

Your savings are protected – FSCS congratulates members celebrating 50 years of UK credit union movement

Credit unions first began in the UK in the mid-1960s, and this year they celebrate 50 years since the first UK credit union opened its doors. Hornsey Co-operative was established in North London in 1964 by local Caribbean families¹.

The UK's largest trade body for credit unions, the Association of British Credit Unions Ltd (ABCUL) is set to celebrate the 50th anniversary milestone next month. The Financial Services Compensation Scheme (FSCS) congratulates the movement on their milestone of providing a valuable service to local communities. Their latest figures² show that in total there are around 400 credit unions in England, Scotland and Wales. They serve over one million customers, including 121,360 junior depositors, and hold more than £807m in savings and deposits.

The Financial Services Compensation Scheme (FSCS) – which protects savers with UK authorised deposit takers, including banks, building societies and credit unions when they go bust – has protected credit union savers since July 2002. Between July 2002 and 31 December 2013, FSCS has paid over £12.7m in compensation to 22,756 credit union members. Since the start of 2011, FSCS has made automatic pay-outs to the customers of failed credit unions so they have not needed to submit an application form to make a claim. The vast majority have got their money back in under a week. This week savers with Wantsum Credit Union, who collectively had just over £100,000 with the organisation, received their money back within seven days of its failure on 10 February 2014.

Mark Neale, Chief Executive of FSCS, said: "Credit unions offer a vital service to people across the country and they have grown in popularity in recent years. The failure rate over the last five years has been extremely low and as every credit union member had below the £85,000 limit they all got their money back in full.

"As the movement grows in the public consciousness, it is vital that consumers know they can save with confidence. Any savings they have with an authorised credit union are protected in the same way as any bank or building society account. We intend to continue working closely with individual credit unions and their representative organisations to ensure that customers feel confident that their money is safe."

Mark Lyonette, Chief Executive for the Association of British Credit Unions Limited (ABCUL), commented: "The 50th anniversary is a good opportunity for credit unions to showcase their valuable contribution to communities across the

¹ The first recorded British credit union was "established in London in 1964 among a number of Afro-Caribbean families living in the Hornsey area of the city, who had brought the idea from Jamaica where credit unions were already established". See page seven of http://etheses.whiterose.ac.uk/178/1/uk_bl_ethos_414717.pdf

² <http://www.abc.ul.org/media-and-research/facts-statistics>

country. ABCUL and its members will certainly be celebrating this landmark at our annual conference in March. As the credit union sector continues to grow, it is important that people and prospective members know their money will be protected just the same as with a bank or building society. We know FSCS protection provides reassurance to customers and so we want them to know what FSCS protection means for them and that it is available free of charge.”

Credit unions have had an increased profile since summer 2012 when the Archbishop of Canterbury Justin Welby promised to create “credit unions that are both engaged in their communities and are much more professional – and people have got to know about them”.³ In mid-January 2014, the Church of England announced that Sir Hector Sants – former Chief Executive of the Financial Services Authority and Head of Compliance and regulatory affairs for Barclays Bank, has been appointed to chair a Task Group to help support the growth of credit unions, as part of “a more competitive financial sector which encourages responsible lending and saving.”⁴

Since 31 August 2012, regulatory requirements have obliged credit unions, as well as banks and building societies, to display posters and stickers in their branches about FSCS. Since September 2013 FSCS has offered an online training package to help front-line credit union employees and volunteers to inform members about the protection FSCS provides for their savings.

FSCS is free to consumers. It was set up by Government and protects customers if their bank, building society or credit union goes bust. Since 2001, FSCS has helped more than 4.5m people and paid out more than £26bn in compensation. It covers the full range of financial services.

Notes to Editors

1. About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK’s statutory compensation scheme for customers of authorised financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk

2. More information

Between 12 September 2002 and 31 December 2013, 74 credit unions have failed in the UK. Over this period FSCS has paid out over £12.7m to 22,756 credit union depositors.

- **One failure in 2002**, with 54 customers receiving a total of £15,305.
- **Nine failures in 2003**, with 799 customers receiving a total of £460,447.
- **Five failures in 2004**, with 377 customers receiving a total of £162,093.
- **One failure in 2005**, with 107 customers receiving a total of £50,135.
- **Six failures in 2006**, with 1,621 customers receiving a total of £1,214,663.
- **Eight failures in 2007**, with 2,344 customers receiving a total of £1,104,890.
- **Six failures in 2008**, with 908 customers receiving a total of £672,271.
- **Six failures in 2009**, with 875 customers receiving a total of £263,134.

³ <http://www.totalpolitics.com/articles/384457/archbishopand39s-move-can-welby-restore-faith-in-the-church.thtml>

⁴ <http://www.churchofengland.org/media-centre/news/2014/01/sir-hector-sants-to-chair-archbishop%E2%80%99s-task-group-on-credit-unions-and-the-financial-sector.aspx>

- **Ten failures in 2010**, with 2,242 customers receiving a total of £1,149,956.
- **Eight failures in 2011**, with 2,209 customers receiving a total of £1,157,785.
- **Six failures in 2012**, with 4,514 customers receiving a total of £2,413,537.
- **Eight failures in 2013**, with 6,706 customers receiving a total of £4,043,268.