

Making the people of Bristol & Bath better off

Impact report and annual review 2018/19



Prepared February 2020

BRISTOL
credit
union

good **with** money

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Welcome to our first impact report



We exist to make a positive difference in our community. We create social impact by providing inclusive and affordable financial services, and all the revenue we generate is re-invested to support our work and ongoing sustainability. We now want to demonstrate how this work is actually impacting on our members, and will do this each year by measuring and reporting the difference we have made, sharing our results and our members' stories.

This year marks the start of a new chapter of growth for Bristol Credit Union. We have successfully raised over £1m investment funding from Bristol City Council, Joseph Rowntree Foundation, Bank Workers' Charity and the Cooperative Loan Fund as well as from some of our own members. This capital is already being used to support our growth, develop our systems, and increase our reach within our community, including building partnerships with local employers.

Although this is the first impact report we have produced, and will serve as the benchmark from which we can measure our future growth, we have been creating social impact for many years. For example, in the last year (2018/19) assuming our borrowers had used a high cost lender instead, we have saved them over £2m in interest, keeping more money in their pockets to spend on things they may have had to go without.

We have started our journey to make more people of Bristol and Bath better off. I would like to take this opportunity to thank our dedicated staff team, volunteers, including my fellow Directors, and our investors for all their support and hard work in making this happen.

I'd also like to thank all of our members, as we work to support each other's families, friends, neighbours and communities to become better off together.

A handwritten signature in dark ink, appearing to read 'Lewis Ryden'.

Lewis Ryden

Chair of Bristol Credit Union

Who we are

Bristol Credit Union (or BCU) is a not for profit co-operative, helping local people to save and borrow at fair rates.

BCU works to increase the financial wellbeing of our communities through delivering affordable financial services which significantly reduce costs for beneficiaries. By reducing or removing the 'poverty premium' where that might apply and increasing the amount of wealth retained and circulated in our communities, we also contribute to our economic regeneration and development.

Bristol Credit Union has been serving members and communities in the West of England since 1999 and has grown strongly during that time, now with over 14,000 members.

Our year in figures



£7m savings deposits



2,410 new members



27% growth in lending



2,828 savers*



3,383 loans



Average savings pot per saver: £1,691



Average loan in 2019: £1,348 borrowed over 21 months

*Savers in this context mean those who had saved consistently and had a balance of £50 or more at the end of the financial year.

The financial year



A year of strong growth

We currently have over 14,000 members, manage £5.87m in loans, and look after £7m in deposits.

Savings deposits increased by over £300,000 during the year. This continues the pattern of long-term steady growth and reflects the confidence that our members have in their Credit Union.

Bristol Credit Union issued £4.6m of new loans in 2018/19 (up from £3.7m in 2017/18) bringing the total amount we have out on loan to £5.87m. Interest income earned from this lending grew by 9% and we expect this to continue to rise as we make more loans to members, including through new services such as the Family Finance Plan (a flexible credit offer for parents and guardians).

Over the year we made a loss of £152,255 which represents a number of significant investments towards building a sustainable future for the Credit Union.

We have strengthened both our Member Services and Marketing teams, as well as improving the IT infrastructure.

Growth through the years

Summary	2018/19	2017/18
Number of Members	14,078	12,672
Value of Savings Balances	£7m	£6.68m
Value of Loan Balances	£5.87m	£4.58m
Surplus (Loss) after Tax	(£152k)	(£114k)
Dividend	0.25% (proposed)	0.25%
Total Value of Dividend	£12,101	£11,588
Total capital	£1.50m	£0.94m
Capital/Asset Ratio	16.3%	11.2%
Liquidity Ratio	22%	21%
Total Number of Paid Employees	18	17

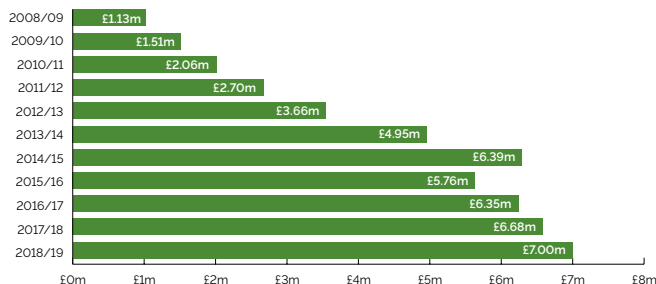
Losses due to loans having to be written-off have fallen this year, despite the significant increase in lending, and total costs due to impaired loans increased by less than 3%. The Credit Union continues to uphold the highest standards in our lending and to ensure that members only borrow what they can afford.

Bristol Credit Union's external investment raising has been successful and £1 million has been raised in the last 18 months – a big thank you to all our investors.

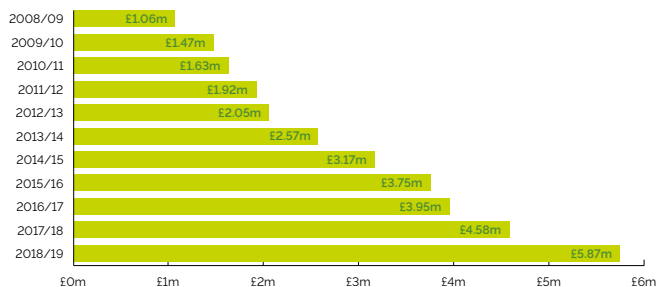
We are proposing to pay to members a dividend of 0.25% which is the same as for the last three years. Although the Credit Union made a loss during the year, we still want to acknowledge and retain our members' continued support. The Capital/Assets and Liquidity ratios remain significantly above PRA benchmarks and the Credit Union remains in a healthy financial position.

Growth through the years

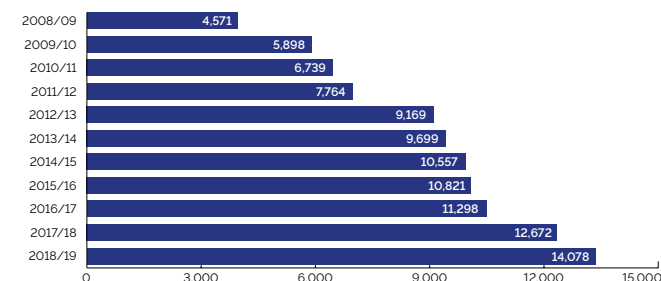
Savings (£m)



Loans (£m)



Active members



Our values



To help the people of Bristol & Bath...



Save &
borrow



Easily,
and fairly



Helping them
financially



While doing
so we help our
wider
community



By supporting
initiatives that
are important to
where we all live



Making our
communities
better places
to live

“Embedding ourselves in the communities
that we serve, particularly those that are under-served.”

Helping people to save and borrow



Helping people to save and borrow...

Levels of financial exclusion, over-indebtedness and financial difficulty remain a big problem in the UK. Around 8 million people are struggling to keep up with billsⁱ and nearly half the population have some sort of unsecured, commercial borrowingⁱⁱ. These figures demonstrate the clear need for affordable credit and social lending in the UK.

Bristol Credit Union aims to be part of the solution.

We are here for all people in the community, and we are particularly committed to helping the most at risk of financial exclusion. Many low-income households avoid credit as far as possibleⁱⁱⁱ, but for those who need it, exclusion from mainstream credit can mean paying a high price.

.....
Many of our members have used high cost credit previously. Nearly one in three of our borrowers in 2019 had previously used a payday lender such as Wonga, over a quarter had previously used doorstep lenders and nearly one in five had used catalogues or stores such as BrightHouse.
.....

BCU loans help members to access credit in response to events in their lives, and in so doing, avoid the negative impacts of not accessing credit when needed.

By accessing BCU loans, members avoid having to go without whatever the money is used for; whether this is an urgent home or car repair, falling into arrears on household bills, being unable to repay other debts to avoid repossession or eviction, or other negative impacts to financial and personal well-being.

Bristol Credit Union is proud to include the financially excluded.

While the number of people in the UK without a transactional bank account dropped to the lowest ever in 2017^{iv}, there remain over one million people who are unbanked. BCU offers financial services for those without other options. 13 per cent of our borrowers in 2019 did not have a current account and 6 per cent had no other form of financial product at all.



ⁱ Money Advice Service

ⁱⁱ Rowlingson and Mackay (2018) financial inclusion 2018 briefing paper

ⁱⁱⁱ Davies et al (2016) Paying to be poor: uncovering the scale and nature of the poverty premium

^{iv} Rowlingson and Mackay (2018) financial inclusion 2018 briefing paper

...easily and fairly

Those in the lowest-income households often choose consumer credit products that they can be fairly certain of getting; sourced from familiar or trusted lenders (e.g. those used by friends or family); and where the lender offers some flexibility regarding loan repayment^v.

Based on member feedback, Bristol Credit Union is the **trusted lender** that our members want to return to: 88% of our borrowers in 2019 were happy with the service we provided.

Most importantly, our members see us as both easy and fair. 78% of our borrowers stated that they chose BCU because of the ease of the application process and 75% because we offered affordable repayments.

^v FCA (2014) Consumer credit and consumers in vulnerable circumstances

^{vi} RSPH (2018) Life on debt row

Summary of loan application survey data 2019

I would recommend Bristol Credit Union to family or friends



I am happy with the service I got from Bristol Credit Union



Bristol Credit Union has fairer repayment terms than other lenders



Bristol Credit Union makes applying for a loan easier than other lenders

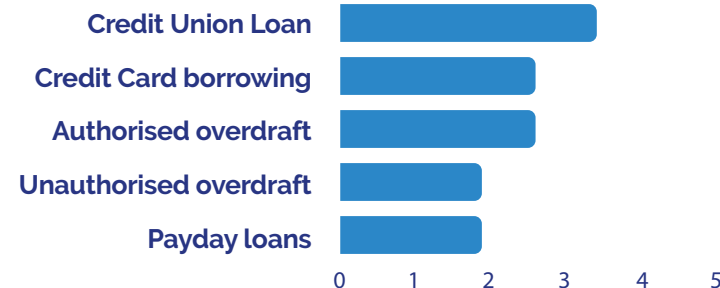


(Base= 430 – 2019 loan application survey data)

■ Agree ■ Strongly agree

Credit Union customers are happier^{vi}. Research into the detrimental effects of borrowing on personal wellbeing found that Credit Union members have levels of wellbeing nearly twice as high as those who used payday loans.

Wellbeing score (out of 5)



...helping them financially

BCU offers a better priced alternative for low-income borrowers.

Our members avoid high-cost lending and the cycle of debt that it can cause. By accessing BCU loans, members at risk of financial exclusion are avoiding higher priced alternatives provided by commercial lenders, and in doing so reduce the risk of becoming further indebted by high interest payments. Over 5 million high cost short-term loans were made last year^{vii}. Those who use payday loans and other forms of short-term borrowing are more likely to be in financial difficulty^{viii}.

The table opposite demonstrates how much members can save by borrowing from BCU in comparison with a high cost lender:

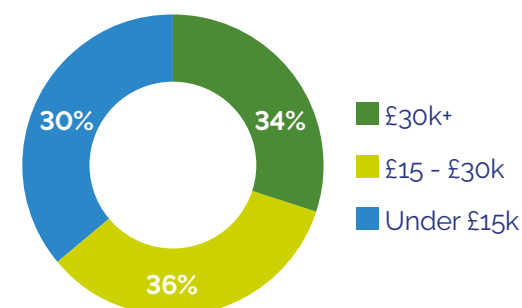
£700 loan repaid weekly over 1 year

Comparison	Loan	No of weeks	Weekly payments	Representative APR	Total repayment
Bristol Credit Union	£700	52	£16	42.6%	£835
Provident	£700	52	£25.20	299.3%	£1,310.40
Saving with BCU: £475.40					

Furthermore, the FCA estimates that around 10 million people may have unauthorised overdrafts, which can be more costly than payday lending. Those in more deprived areas of the UK, often with lower incomes, are 70% more likely to use unauthorised overdrafts than other consumers^{ix}.

Helping people to avoid these costs, is particularly important in areas where people struggle financially. Nearly two thirds of our members are from households with an income of below £30,000 and over one quarter reside in areas of Bristol with some of the highest levels of deprivation in the UK.

Percentage of BCU customers by their household income



^{vii} FCA (2019) high-cost short-term credit lending data

^{viii} Financial lives survey

^{ix} FCA, 2018 UK

In 2018/19, we made loans to **over 900** people who live in areas in the bottom 20% of the country by levels of deprivation. Assuming they had used a high cost lender, we have saved these borrowers over **£393,000** in 2018/19 alone. This money will go back into local shops and businesses, making communities, as well as individuals, better off. Across all our borrowers in Bristol and Bath, we are saving our members over £2,000,000 per year in interest payments.

We also recognise the importance of providing face to face services to members who may be more vulnerable. As well as our branch in Cheltenham Road, which is open 5 days a week, we provide weekly service points in twelve different locations across Bristol and Bath, ensuring we

“ After being refused by my bank as I don't have an overdraft with them and couldn't apply for one. They recommended you and you have been a saviour. Got no response from universal credit and needed financial help. You were quick, helpful and repayment rates are brilliant, thank you. Will be hopefully using you for savings for Christmas next year. ”

“ I had difficulty applying online for a loan. I went to my local branch. Your representative was very understanding and helped me to fill the application form and also put it out as priority because I had problems doing it online. The loan was approved quickly and I was able to access the cash to my convenience. ”

**£2m interest
saved annually
across Bristol
and Bath**

...building a safety net

Having a savings safety net is a vital part of financial wellbeing, yet many households in the UK lack this. In 2017, one in eight UK adults (equating to 6.5 million) had no cash savings whatsoever, a quarter had savings less than £1,000 in total^x.

Over time, BCU aims to encourage borrowing members to become savers as well. By holding a pool of their own savings, members can reduce reliance on loans in response to life events. Over one in ten of our borrowers have become a saver, and we have encouraged nearly 300 borrowers to start to break the cycle of borrowing, by building up savings at the same time as repaying their loan.

Overall, savers tend to be our more better off members; however, we have 699 savers who live in the more deprived areas of Bristol, holding a total balance of over £1 million. BCU is helping these members achieve better financial security.

We have over 2,800 members who actively save with us^{xi}, and this enables us to use their £4.8m savings to benefit the community by allowing others in the area to borrow at more affordable rates than they may have otherwise been charged. This is further part of our commitment to making the people of Bristol and Bath better off.



.....

13 million people do not have enough savings to support them for a month if they experienced a 25% cut in income

.....



.....

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.....

^x Rowlingson and Mackay (2018) financial inclusion 2018 briefing paper

^{xi} 'Savers' defined as those holding a balance of over £50

...helping those who are under served in our community

We want to make every person in Bristol and Bath better off, whatever their situation.

We work with Bristol City Council, Bath & North East Somerset Council, and Shelter to help support some of the most vulnerable in our communities. During 2018/19 we helped 277 people who were at risk of homelessness, by offering them interest-free loans. We supported a further 47 people through the VPRS scheme, which helps provide housing to refugees fleeing the most terrible of circumstances in other countries.

We have extended our partnership with Bristol City Council to help administer a rent guarantee scheme. The aim is to keep people housed, even when they are in difficult circumstances, and we have supported 17 people who would otherwise immediately have been made homeless – a vital safety net for those who find themselves in need.



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.....

...campaigning for a fairer deal for our community

Bristol Credit Union's aim is to provide access to fair and affordable savings and loans for our members. However, we are also aware of the bigger picture and are prepared to get involved with campaigns that may help benefit our members.

We campaign, demand, and deliver more, for the people of Bristol and Bath

In 2018, we teamed up with 'England Illegal Money Lending Team', to encourage residents in Bristol and Bath to sign up to a credit union account. As part of the incentive, anyone opening a credit union account received £10 into their account after 3 months of saving. The money used to fund this was sourced from convicted loan sharks, via the Proceeds of Crime Act.

BCU are involved with 'End High Cost Credit Alliance'. This is a nationwide campaign aimed at increasing awareness of social lenders across the UK, as well as providing a voice for members to be heard by national and local politicians, regulators and others.



Helping the wider community



...supporting local businesses

At Bristol Credit Union, we understand the importance of local. This is why we chose to support the Bristol Pound scheme in 2012, which has been one of the most successful local currencies in the UK.

Although it has recently announced some fundamental changes to its operations, we're pleased to have supported their 516 independent businesses and 1,500 customers during 2018/19, with over £375,000 being circulated in the local economy.

We support local community initiatives and are currently lending £65,000 to two local ventures:

- We've helped Bristol Energy Co-operative become one of the UK's largest generators of community energy
- Our investment in the South Bristol Sports Centre helped create six new all-weather five-a-side football pitches - a vital and much used resource

As well as supporting local business through our day-to-day services, we have supported local business through our own choices as a customer. In 2018/19, we spent over £125,000 with local businesses, which accounted for 40 per cent of our business spend.



.....
**We're pleased to have supported
516 independent businesses and 1,500
customers during 2018/19**
.....

supporting community initiatives

A financial organisation that our community can be proud of.

At BCU, we want to support all parts of the Bristol and Bath community. We were proud to be one of the core sponsors of the Bristol Children in Care awards in November 2018. These awards celebrated the achievements of over 120 children and young people in Bristol who are in, or have recently left, care.

"Helping people triumph through adversity, through their own efforts and with the support of others, is one of the core values at Bristol Credit Union, and I was so pleased we could do something to recognise a really inspiring group of young people and give something back for them."

James Berry,
Chief Executive, Bristol Credit Union.



In the future, we will be looking for more opportunities to give back to the wider community. Whether this is through local charities, initiatives or events that we can sponsor, we will be seeking feedback from members on which charities are looking for support.

...helping the environment

Making our community a better place to live includes taking a longer-term view and ensuring it is sustainable for many years to come. The City of Bristol has recently stated an aim to become carbon neutral by 2030, and Bristol Credit Union is committed to helping Bristol achieve this.

In 2018, solar panels were installed on our offices in Upper York Street, and since then we have saved around 2,200 kg CO₂ emissions, which is the equivalent of planting ten trees, having generated 7.76mWh of our own power in 2018/19.



In 2019, we started offering loans to our members to enable them to fit solar panels to their own houses. We were also a partner of the Bristol Replicate^{xii} project, supporting homeowners in Ashley, Easton and Lawrence Hill, to make their homes more energy efficient. We are doing this by offering low cost loans to people who want to reduce their carbon footprint, but do not have the upfront cash to make the changes they want.

BCU have introduced Climate Perks for the staff team. This gives them extra paid annual leave when they travel by train or boat rather than flying or driving on holiday. For example, a member of staff travelling to Barcelona, Spain can have an extra day of paid leave on each side of their holiday to enable travel by train rather than flying – benefiting the environment, as well as creating a great travel opportunity.



.....
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.....

^{xii} <https://www.connectingbristol.org/smart-homes/energy-efficient-homes/>

...supporting our staff

The staff at Bristol Credit Union are a vital part of our community, and we want to make them better off too. We are an accredited Real Living Wage employer and as we support equality in society, we also support it within our staff team. We commit that the highest paid employee will earn no more than 5 times that of the lowest paid employee (on a full time equivalent basis). The current ratio is 3.2.

Our gender pay gap is currently 27%. Although our workforce is split exactly 50:50 between women and men, more of our female colleagues work part-time. On a full time equivalent basis, the pay gap is still 15%, which is broadly related to the particular roles held, but that nonetheless, we will monitor and seek to address.

We are committed to maintaining a gender neutral pay policy and to increasing the opportunities we provide for part-time and flexible working. We make sure our staff have the opportunity to achieve the work-life balance that suits them, whilst making sure we're here for our members.

We introduced a new death-in-service benefit during the financial year so that all members of staff now have life insurance paid for by BCU. We also continue to contribute to staff pensions at a higher rate than mandated, with all of our team in the same pension scheme, irrespective of position held.

As importantly, we want to support other employees to improve their wellbeing, and we partner with over 15 companies in Bristol and Bath through our MONEY@WORK programme. This has offered over 500 employees the opportunity to borrow and save through their payroll. We are looking to build on this good start and are actively seeking further partners.

**We partner with over 15 companies
in Bristol and Bath through our
MONEY@WORK programme.**

