

Opening remarks to Joint Committee on Arts, Heritage, Regional, Rural and Gaeltacht Affairs

Mr Chairman,

May I begin by thanking you for your invitation to us in the Irish League of Credit Unions to come here today. My name is Dave Matthews and I am Head of our Monitoring Department and I am accompanied by John Knox, Business Analyst from our Research & Development Department.

The League represents over almost 400 credit unions and over 3 million members across the island of Ireland and has total assets of €14 billion. Credit unions are self-help financial cooperatives owned and run by their members. Our aim as a movement is to help members who group together in communities of place and interest, such as their employment or communities, to pool their savings and get access to credit.

This morning we are of course especially concerned with are rural communities.

In the context of an erosion of key services and functions away from rural communities, to bigger centres of population, the credit union model remains not merely relevant; it is an essential support for the future.

It is an essential support for local communities in an age when we increasingly see the globalisation of financial institutions and the deployment of technology as a barrier, as distinct from a valuable assistance, between local people and the decision makers who make such extraordinarily important financial judgement calls affecting their lives,.

In many communities, especially rural communities, the credit union is not just a local source of credit, it is the only physically present, face-to-face interaction available for accessing financial services. The credit union model is locally based, it is democratic and the decision makers you need to know and to meet, are physically present in the community and indeed are from the community.

Credit unions are adapting to changing circumstances. We are challenged by macro-economic circumstances which mean that increasingly the returns available for members savings is limited, and certainly much less than theretofore.

The policy platform of the League, set out in its Six Strategic Steps and circulated to the Committee, is intended to both meet emerging needs and strengthen the credit union model. Three of those key proposals dealing with micro-lending, SME and agri-loans and lending for Social Housing are set out more fully in this submission to the Joint Committee.

Late last year a Personal Micro Credit (PMC) pilot initiative was launched in 30 credit unions across the country branded as the 'It Makes Sense Loan'. Its aim was to prove that credit unions could offer a loan product that matched the convenience and ease of moneylenders' offerings while addressing the exorbitant interest rates charged by them and yet was within prudential lending guidelines.

The pilot was an undoubted success and the scheme is now being rolled out to as many credit unions as possible. Already over 80 credit unions are offering PMC loans with more to come on board in the coming months. It is intended to circulate all Oireachtas members with details of the scheme and an up-to-date list of credit unions that offer it within the coming weeks.

On lending for social housing, the League's proposal is in response to Government policy, set out in its Social Housing Strategy 2020. The Joint Committee on Housing, Planning and Local Government in its recent report supported the initiative as a priority action. The Programme for a Partnership Government further reflected positively on the initiative. While numerous meetings have taken place, however, to date no substantive progress has been made. This is a matter of considerable frustration to the League and credit unions.

On lending to SMEs and agri-lending, traditionally credit union lending was for personal purposes e.g. family events, education, cars and home improvements. The lending types that our proposal seeks to address include loans for workshops, vans, tools, farm buildings, tractors machinery and livestock.

The League understands that these loans are different due to cyclical and seasonal factors that affect cash flow. This needs to be appreciated by all stakeholders including the Central Bank. It is essential to consider our proposal within its context of ensuring that all applications are expertly assessed so that that lending decisions are prudent and members' savings are fully protected.

The Irish League of Credit Unions (ILCU) is giving leadership in responding to community need and government policy. We now look to the Oireachtas and to government to deliver on the commitments made to credit unions before the election. Particularly we look to the Joint Committee for practical help in ensuring delivery on commitments made in the Programme for Partnership.

Credit unions are not just based in communities, credit unions are rooted in communities. On behalf of the hundreds of communities, including rural communities, with credit unions, the challenge is not just to protect the status quo. The bigger opportunity, is to strengthen and develop a credit union model that delivers much more in the future, something we are more than capable of doing.