k to £197k. Whilst at 57% this is a large increase, it can be almost wholly attributed to the increased costs of supporting Start Up Loans activity (amply rewarded in the management charge received) and increased bad debt provision.

## **Bad Debt Provision**

Bad debt provision increased significantly during the year, and whilst this was largely as a result of specific loans being written off during the year, an additional factor was the increase in overall lending, leading to an increase in non-specific provision of over £10k, due to the increase in our loan portfolio of £563k (73%) to £1,329k.

It is hoped that some of this provision will prove not to be necessary, but it is the credit union's policy to write off a debt when legal action is commenced for recovery, or the debt is passed to debt collection agents to pursue, due to the uncertainty of how much will be recovered, or when.

Obviously, such action is only taken as a last resort, in cases where a member is considered to be trying to evade their responsibilities.

### **Insurance and bonding**

Expenditure here shows a decrease from £8199 to £5668, due to the decision taken by the Board to discontinue so-called "free" loan protection/savings protection insurance. Further savings will be shown in the current financial year, when full-year costs would have been over £20k had the insurance not been terminated.

### **Legal and professional Fees**

An increase of 124% (£3k) is driven by an increase in the number of credit searches that are carried out due to increased loan applications, and an increased cost in chasing bad debt, another by-product of a larger loan portfolio. In early 2014 we began using the Automated Loan Decision-making (ALD) product, a benefit of our participation in the Credit Union Expansion Project. This will result in significant cost and time savings, which will only be fully reflected in the 2014/15 accounts.

### **Balance Sheet**

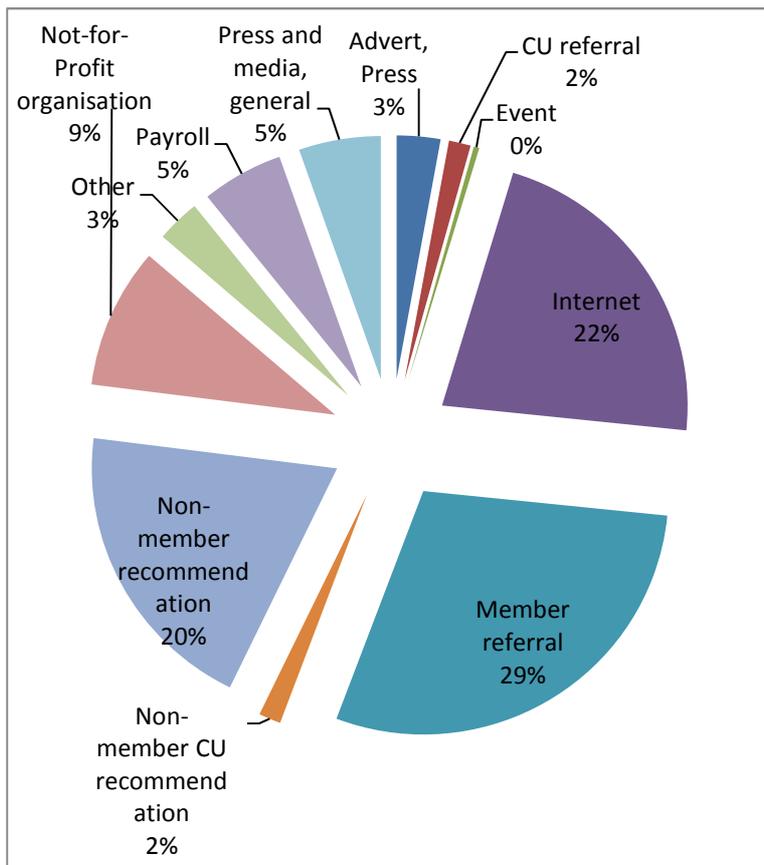
**Fixed assets** increased by £542k (60%) to £1,452k. This was predominantly due to the increase in the loan book of £563k.

**Current assets** increased by £1,243k to £1,879k, up 285%. This was predominantly due to an increase in the cash at bank of £116k (310%).

**Current liabilities** increased, mainly due to an increase in dividends accrued but not paid, in turn due to an increase in our overall deposits total.

Very pleasingly, **Members' funds** (share capital and reserves) increased during the year under review from £1.3m to £3.1m, an increase of £1.8m, or 235%.

## Marketing Report



Referrals from existing NLCU members are still the most common method by which new members become aware of credit union services, although a fifth of our members state that a friend, colleague or family told them about the NLCU. This figure may contain member recommendations, but without the name or number of the existing members it is difficult to be sure.

**Members are reminded that they receive £10 for recommendations.**

This can't be backdated, so please make sure they mention you when they join.

'Non-member CU recommendations' indicates that a member of another credit union has told someone about

credit unions, but that they weren't eligible to join the same credit union. Together with 'Not-for-profit organisation' referrals (i.e. they heard about us from Enterprise Enfield, a housing association, the Citizens' Advice Bureau or similar), it has been included in order to track awareness of credit unions generally.

The internet is another important source of referrals (and is expected to grow). It includes 'Google' and other search engines, information from Money Saving Expert and visits to the Association of British Credit Unions (ABCUL) site 'Find Your Credit Union'.

'Press and media, general' includes any programmes or articles that prompted the member to find out more about joining their local credit union. In 2012/13, this included NLCU's mention in the Guardian newspaper's finance section which led to a large amount of ISA enquiries.

No members stated that they found out about us through social media during 2012/13, although this may change with the growth of NLCU's profile on both active Twitter (@nthLDNCredUnion) and Facebook accounts.

There were a couple of press adverts, although these met with limited success, printed media not being a particularly successful format for NLCU.