



IrishLeague
of **CreditUnions**

**Irish League of Credit Unions (League) submission to the
Committee on Business, Enterprise and Innovation**

30th January 2018

Madam Chair,

Thank you for your invitation. The Irish League of Credit Unions represents 260 credit unions in the Republic of Ireland which have 3.04 million members. For the League this engagement today is timely and important. Under existing legislation and regulations credit unions can lend to SMEs and many credit unions already provide such credit. Increased levels of business lending, together with more lending for home loans and investing in social housing was the essential new direction we determined to embark upon in 2015. They were among the very short list of key specifics, we spelt out in our *Six Strategic Steps* policy document before the last election. That document was and is our platform for policy and regulatory change.

On lending to SME's, and because of the priority the League attaches to the sector, we then developed a detailed *SME Lending Proposal*, published in 2016. We are here today with that thought-out plan, and with the ambition to deliver on it. Our policy proposal is predicated on the fact that credit unions have a foot print across the country. We have members' funds on deposit available for new forms of lending. Our vision for credit unions, as banks retreat from a physical presence in communities and as key decision makers become ever harder to access in person, is for a democratic, a volunteer led, a community based, highly professional and financially prudent credit union movement. It is one where you can meet face to face with the person you need to see. It is a dynamic resource for development in local communities. It is where from the very smallest loans for the neediest, to home loans for the house your family will live in and business loans for the enterprise you make you're living from, credit unions are there for you.

Credit unions are not a separate enterprise that has an office in the community. We are a community who save and borrow together. Our money doesn't come from the markets. It is lent on trust, from one to another. That common bond which defines each credit union community, is our essential characteristic and our underlying discipline. It is also our essential legal framework. Our proposal on SME lending reflects that. We are very encouraged that your colleagues on the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach in their Report on the Review of the Credit Union Sector last October strongly supported the common bond. As credit unions we are determined to change our business model. We are also determined to keep our credit union values.

Our proposition is that credit unions, regardless of size would participate in a State backed vehicle that would:

- Enable a national network of credit unions act as an efficient distribution network to originate SME loan applications.
- Enable credit unions invest in a funding facility that will lend to SMEs across Ireland.

This would marry the local network and the local knowledge of credit unions, with the expertise needed for business lending on any scale. It would ensure access locally, and it would assure prudential lending. It would ensure that this expertise would be available through a state backed investment vehicle to all credit unions, regardless of their size. Our submission to the recent Central Bank Consultation Paper on credit union investments included this proposed model. Credit unions are community based, and this model is pro-community and it is pro-business. To ensure that a start is made, we also propose that this scheme could be piloted with a small pool of well capitalised and large credit unions at the outset. We are principled about what we want to do. We are practical about how we go about delivering. Our vision for SME lending also includes agri-lending.

Given the economic importance of SMEs to the overall wellbeing of the economy, credit unions have a strategic interest in supporting the sector. Commercial lending is by nature, more risky than personal lending. The formation of a centralised vehicle to lend to the SME sector would enable a stronger centralised risk management capability. It would be the

means whereby dedicated and skilled resources to identify, access, measure and manage credit and operational risks could be brought to bear in cost effective way. It would facilitate credit unions supporting the commercial loans market. It would do so in a manner that provides robust mitigation against risk, and above all protect member's funds effectively.

We believe this proposal would enhance competition in the market place and deliver on this Committee's objective of addressing 'The Cost of Doing Business'. It was sent to all Oireachtas members and relevant government departments. The challenge now, and it is a political challenge, is to move on from support in principle to concerted action.

Thank you.

Attachment 1: *The SME Lending Proposal*, ILCU 2016

Attachment 2: *The SME Lending Proposal Summary*, ILCU 2016

Attachment 3: *Six Strategic Steps*, ILCU 2015

25th January 2018

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