

Presentation by Carmen Appich (Finance Manager) and Nikki Plummer (Community Advocate) of East Sussex Credit Union.

ESCU is an ethical non-profit co-operative that makes unsecured loans particularly to people that banks won't lend to. Loan capital is provided by savings accounts and grant funding. Money deposited is held with the Co-operative bank. The CU is extremely tightly regulated by the FSA.

Loan interest charges are between 12% and 24% p.a. - high when compared to bank loans, but extremely low by comparison with other unsecured lenders such as Provident, Wonga.com and Payday who charge up to 5,000% p.a. (that figure is unbelievable but correct), though the loans are intended to be short term – usually no more than 18 months.

Savings accounts are not interest-bearing, but savers benefit from dividends which are voted annually. All savers are automatically members i.e. shareholders of the CU. Savings are guaranteed by the Financial Services Compensation Scheme.

There is a relatively high incidence of debt default, as many of the low level borrowers are financially excluded or otherwise disadvantaged, and others are adversely affected by the current economic situation.

The solvency of the CU is supported by grant funding from e.g. Brighton & Hove Council, Lewes District, Wealden District, Hyde, Sanctuary and Orbit Housing Associations as well as the Dept. of Work and Pensions. Without this funding stream the CU would struggle to work at its current level of operations with paid staff.

ESCU has only one office, in Brighton, but operates 'help points' in Lewes, Eastbourne and Crowborough for a few hours a week only. They advertise via such as the District Council housing office.

Total funds are around £750,000 currently; they hope to grow to £3 million at which point they would be able to deliver a surplus without recourse to grant funding. Growing beyond that would allow them to become a Version 2 Credit Union where they could behave more like a bank and suffer less restrictive regulation by the FSA.

The advantages of joining the local CU would be:

- a) that it would help to keep money in the local economy;
- b) that savers benefit from annual dividends;
- c) that money deposited can be held in a group account, e.g. TTL account, which can be used for specified TTL purposes only.

Disadvantages would be:

- a) that the CU must place its deposits with a bank, which exposes it to the highly unstable international financial system;
- b) that loans are unsecured and liable to default;
- c) that the solvency of the CU is currently dependent on grant funding, which may be withdrawn given the budget reductions planned by local authorities.

Full information on East Sussex Credit Union can be found at www.eastsussexcu.org.uk
There is a weekly advice session from 10am to 2pm on Wednesdays in at the Community Flat, 33 Heron Court, Ousedale Close, Lewes. Entrance at back of building by the park.