

# A credit union member

...more than just a customer



Hull & East Yorkshire  
**Credit Union**  
The Fairer Alternative

# Learning Outcomes

## In this course, you will learn:

- What is a credit union?
- Who are credit union members?
- What are the membership rights and responsibilities?
- Who are the Board of Directors?
- How to keep in touch



# What is a credit union?



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# What are the objects of a credit union?

A credit union is a financial co-operative that is mutually owned and democratically controlled by its members and is run for the benefit of the people who use its services - its members.

It provides them with accessible savings, affordable loans, and other financial services

It aims to improve the economic and social well-being of its members and exists solely to service its members, rather than making profits for third-party owners

*What is a credit union?*

# How is a credit union different to a bank?

## Key Differences

- Credit unions are unique among financial institutions in Britain because their customers are also their owners (special relationship)
- These owners are called members and hold at least a £1 share each in the business



*What is a credit union?*

# How is a credit union different to a bank?

## Key Differences

- Any profit that a credit union makes goes back into the running of the business and as a yearly dividend for members, while the main aim of banks is to make as much profit as possible for their shareholders.
- Credit unions will only make charges to cover the cost of providing a service, whereas banks would see it as an opportunity to make profit.



*What is a credit union?*

# Who are credit union members?

# Who are credit union members?

A broad range of people join credit unions, for a variety of reasons:

## Who?

- Savers
- Borrowers
- Banking users
- Community organisations
- Volunteers
- Directors
- Employees
- Supporters



*Who are credit union members?*



# Reasons people might join credit unions

## Why?

- Access to affordable loans
- To build savings
- Straightforward banking
- Access to other member exclusive benefits
- The opportunity to volunteer
- To support a local community organisation and be part of a successful enterprise
- Belief in the co-operative / mutual / not-for-profit way of doing business.



***Who are credit union members?***

# Who can join Hull & East Yorkshire CU?

## To be admitted as a member you must:

- Be at least 16 years of age\*
- Prove your identity and address
- Pay a joining fee of £3
- Hold £1 share
- Support the objects and social goals of the Credit Union
- Live or work within the common bond

\*Under 16's can join as a junior saver, converting to a full member when they reach 16 years of age (18 if they have a Child Trust Fund).

*Who are credit union members?*

# HEYCU's common bond area

## HEYCU's common bond accepts members who:

### Live or work in:

HU1-HU20

DN8-DN9,  
DN14-DN20,  
DN31-DN41

YO8,  
YO14-YO17,  
YO25  
YO42-YO43

### Work for:

Sanctuary  
Housing, The  
HICA Group  
(and  
subsidiaries),  
Yorkshire  
Housing, or  
Your Headrow.



*Who are credit union members?*

# Membership rights & responsibilities



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# What is membership?

- Open to all within a credit unions' common bond area, members are deemed to accept the rights and responsibilities when joining
- These rights and responsibilities can be found in the Credit Union Rule Book (often referred to as the 'contract' between a credit union and its members)



***Membership rights & responsibilities***

# What is membership?

## The rights of members are to:

- See a copy of the Rule Book at no cost
- Inspect the accounts
- Attend and vote at the Annual General Meeting (AGM)
- Stand for office as a director
- Save and apply for loans
- Have their transactions kept confidential
- Vote to change the Rules (within the law)



# What is membership?

## The responsibilities of members are to:

- Elect a capable Board to run the credit union
- Attend meetings and vote (if possible)
- Save regularly and borrow responsibly
- Repay loans on time
- Encourage friends, family and colleagues to join – making your credit union even stronger



# What is in the Rule Book?

- Name, registered office, objects, powers and social goals
- Qualifications for membership (the common bond)
- How members join and leave the credit union
- What type of shares members may hold and min/max holdings
- How loans may be made to members and any limits
- What happens if the credit union makes a surplus
- How members' meetings will be held and officers elected
- The Board of Directors and how it operates
- Accounts, audit, annual returns and keeping members' accounts
- How the rules are amended, complaints dealt with and the credit union dissolved if it is no longer required.



# The Board of Directors



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# Who are the directors and how are they chosen?

- Volunteers who stand for election at the AGM
- Share the values of the credit union and want to help make it successful
- Members choose from a list of candidates at the AGM and cast their vote in a secret ballot to elect them for a three year term of office



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*The Board of Directors*

# Who are the directors and how are they chosen?

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- All members have one vote per vacancy on the Board, following the co-operative principle that all are equal
- Must be members
- 12 directors (find details of HEYCU's present directors on our website > Our Governance)
- One third of directors come up for election at each AGM



*The Board of Directors*

# What do the directors do?

The Board of Directors have the responsibility to lead, direct and control the credit union on behalf of its members. Their role includes:

- Making plans and policies for ongoing success
- Appointing the managers and delegating to them the day to day running of the business
- Reviewing and managing the risks
- Monitoring and comparing performance against plans and budgets
- Constructively challenging and supporting managers
- Making sure we stay true to our values and ethics and operate within the law
- Having monthly Board meeting and Committees every 2-3 months

*The Board of Directors*

# Business Decisions

As not-for-profit businesses that exist to serve their member-owners, co-operatives often have to balance some difficult dilemmas that traditional profit-making businesses are not so troubled with.

Banks with a mission of maximising profits for their shareholders don't have to consider their customers' views on ethics or values – managing credit unions is more complex!  
Here are some examples:

# Business Decisions

## Giving members big returns on their savings

We can only pay our members a return (dividend) on their savings if we earn it. Our main source of income is loan interest. If savings are flooding in but the loan book is low, the rate of dividend will tend to fall as the dividend is spread over the larger savings book.

The situation could also worsen if the returns we earn on our invested funds are low and falling.

It is important that dividends are not repeatedly paid out of reserves, or the credit union may eventually become insolvent.

***The Board of Directors***



# Business Decisions

## Providing cheap loans for everyone

Credit unions desire to offer loans as cheaply as possible, but not all loans cost the same to administer. A small loan costs more to administer than a large loan. This explains why small loans tend to carry a higher APR than larger ones.

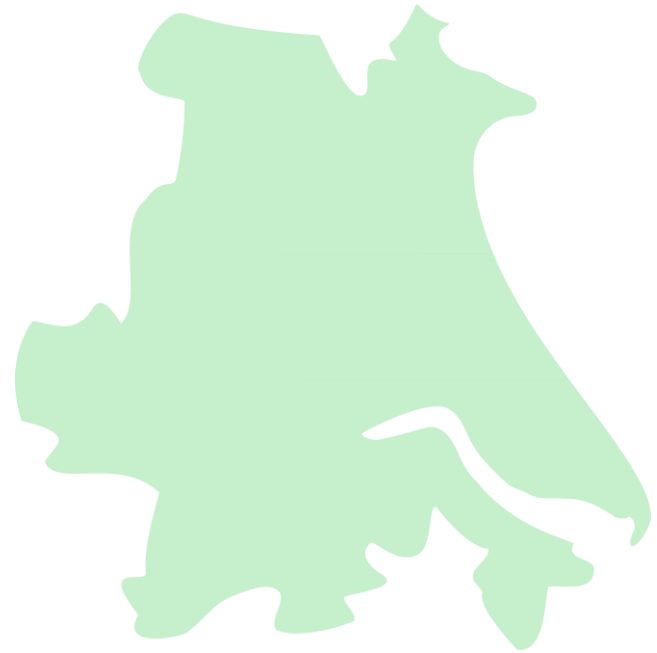


*The Board of Directors*

# Business Decisions

## Serving a large geographical area

As credit unions expand to cover more communities, there is the danger that they will either focus too much on one area at the expense of other, perhaps newer areas. Or they might go the opposite by putting a lot of energy into chasing new opportunities while “neglecting their roots” and perhaps risk upsetting the long-standing loyal members who set them up.



*The Board of Directors*



# Business Decisions

## Appealing to the whole community

Credit unions might be tempted to focus on a narrow sector of their common bond, perhaps if grants are received or contracts entered into for serving particular groups of members. This might cause problems if the rest of the community do not feel the credit union is there to serve them.

Credit unions grow most successfully and become sustainable if they are clearly seen to appeal to the whole community.



*The Board of Directors*

# Business Decisions

## Recovering the costs of providing a service

As small organisations compared with banks, credit unions have relatively low transaction volumes which makes it difficult for them to compete on things like transaction charges. Credit unions must recover their operating costs somehow or they will become insolvent, but their ability to cross-subsidise particular services is much more limited than for banks.



*The Board of Directors*

# Business Decisions

## Paid staff working alongside volunteers

Credit unions often rely on volunteers to provide services where it would be uneconomical to employ paid staff (for example to run a contact point in a small community or a school bank). However, as ethical organisations, they have to take care to ensure that paid labour is not displaced by unpaid volunteers as an excuse to save money, or to have unpaid and paid workers side by side doing exactly the same job.



*The Board of Directors*

# Business Decisions

## Becoming “too much like a bank”

As credit unions become larger and more professional a criticism that is sometimes levelled at them is that they are “turning into a bank”. Yet they have to keep up to date with the latest technology and comply with much of the same regulatory requirements as banks, or they risk not appealing to society at large and becoming irrelevant. Perhaps the answer lies in providing the highest quality services possible while striving to keep that “human touch” that many banks appear to have lost.



*The Board of Directors*

# Keeping in touch



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# How we communicate with members

Directors must communicate with members as owners, not just customers, making them aware of their special status.

The directors like to keep the co-operative spirit high, by making lots of information available to the members with an added personal touch.

Some credit unions lose their co-operative spirit along the way, but here at HEYCU we are determined to keep it!

# How HEYCU communicate with members

## Examples of how we communicate:

- Member surveys
- Governance page on our website – explains how we are run
- Social media pages – Facebook, Twitter, Google+, LinkedIn, Blogger
- Newsletters – at least twice a year

We value our members feedback and try to keep them as involved as possible.



*Keeping in touch*

# Annual General Meetings (AGMs)

Once a year, in December, HEYCU invites all members to an AGM where they can meet with other members and find out how the Credit Union is doing.

## The business of the AGM includes:

- Hearing the annual report
- Receiving the annual accounts and report of the auditor
- Voting for the dividends to be paid to savers
- Electing the Directors
- Appointing the external auditor

...  
*Keeping in touch*





# Annual General Meetings (AGMs)

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Members can ask questions of the directors after the reports have been presented.

Sometimes there is also special business to conduct, such as asking members to vote on proposed changes to the Credit Union Rule Book.



*Keeping in touch*

# How could you be an active HEYCU member?

- Volunteering:
  - School savings banks
  - Community savings points
  - Admin Support
  - Workplace ambassador
- Helping to recruit other members – at your workplace, school, community centre.
- Being a director



*Keeping in touch*

# Conclusion

# Conclusion

- Credit union membership is unique and special
- Credit union members are more than customers - they are owners of the business and have a set of rights and responsibilities
- We must take care to communicate with our members and engage them in helping to make our credit union successful
- We are not here to make profits out of our members but to provide them with a range of services as set out in our objectives
- Credit unions must work hard to uphold their values and resolve some difficult dilemmas in order to secure their business for the benefit of future generations.