

# Positive ActionGroup (PAG)

## Submission to the Consultation on Credit Unions

### A) Introduction

1. Positive Action Group (PAG) is a political lobby group, not a political party.

It is a not-for-profit Association the objectives being to promote an awareness and understanding of politics and citizenship. We encourage members of the public to participate in politics by taking part in discussions, making their views known, voting, standing for office and holding public office. (See PAG Objectives, Appendix 1)

2. PAG regularly makes consultation submissions as well as contacting government departments with proposals outwith the formal process.

3. In order to stimulate public interest in the development of a Credit Union in the Isle of Man P A G arranged a well attended public meeting (24.02.14) to discuss the embryonic proposal. Dawn Vear (Operations Manager, UK Credit Unions Ltd) spoke and answered questions from the audience.

4. PAG is thus pleased to participate in the Consultation process arranged by the Financial Supervision Commission

### B) Comment - Proposal Overview 4.1

1. PAG generally supports the comments made in the first paragraph but questions the declaration "Credit Unions should not seek to compete with banks". It is inevitable, with the perception that banks no longer offer small loans to individuals and businesses, that a Credit Union could provide such an essential facility. It is unlikely that a small community organisation would neither wish to, nor be able to offer the broad range of services of a bank. The individual borrower should be allowed the choice of approaching a Credit Union for a loan even though a bank may have a similar product offering.

2. PAG is not clear why, in the consultation document, reference is made to "a high-level consultation". This is confusing especially as the proposal for a Credit Union in the IOM came from the public.

3. It is disappointing to learn that the Council of Ministers consider a Credit Unions (Amendment) Bill to be of low priority. PAG strongly urges that the Bill is given top-level priority within the Legislative Programme.

4. It is highly likely that the members of a Credit Union would want to have

some peace of mind as to the security of their savings. With the society being excluded from the Depositors Compensation Scheme a different savings protection scheme is required. As a Credit Union is a new venture in the Isle of Man consideration might be given to establishing a Founders Bond. With such a scheme the founders would not be liable to pay compensation unless the society collapses.

### **C) Comment - Specific considerations 4.2**

The document states that revisions via amendments to the Credit Unions Act 1993 are being considered. We comment in the order given.

1. The definition of IOM residency would need to be clarified. PAG is not aware of any such legal definition

2. It may be that corporate organisations may wish to be associated with a Credit Union, by having a shareholding. The reason for the exclusion of a corporate body ought to be fully explained. PAG understands that in the UK and elsewhere small loans are advanced to corporates who have been admitted to membership. Whilst corporates have to comply with additional membership requirements their inclusion in a CU, particularly if there is a solution to the issue of an alternative to the Depositors Compensation Scheme, could be very positive

3. Agree

4. Agree

5. Agree

6. Agree

7. Members who become non-resident may well continue to retain a strong association with the Isle of Man. Such people could be called 'affinity members' and be allowed to retain their shareholding without having the right to vote or borrow. Should such a member return to live in the IOM full membership could easily be re-instated.

8. PAG suggests a shareholding limit of £15,000, as in the UK

9. The definition of a minor, in the Isle of Man, needs to be specified. As the age range may be from 0 right up to to 21 years it does not seem reasonable to cap the savings at a lower figure than that given to other members. With many teenagers aspiring to go into higher education, establishing growing savings over the years in a Credit Union account can provide financial security to continue with their education. Starting young, the minor, over the years, would build up a relationship with the society and be be given guidance in money management.

10. Agree

11. Agree, but it should be noted that in Credit Unions Act 1993, in reference to the objects of a Credit Union it states:

*Clause 4 (d) the training and education of the members in the wise use of money and in the management of their financial affairs.*

It is thus implicit in the Act that financial guidance, not financial advice, can be given by a society. This provision ought to be retained and is an important part of the ethos of a Credit Union

12. Agree - generally a member should be a saver before being permitted to borrow, but there may be instances of hardship whereby a new member ought to be allowed access to funds. This would be at the discretion of the society.

13. Agree

14. PAG suggests a maximum loan period of 3 years

15. Agree

16. Agree

17. Agree

18. Agree

19. Agree

20. Agree

## **D) Conclusion**

1. PAG fully supports the establishment of a Credit Union(s) in the Isle of Man. As a CU is operated within and by the community, members would over the years build up a close association with the society. It will help to engender a cohesive society.

2. PAG strongly condemns the decision by the Council of Ministers to relegate the Bill to a low priority within the Legislative Programme. The demand for the establishment of a Credit Union has come from a broad and diverse section of Manx society. In a democracy like ours the will of the people at grass roots level should be fervently supported by our Government.

**Positive Action Group**  
**[www.positiveactiongroup.org](http://www.positiveactiongroup.org)**

**March 2015**

## **Appendix 1**

### **Positive Action Group (P A G )**

#### **Objectives**

To promote awareness and understanding of politics and citizenship To encourage members of the public to participate actively in politics by taking part in discussions, making their views known, voting, standing for office and holding public office.

To encourage an increase in the percentage turnout of the electorate, by raising awareness of the importance to the electorate of exercising their democratic right to vote - a consequence of which will be that they can help to shape and secure the future of the Isle of Man.

To bring to the attention of Tynwald Members, the Government of the Isle of Man, or any other appropriate bodies, issues or matters of public interest raised by members of P A G; and which may include submissions in response to public consultation exercises.

