

**Opening Address to the meeting of the
Joint Committee on Rural and Community Development
on Wednesday 14th November 2018**

**Ed Farrell, CEO,
Irish League of Credit Unions (ILCU)**

Mr Chairman,

Thank you for inviting the Irish League of Credit Unions here today. We are a volunteer led, democratic, all-island cooperative movement. We represent 250 credit unions located in 500 different, separate communities in the Republic of Ireland. Because we are membership based, we are of the community. Because we are democratic, we represent the community. Because we are local - and each credit union is a co-operative of savers and borrowers bound in a common bond – decisions are made in the community by members who know and understand their own needs.

What makes credit unions fundamentally different is our ethos. We have a holistic view of community. Banks look out on the world, and see market segments. They seek to make profits to enrich shareholders. We come from the community and we see the needs around us, and we understand that one need is joined up with another. Sustaining small rural and community business is part of being able to sustain small communities for the future. There is no community without business, without jobs, and without the services and opportunity that comes with a strong, sustainable economic life locally. Credit unions are not for profit. We are financially strong and we are prudent. The return we seek is stronger communities and our member's wellbeing. That obviously includes small and medium business locally.

In a world of globalisation and homogenisation there is consolidation among credit unions. There is also a continued enhanced level of service provided by credit unions in the more than five hundred separate communities I spoke of. Because we are membership based, and co-operative we have values that banks do not. Because of our common bond, we are a real community of members saving together, and lending to one another. A mark of our values is that, for the fourth year in a row, Irish credit unions have come first place in the annual Customer Experience (CX) awards which were announced on the 16th October. Customer experience is measured by how customers perceive an organisation's brand through their interactions with its employees. The fact that credit unions are the only organisation in the world to win this accolade in four consecutive years speaks for itself. We have values of excellence, that enable us relate to the community at every level from the smallest personal micro loan, to lending to business.

The economic facts of SMEs speak for themselves. Data from the Central Statistics Office shows that there were around 250,000 active enterprises in Ireland in 2016. Of these, nearly 92% had less than 10 employees and are our so-called micro enterprises. 6.8% had between 10-49 employees and are the small enterprises in SME terms. 1.2% had 50-249 employees and are medium sized enterprises while only 0.2% are large enterprises with 250 or more employees.

Small or micro enterprises account for a huge proportion of Irish businesses. Credit unions know these people because they are our members. We provide for their personal loans, and

we want to do more to provide for business lending too. That is why we published the League's "**The SME Funding Proposal**" which the committee has. Lending to business is not simply an issue we are speaking of here today. It is an issue we have prioritised for some time. It is intrinsic to the range of services credit unions seek to offer.

The League's proposal is predicated on credit unions having a real concern to assist small and micro business. I understand that this committee fully shares that community perspective, because that is your remit. I think it is important to say too that although we are talking primarily about rural communities today, the remit of the committee and of credit unions fully includes urban communities as well.

Our proposal is essentially that credit unions would participate in a state backed vehicle that would enable individual credit unions act as an efficient distribution network to originate SME loan applications. It would enable credit unions invest in a funding facility that would then lend to SMEs. Our proposition is that this structure is formed on a collective basis. We believe that this should be piloted with a small pool of well capitalised and large credit unions at the outset.

The key benefit of our proposal is that it would enable credit unions to put a portion of the members' funds of €10 billion, currently held in short term and low yield investments, to a more productive and economically rewarding purpose. It would also enable credit unions offer members a more diversified and dynamic product offering. If an SME approached a credit union for a commercial loan while the credit union itself could not offer the loan or take direct risk on the loan, it could direct the application to a credit union associated entity who could consider the credit and potentially offer the loan to the SME borrower.

Providing the SME sector with necessary supports to foster a culture of growth is an essential public policy focus. Our proposal would enable the sector access on a community basis, a strong sustainable, well capitalised and domestically managed funding source. In addition, this proposal would open up the credit union infrastructure as a key SME loan distributor. Credit unions could act as a new conduit for the State to stimulate borrowing in the SME market and support it with competitive loans in a speedy and effective manner, using the credit unions pre-existing and mature infrastructure.

We are also meeting today in a specific political context. The confidence and supply agreement has concluded. The CUAC Review process is concluding and credit unions are looking now for a move-on from aspiration to action. The commitment to "**develop a strategy for the growth and development of the credit union sector**" stated in the confidence and supply agreement is long in gestation. The challenge now, and it is essentially a political one, is whether kind words of reassurance are going to translate into political prioritisation. The challenge credit unions face is the challenge for the development of more localised banking and financial services, that we are ambitious to lead, is not any lack of good will. It is the much scarcer commodity of determined prioritisation.

And credit unions have been moving on. For example, among other things, credit unions are now processing electronic payments and issuing mortgages. In a different area, the provision of micro-credit through the **It Makes Sense Loan**, in November there are more than 6,000 live loans and 110 credit unions are offering the scheme in 266 locations. These are significant and welcome developments, but the scale of what we can do is severely restricted by regulation. Our aim is to deliver current accounts and debit cards, and support our

members with the full range of services they need, on a day to day basis. All of these pending issues impact on our capacity to meet the needs of businesses locally and of the communities we come from more generally. We are ambitious to deliver more lending for SMEs and family farms. We are ready to invest in social housing as asked by Government. We are delivering in partnership with government on an effective micro-lending scheme. We are ready with a detailed proposal on how credit unions can better deliver for SMEs.

There is, however, a gap politically between aspiration and engagement. Just as we don't look at communities and see market segments, we in turn need a holistic engagement on policy that is backed up by joined up regulation to deliver a step change for credit unions. That step-change is not about us as a movement. Credit unions are an instrument of change, not its objective. Instead we see the communities we come from, we see the more we can do, and we are ambitious to do it.

Chairman, thank you for your time this morning and I look forward to answering your questions.

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