

# The Credit Union difference

Since the ‘Joining Forces’ credit union group – made up a three long established credit unions – launched in 2015, thousands of members of the UK’s Armed Forces (as well as their families and veterans) have benefitted from affordable loans and easy savings through their payroll for the first time.

The consortium’s strong track record of working with employers (with over 93 years between them), including the Police, NHS, House of Commons, British Airways and the Royal Households, has allowed them to successfully meet a real need in the Armed Forces.

**8446**  
new members have joined up as part of the scheme.

**£2.1 million**  
has been saved by those members.

**£27.2 million**  
has been borrowed from the credit unions.

Around half of the money lent to date has been in the form of debt consolidation loans – enabling members to reduce interest payments in existing debts, and have them paid directly in one lump sum from payroll – and half is in the form of small value, low interest loans to those who were not able to access these loans elsewhere.

## Why Credit Unions?

**Credit unions have been established fixture within the UK’s financial services offering for over 50 years. They offer both ethical and practical benefits for members:**

- **As member owned co-operatives**, credit unions are accountable only to those that use them. They reinvest or distribute to members, all their profits and are not driven by the profit motive.
- **All credit unions** are subject to an lending interest rate cap (3% month), but in reality most offer far more competitive rates. Credit unions will never seek to charge anymore than what they need to cover their own costs.
- **All members** who sign up to Armed Forces have access to their accounts online and via a mobile app.
- **Credit unions** are focused on assisting those who are underserved or overindebted. While credit unions seek a balanced membership and lending portfolio, their mission is to serve the underserved, unlike many commercial firms that see employer partnerships as an opportunity to ‘cherry pick’ the most profitable & least risky customers.
- **Unlike many competitors** in this space, credit unions are registered to accept deposits, meaning that the importance of savings is as prominent to their members as the access to loans.
- **Credit unions** are fully regulated by both the FCA and PRA, and all deposits are protected by the FSCS (up to £85,000).

**“Great Service for struggling soldiers”**  
Existing member



The **Ministry of Defence** is supporting three of the UK’s leading credit unions to join forces and make saving simple and loans more affordable to the Armed Forces and its Veterans.

**The Joining Forces credit union service was launched in the House of Commons on International Credit Union Day 2015, by the then Defence Minister Michael Fallon.**

The Ministry of Defence had been keen to do more to assist Service Personnel, given the potential consequences

of personnel having money worries, and having recognised the difficulties in accessing credit for those based abroad. Having sought advice from ABCUL, it was acknowledged that the credit union model was an ideal fit for the military – indeed, in the USA, Navy Federal Credit Union is the most

successful in the world. At the launch the Minister highlighted the benefits of safe and sustainable finance through the credit union mode.

The Joining Forces scheme continues to have since grown to become one of the most successful credit union employer schemes in the UK.

# The importance of Financial Wellbeing & Resilience

**There is a growing recognition of the relationship between money worries and poor mental health and the impact that poor financial wellbeing can have on performance at work.**

**77%** of people have money worries that impact their work – in the case of millennials, the figure was 87%.

**26%** of working households have no savings at all and a further 29% have less than £1,000.

While in a civilian context, poor financial health might impact productivity, in the Armed Forces it might be the difference between life and death.

Credit unions have been highlighted as a key solution to low financial wellbeing by successive UK Governments, as well as the Scottish and Welsh Governments. The sector has a long history of serving employees through payroll – indeed, the sector pioneered this service more than 30 years ago. More than 200,000 people



currently enjoy credit union services via payroll.

Credit unions are also unique in that as deposit-takers, they can offer both savings and loans to members. This is crucial to credit unions' work of building financial wellbeing and reliance through saving – the majority of people join a credit union initially seeking credit, and through a combination of affordable interest rates and encouragement in saving, credit unions tend to move people from a cycle of credit to a regular savings habit.

In 2016, a report from the Fairbanking Foundation demonstrated the unmatched success credit unions have in creating savers. By asking people to save a small amount as a condition of a loan – known as 'Save As Your Borrow' – this

mechanism uses insights from behavioural economics to “nudge” people towards good financial habits at the point that they seek credit.

For the report, Ipsos MORI surveyed around 1,200 credit union members across 7 credit unions who had achieved a 5 Star Fairbanking Mark for their loan services. 97% of respondents said Save As You Borrow was helpful to them and while from 26% were regular savers at the time of borrowing, to 71% intended to save regularly thereafter. By creating new savers, credit unions reduce reliance on credit and build financial resilience.

**“Great service, very helpful and handy for like of us, Gurkhas”**  
Existing member