



# **MONEY SPEAKS LOUDER THAN WORDS:**

**CREDIT UNIONS AND THE ROLE OF THE CHURCH  
IN TACKLING FINANCIAL EXCLUSION**



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**This report was authored by Bethany Eckley of Church Urban Fund**

# INTRODUCTION

## THE PROBLEM – FINANCIAL EXCLUSION OF THOSE IN POVERTY

Over the last few months, much attention has been given to the issue of payday lending, primarily as a result of the exponential growth of the sector in recent years. One million UK households are now thought to take out a payday loan each month, in many cases simply to make ends meet: 38% of loans are for food or fuel, while 24% are used to repay existing payday borrowing<sup>1</sup>.

The astronomical interest rates, of up to 6,000% APR, create a huge burden of debt for those already struggling financially.

The growth of the payday lending sector is a symptom of financial exclusion. This exclusion occurs as high street banks restrict the services they offer to low income customers by, for example, closing branches in deprived areas<sup>2</sup> and limiting access to free ATMs<sup>3</sup>. As a result, the poorest in our country often end up paying more to borrow money or to access mainstream financial services; a phenomenon called the 'poverty premium'<sup>4</sup>. Vast numbers currently experience financial exclusion: 1.4 million people have no transactional bank account and up to 7 million use sources of high cost credit.<sup>5</sup>

## THE PROPOSED SOLUTION – CREDIT UNIONS

It is crucial that we develop a more inclusive financial system that meets the needs of those on low incomes, as well as those on higher incomes. In considering how best to do this, a study conducted by the Department for Work and Pensions (DWP) concluded that high street banks are unlikely to become more inclusive and there was a need to expand or create alternatives. As institutions which will provide a wide range of banking services to lower income adults, the report observed, 'credit unions appear to be the only other realistic option'<sup>6</sup>. Credit Unions are also able to work in partnership with Community Development Finance Institutions (CDFIs) and other ethical lenders offering specific services, and to complement the work of financial education done by other charities.

Credit unions offer a more inclusive approach to banking. Designed as a form of community bank, they are financial co-operatives, owned and run by members for members. Membership is restricted to those who fulfil a 'common bond' by, for example, living or working in the same area, or working for the same employer. All money saved with the organisation is then reinvested in the community, through the offering of small, affordable loans to members. Credit unions are thus a form of ethical, community-based banking.

In order for credit unions to serve local communities more effectively, they must increase their penetration of the banking sector. The feasibility study conducted for DWP concluded that, as a minimum, the sector has to grow from one to two million members in the next five to seven years. This growth needs to include people on middle and higher incomes who can save and borrow larger amounts, and thus help to boost the balance sheets of individual credit unions. The unions also need to professionalise their services, cut their running costs and become more accessible and better known.

This is where the Church comes in. In a recent letter to the Church, the Archbishop of Canterbury wrote: *'Our faith in Christ calls us to love the poor and vulnerable with our actions. That is why the Church must be actively involved in supporting the development of real lending alternatives, such as credit unions. We must help credit unions to become bigger, better known and easier to access if we want them to compete effectively with high interest lenders.'*<sup>7</sup>

He went on to urge churches and churchgoers to support local credit unions by becoming members (opening accounts to save or borrow money, alongside existing accounts); raising awareness of them in their local community; offering church premises as community access points; or by volunteering professional skills to help a credit union develop. By doing so, the hope is that the Church can help develop a more inclusive banking system that better serves the needs of the poor.

### THE AIM OF THIS RESEARCH

The Church of England is well-placed to make a powerful and effective contribution to the growth of the credit union sector. If a substantial proportion of the 1.7 million regular church attendees were to join a credit union – investing some of their savings or taking out small loans – the sector could well reach its goal of two million members.

The aim of this research is to deepen our understanding of churchgoers' experience of, and attitudes towards, credit unions and so shed light on how best to encourage future engagement. It asks the following questions:

- Do church members perceive a need to develop a more inclusive, ethical financial system?
- What do they think about credit unions as the proposed solution?
- To what extent do they believe churches should play a role in supporting this solution?

We hope the answers will contribute to the development of a strategy to increase credit union membership.

The project, conducted in November and December 2013, made use of two methodologies. A survey was sent to an Ipsos MORI panel of 2,011 people, 385 of whom were regular churchgoers. The analysis below focuses on this churchgoer subsample (the full dataset will be published in a later paper). Six focus groups, with a total of 54 participants, were also conducted around the country.

In chapter one of this paper, we explore the survey results. We quantify current levels of engagement with credit unions, explore attitudes towards some of their features and assess the degree to which respondents believe churches should support them.

In chapter two, we present the findings from our focus groups. We explore how churchgoers feel about our current financial system and the degree to which they perceive a need for more ethical forms of banking. We explore in more detail how people feel about credit unions and the barriers that might exist to future engagement.

Finally, we combine the findings from both methodologies to answer the questions set out above and offer some conclusions about the steps that could be taken to increase credit union membership.

# 1. SURVEY FINDINGS: CURRENT AND FUTURE ENGAGEMENT WITH CREDIT UNIONS

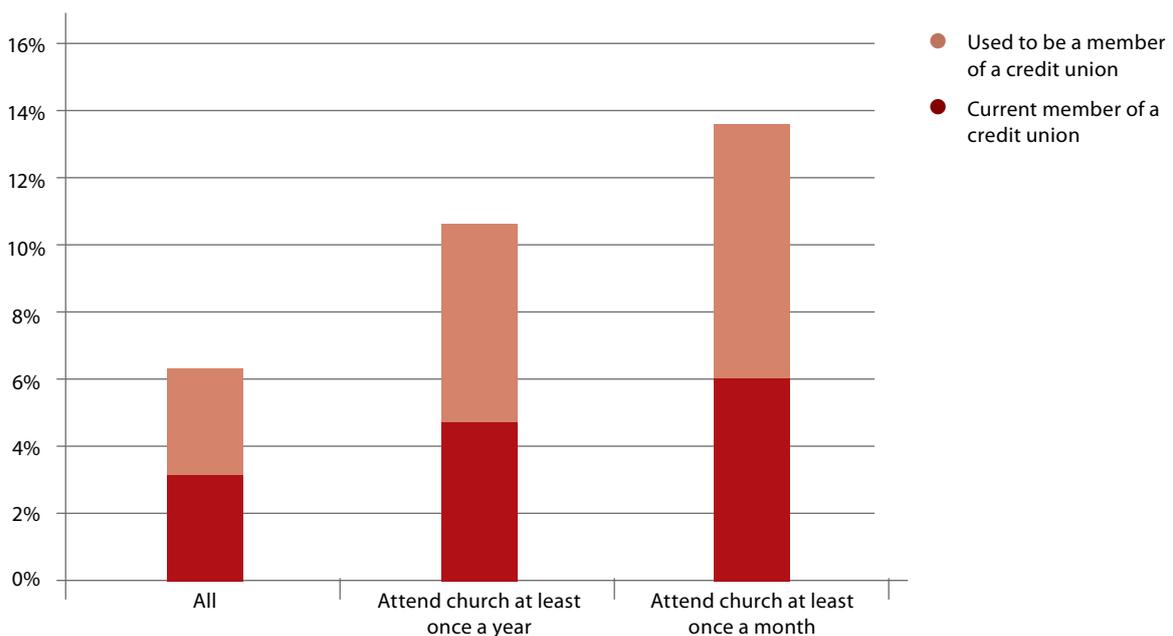
In December 2013, an online survey was sent, via Ipsos MORI, to 2,011 people in Great Britain aged 16 to 75. In order to identify a subsample of churchgoers, people were asked how often they attended services or meetings connected with their religion, apart from special occasions. A total of 385 who identified themselves as Christians, said that they attend church at least once a year and 200 said that they attend at least once a month. Since the sample of regular Anglican churchgoers was small, the analysis below focuses on churchgoers of all denominations.<sup>6</sup> We have chosen to present the results of both annual and monthly churchgoers in order to show the degree to which responses vary between more and less committed churchgoers.

## 1.1 MEMBERSHIP OF CREDIT UNIONS

As the chart below shows, people who attend church at least once a month are twice as likely to be a current or past member of a credit union than adults in the general population. However, the rate of membership is still low: approximately 5% of annual and monthly churchgoers are currently members.

**Figure 1:** Percentage of past and present membership of credit unions

*Are you personally a member of a credit union at the moment, or have you ever been a member in the past?*



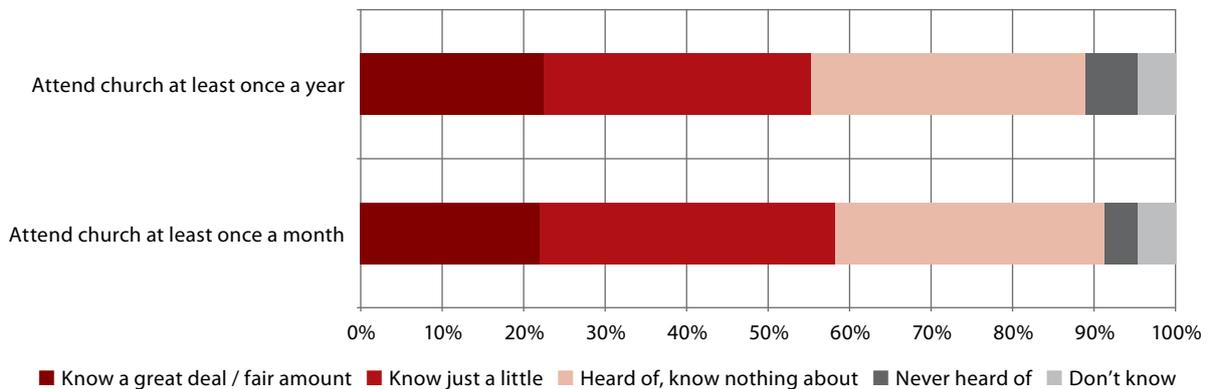
## 1.2 UNDERSTANDING OF HOW CREDIT UNIONS WORK

Approximately nine in ten churchgoers had heard the term credit union, indicating fairly widespread awareness of their existence. Knowledge of how they function, however, is less extensive: only 22% of those who attend church annually or monthly felt that they knew a great deal or a fair amount about them. Around a third of churchgoers felt that they knew a little but another third, whilst having heard the term credit union, knew nothing about how they work.

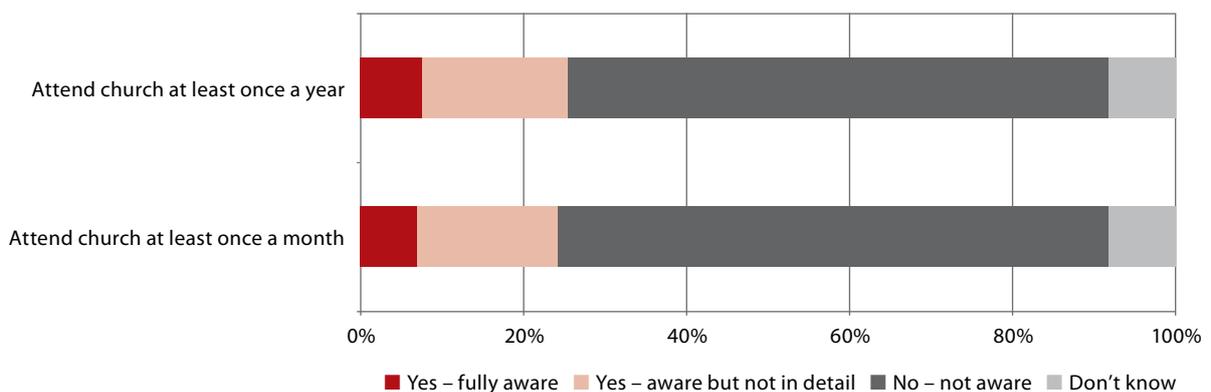
## 1.3 AWARENESS OF CREDIT UNIONS THEY ARE ELIGIBLE TO JOIN

When asked how aware they were of a credit union they would be eligible to join (based on their location or employment), only 7% of churchgoers said that they were fully aware. A further 17% said that they were aware, but not in detail, and two-thirds had no awareness of a credit union they could join.

**Figure 2:** Reported level of understanding of credit unions and how they work  
*How much would you say you know about credit unions and how they work? Take into account all of the ways you have heard or learned about them and any of the things you think are important.*



**Figure 3:** Reported awareness of credit unions they are eligible to join  
*To what extent are you aware of a credit union that you are eligible to join?*



## 1.4 REASONS FOR NOT JOINING CREDIT UNIONS

We were keen to discover the reasons for such low membership levels amongst churchgoers. We, therefore, asked those who were not currently members to choose from a list of possible reasons for not joining (as shown in Figure 4). They were able to select more than one statement.

The most common reason chosen was that people felt they had no need to use a credit union: 49% of monthly and 44% of annual churchgoers gave this as a reason. The fact that fewer than 10% of respondents thought that ‘credit unions do not have anything to offer people like me’, indicates that this perceived lack of need is not based on a failure of credit unions. Instead, perhaps, it suggests people’s needs are being adequately met by their current bank. It might also be linked to the fact that people think credit unions are a ‘poor man’s’ bank, and not for those who are not in financial difficulty.

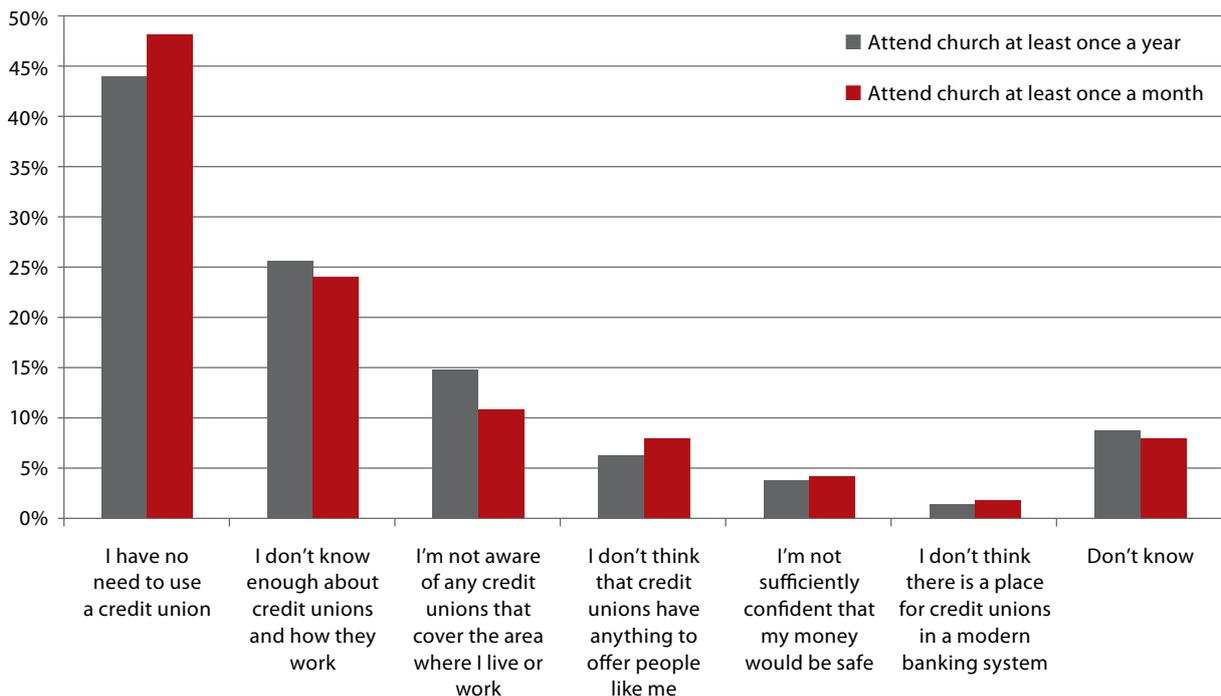
The second most common reason for not joining, chosen by a quarter of churchgoers, was that they did not know enough about how credit unions work.

Lack of confidence in credit unions does not appear to be a significant factor in people’s decisions about whether or not to join. Only 4% said that they would not be sufficiently confident that their money would be safe. This may be because credit unions are authorised and regulated by the Financial Conduct Authority and all savings invested are protected up to a total value of £85,000 per member. Similarly, people did not seem to disagree with the institutions in principle; only 2% said there was no place for credit unions in a modern banking system.

Significantly, the idea of joining a credit union doesn’t even appear as an option on some people’s radar. Almost one in ten did not know why they had not become a member.

**Figure 4:** Reasons for not joining credit unions

*Which, if any, of the following statements describe why you haven’t joined a credit union?*



## 1.5 POTENTIAL FOR FUTURE ENGAGEMENT WITH CREDIT UNIONS

After a brief explanation of how credit unions function, we asked respondents how likely it was that they would consider joining one in the future. In response, just 25% of monthly churchgoers and 22% of annual churchgoers said that they were very or fairly likely to consider it. Almost two thirds of churchgoers said they were not very, or not at all likely to and almost a sixth said they did not know what they would do (see figure 5).

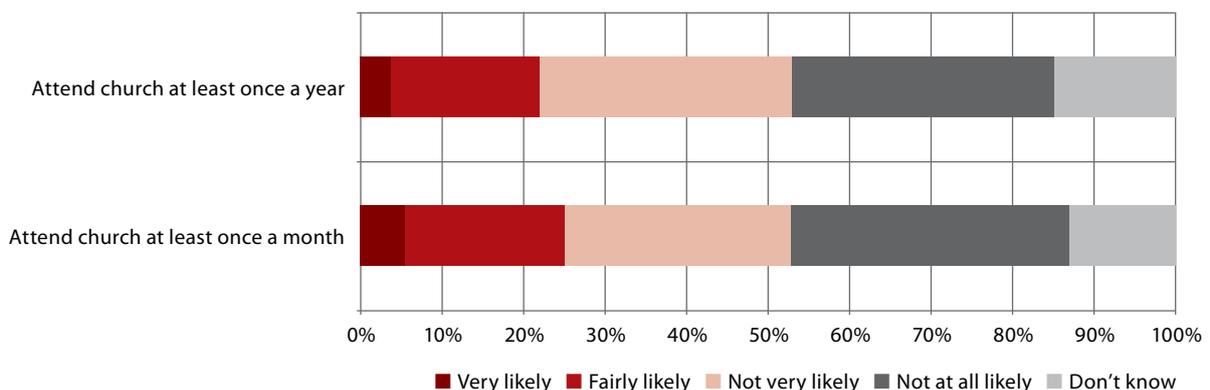
We then listed specific features of credit unions and asked, to what extent, each would make respondents more or less likely to join. The idea was to explore how people felt about particular aspects of credit unions, and so to understand what might encourage them to consider membership. The key features listed were: credit unions encourage their members to save and borrow responsibly; credit unions share any profits among their members; credit unions offer members small loans, from as little as £100, at low interest rates restricted to 2% per month; you can only become a member of a credit union if you are part of the specific community or group it was established to serve (those living in a particular area, for example, or working for the same employer); credit unions are owned and run by their members, often with the help of volunteers; and credit union dividends (the portion of profit paid to members) can be low if no profit is being made.

The first thing to note is that, while few people indicated that any of these features would make them less likely to join, a significant proportion (between a third and a half for all features) said that they would make no difference. This suggests a certain indifference to the particular structure or management of credit unions and indicates that other factors not listed are more important in determining people’s decision about where to bank.

Overall, however, the features listed were likely to encourage more people to join a credit union. Figure 6 (overleaf) shows the percentage of annual churchgoers who said that the features would make them much more/less, or a little more/less likely to join. (Only responses from annual churchgoers are shown as they vary so little from monthly churchgoers). Figure 6 also shows the mean responses to each feature, calculated by weighting them from -2 (strongly disagree) to +2 (strongly agree). The higher the mean, the more positive the overall response.

**Figure 5:** Likelihood of joining a credit union in the future

*On balance, how likely is it that you personally would consider joining a credit union at some point in the future?*

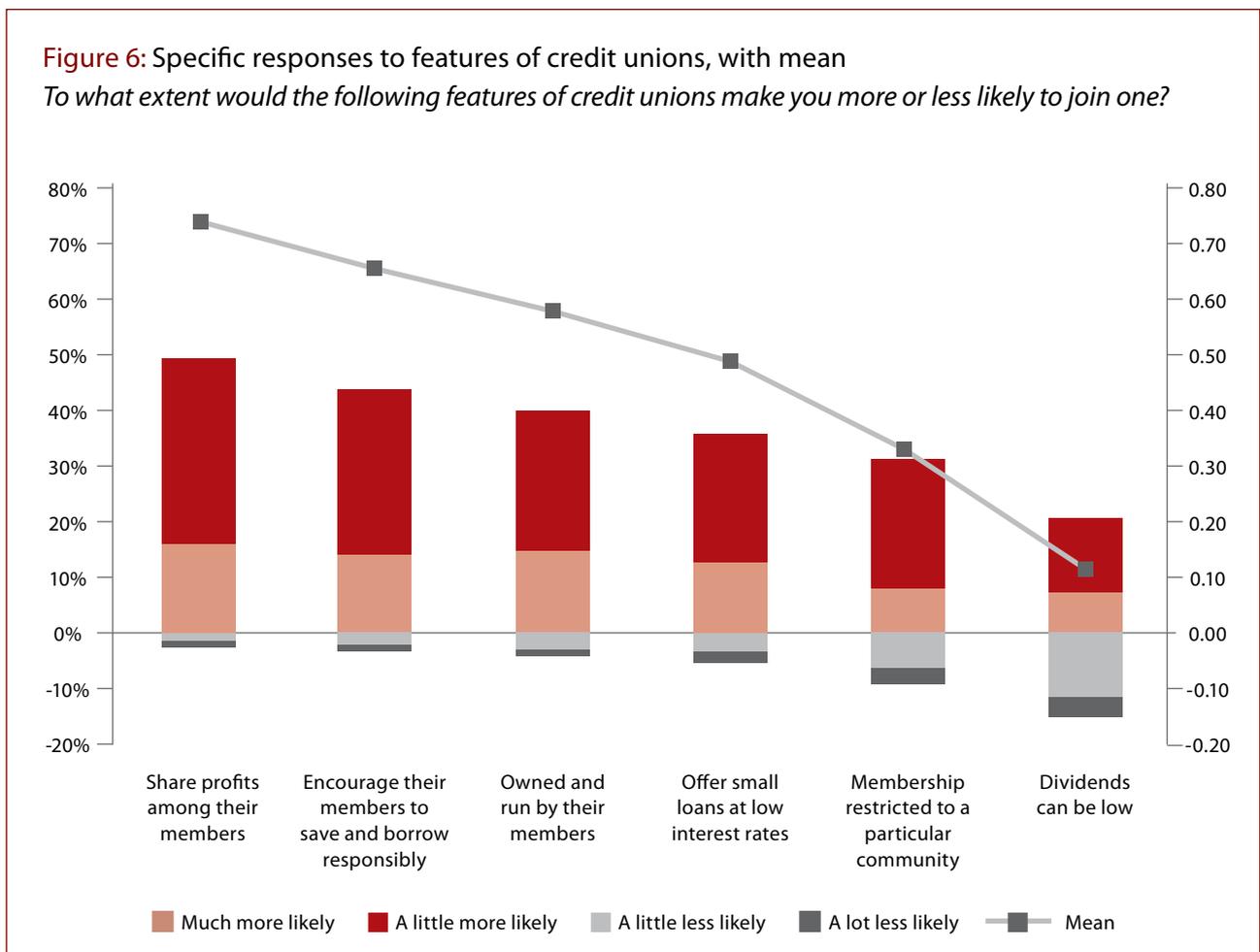


As figure 6 shows, respondents felt most positive about the fact that credit unions share profits among members rather than shareholders. They also liked the fact that credit unions encourage their members to save and borrow responsibly. This positive response may suggest that some believe poor budgeting to be a significant cause of financial difficulty and that credit unions could help with this.

The mutual structure of the institutions is a positive factor for many churchgoers, as are the small loans offered at low interest rates. On the other hand, the restriction of membership to those that fulfil the ‘common bond’ requirement and the risk of low dividends were not viewed so positively.

## 1.6 ATTITUDES TOWARDS CHURCH-BASED SUPPORT FOR CREDIT UNIONS

As part of this survey we also wanted to explore churchgoers’ attitudes towards the idea of churches actively supporting credit unions. We, therefore, started by asking to what extent people agreed with two statements about payday loans: that they exploit people without access to cheaper forms of credit and that they help people with short-term, cash flow problems. More than four in five (83%) churchgoers agreed that payday loans exploit those who cannot access other forms of credit, showing a clear belief that they are unjust. Only a third agreed that payday loans help people with short-term, cash flow problems, showing that most do not accept the industry’s argument that they serve a useful purpose.



## MONEY SPEAKS LOUDER THAN WORDS

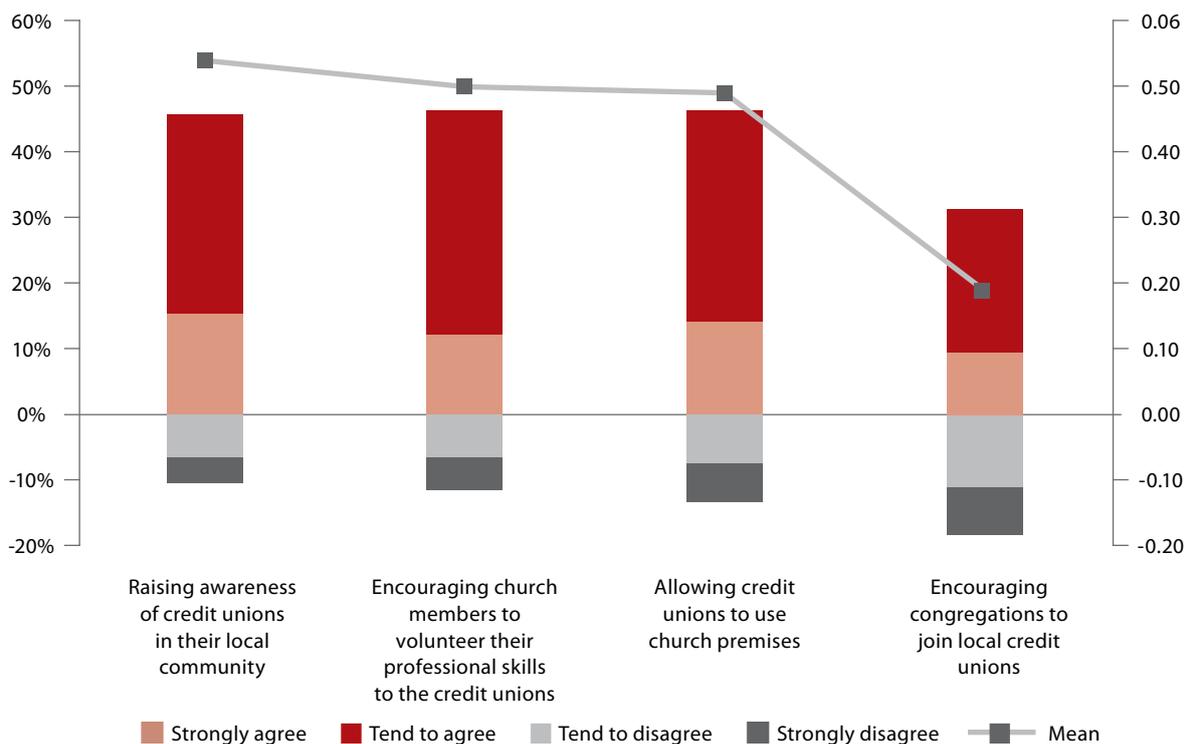
We then asked churchgoers the extent to which they agreed or disagreed that churches should explore four different activities: raising awareness of credit unions in their local community; offering material help by allowing them to use church premises; encouraging members of their congregation to volunteer their professional skills; and encouraging church members to join a credit union<sup>7</sup>.

As above, while few people thought that churches should not be exploring these activities, a high proportion neither agreed nor disagreed. Between a quarter and a third of those who attend church annually or monthly expressed no opinion, indicating a certain degree of indifference to the question of church-based support for credit unions.

Overall, however, people responded positively to the idea. Figure 7 below shows the percentage of annual churchgoers who expressed an opinion on whether churches should explore these activities. (Again, only responses from annual churchgoers are shown as they vary so little from those who attend once a month). The chart also shows the mean responses, calculated by weighting them from -2 (strongly disagree) to +2 (strongly agree). The higher the mean, the more positive the overall response.

Approximately half of annual and monthly churchgoers agreed that churches should raise awareness of local credit unions, allow them to use church premises and encourage church members to volunteer their professional skills. A tenth thought that churches should not explore these activities.

**Figure 7:** Responses to churches exploring suggested activities, with mean  
*To what extent do you agree or disagree that Christian churches should explore each of these ways to support credit unions?*



Overall, people were less enthusiastic about the idea of churches encouraging their members to join a credit union. Only a third agreed that churches should be doing this, while almost a fifth thought that they should not. This response may indicate that people do not want their church leaders giving advice on where they should bank, or it could link to the fact that many people think that credit unions are for other people, but of no benefit to themselves.

### **CONCLUSION**

Churchgoers are, in principle, largely positive about credit unions. Despite this, however, the vast majority of those who attend church are not currently members, lack a good understanding of how they function and are not aware of an institution they would be eligible to join.

The primary barrier to joining a credit union, agreed by almost half of churchgoers surveyed, is the perception that they have no need to join. This result shows the importance of communicating why individuals, particularly those on middle or high incomes, should become members. Recent attempts to do so have focused on the way that credit unions offer an alternative to payday loans. Another compelling motivation, however, given the feelings expressed by focus group participants, might be that membership is one way in which they could help to bring about a more ethical financial system. By investing in a credit union, they could contribute to the development of a more ethical, inclusive and people-centred system. Awareness of the competitive rates offered by credit unions on savings and small loans might also be an encouragement.

The secondary barrier to future engagement is lack of knowledge. Just 22% of churchgoers feel that they know a great deal or a fair amount about how credit unions function; two-thirds are unaware of a credit union they would be eligible to join. Churches can help to increase knowledge of these institutions and help people discover which they can join.

Many people agree that churches should actively support credit unions, indicating that they believe the Church has a role to play in developing alternatives to payday loans and, more broadly, building a more inclusive financial system. However, whilst keen for churches to encourage people in their local community to become members, they are less enthusiastic about being asked to join themselves.

## 2. FOCUS GROUP FINDINGS: CREATING A MORE ETHICAL FINANCIAL SYSTEM

In addition to the survey, six focus groups were also conducted. These groups were organised through contacts in Church Urban Fund's 'Together Network' and in total, 54 people participated. They were held in a variety of locations and times, in November and December 2013:

- Yatton, Somerset – weekday afternoon
- Rochester – weekday evening
- Liverpool – weekday lunchtime
- Newcastle – weekday afternoon
- East London – weekday evening
- South east London – weekday evening

Of those who participated, 52% were women and 48% men. Participants were fairly well distributed across age groups: 17% were aged 19 to 29, 7% aged 30 to 44, 33% aged 45 to 59, 30% aged 60 to 74 and 13% were 70 and over. There was also a good balance between urban and rural participants: 31% said they lived in a city centre, 9% on council estates, 17% in suburban areas, 7% in towns and 35% in rural areas. The ecclesiological range was also good. When asked how they would define the type of church they attended (more than one descriptor was allowed), 35% said 'broad', 28% Anglo-catholic, 26% evangelical, 17% charismatic, 9% liberal and 9% low church. The vast majority (93%) said that they attended a church at least once a week, suggesting that the data from these groups should be indicative of very committed Anglican churchgoers.

We began by asking participants whether they believed that the banks operating in this country were moral, in order to explore whether they recognised a need to develop more ethical forms of banking. We then asked what characteristics a moral bank would exhibit. Next, we asked people how they themselves had chosen where to bank, in order to see how principles matched action. The conversation then moved on to credit unions. We asked how much people knew about them and what their perceptions of them were. We ended by asking for people's reactions to the Archbishop's call for churches to support their local credit union.

### 2.1 ATTITUDES TOWARDS HIGH STREET BANKS

Participants expressed a real sense of frustration and anger when talking about the banks currently operating in this country. When asked if they were moral, a few key themes emerged in all groups. The first was that banks are structurally bound to prioritise the pursuit of profit, because they are legally obliged to maximise profit for shareholders. This created a great deal of distrust, as people did not believe that banks look out for their customers' best interests. As one person expressed it, 'you can't please three masters; shareholders, customers and your employees.'

A second prominent theme was that of irresponsible lending; the feeling that banks often encourage people to borrow who have no way of repaying the debt, thus putting a very heavy 'burden' upon their shoulders. 'I don't understand how people can lend money to people who are already massively in debt, it really irritates me,' said one participant.

Thirdly, many talked about investment practices. The dominant complaint was about the lack of transparency; the difficulty of understanding where your money was being invested. People who wanted to make ethical decisions about where to put their money often felt unable to do so.

The fourth common topic was that of inflated salaries and bonuses. 'One of the greatest outrages that have hit the public was just the whole salary factor of bankers earning enormous sums of money, regardless of sign off profits and things. But I think that's what appalled and offended many people; totally disproportionate to the service that they were offering.'

Participants often used very emotive language when discussing the morality of banks. Apparently immoral practices were described as 'reprehensible', 'manipulative', 'underhand', 'dreadful' and 'indefensible'. In learning about these practices, people spoke of being 'devastated', 'appalled' and in 'despair'. This language demonstrates the strength of feeling people have about banks and the events of the past few years.

Interestingly, a certain narrative was expressed by several participants. In this, those 'at the top' of the banks are disparaged and disdained, while the 'local' bank and the people working there are held in much higher regard. As one person commented, 'It's the local ones I feel are far more fair. It's the ones at the top, that we have no dealings with, that cause the damage.' Despite the fact that the people in the local bank and those 'at the top' work for the same organisation, some participants appeared to have separated the two in their minds. People felt much more positive about the local bank, often as a result of good interactions with people behind the counter, but felt that the executives running the banks had let them down: 'since this banking debacle that we've had, I just don't feel I can trust the ones at the top any longer.'

A second narrative also emerged. In this, people harked back to a time when their interaction with the financial system was mediated through the local bank manager. 'We used to have our own bank manager here and he was here for years. He was very good and everybody knew him, and he knew a lot of his customers and that's gone.' A sense of loss was palpable as people reminisced about this past system. This idea of the local bank manager is a powerful one that has been passed down to younger generations. A younger participant said:

I think [banks] have become depersonalised... So people are not given the benefit of the doubt if you've got issues they need to deal with, whereas probably, I mean I don't know as I wasn't around particularly when that happened, but when there was a local bank manager there was a chance of them saying, 'Well that's fine and you can hold off paying or making smaller payments for a short while' and that's all gone now.

Through the 'myth' of the local bank manager, people expressed their longing for a more personal, relational banking system. This myth was contrasted to the current system where banks have become 'depersonalised' and where people are met by a 'bank of machines' when they go to their local branch rather than an individual that they know and trust to have their best interests at heart.

### 2.2 THE CHARACTERISTICS OF A MORAL BANK

Though it is recognised that banks exist to generate a return on investment, they are also significant social institutions that form an important part of the fabric of our society. As such, following a discussion on the morality of the current system, participants were asked to imagine the characteristics a hypothetical moral bank might exhibit. The following themes emerged in the discussions.

Firstly, a moral bank would value people above profit. Although efficient and reliable, it would recognise the inherent dignity and value of each person, regardless of income level or wealth. It would treat all customers as people, and therefore place certain limits on actions taken to generate a profit. 'I think the human dignity of communicating well and treating a customer well is a moral action. That values a person rather than seeing them as a pound sign'. They would also treat employees well, paying them the living wage and not pressurising them to sell products with high profit margins, but allowing them to respond to the specifics of individual situations with compassion and empathy.

Secondly, it would make ethical investments. People felt that a moral bank would invest in moral organisations and individuals. They did not discuss the definition of 'moral' in this context, but agreed that investment practices should be a core part of an organisation's ethical code. 'Well it's about stewardship isn't it, the point we touched on before is about if you're entrusting your money to an organisation, what are they doing with that money whilst it's in their care? So are they using it for improper kind of ends?'

Thirdly, it would be transparent. A moral bank would be open about its investment practices and would strive to communicate honestly with its customers about their financial products. 'I think for me there is something about clarity... I don't think banks are very clear at all about how they invest and to me that's a major thing.' Another participant said, 'I think if you talk about morality then you start to talk about integrity... that's about what the bank is doing behind closed doors.'

Fourthly, it would pay fair bonuses and salaries. A moral bank would tie the salaries of top executives to a fair multiple of those at the bottom of the organisation and would reward directors on the basis of performance. 'Capping on salaries would be quite moral because how much money do you need?' One participant joked, 'You could have bonuses paid on evidence of ethical behaviour. [Laughter] They wouldn't get much! It would be so embarrassing when they kept failing wouldn't it?!'

These themes are neatly summarised in this short exchange:

[What would a moral bank look like?]

**R1:** Putting the customers first rather than the profits.

**R2:** And looking after the staff by the sounds of it, because if your staff are tired and unhappy then you're not going to get a good service.

**R3:** Yes, the front of house stuff is important, that actually people are friendly faces. But behind that you've got to trust them with your investments, you've got to trust them with what they're holding and the way they're operating.

**R4:** And maybe the whole pay differential thing between the staff at the bottom rather than just the minimum wage for the call centre people, but at least the living wage and more maybe compared to...

**R3:** The billions at the top.

### 2.3 MAKING DECISIONS ABOUT WHERE TO BANK

Despite a strong consensus of opinion on what a moral bank would look like, there was quite a split in how participants made their own decisions about where to bank. For many, primarily the older participants, this decision had been made many years ago and not revisited since. Some had based it on accessibility: 'Why did I choose [my bank]? Because it was just up the road from my office.' This meant that they were able to talk to someone when they had questions: 'Why I've stayed in [my bank]? It was purely because I could walk across the road and speak to the person in the branch.' For others, there were historic family connections: 'Well, I had a bank account because my parents banked with that bank.' For one particular participant, the attractiveness of the branch was the deciding factor: 'Lloyd's building at the time was better looking than Barclays. Barclays just looked like a shop.'

Many participants spoke of their desire to move to a more ethical bank, but expressed their frustration at the difficulty of doing so:

I tried to switch, when I first started thinking about these questions, I tried very hard to switch to Co-Op, for good investment reasons, and it was probably just the particular branch, but they were totally incompetent and couldn't do the switch, so I never did switch to them.

Reflecting on this question, one participant explained why people may find it difficult to switch banks:

I'd banked with the bank my parents had banked with, so there's a whole history of banking with somewhere and almost just assuming it's safe because that's what your family's always done. It was quite a big thing to change banks for me... It's interesting how many people you talk to who say they've thought about it... But to go from thinking you need to move to actually doing it is quite a psychological shift I think.

For those who had moved banks, the primary motivation appeared to be finding one with more ethical investment practices. For several participants, this had prompted them to open an account with the Co-operative Bank. Many, however, now feared that this bank had lost its ethos and this contributed towards a sense of despondency:

The Co-op is in trouble ... [so] what are we left with? We don't really have a bank that we can say; why are we going to them; because they have certain standards.

The apparent failure of this 'ethical' bank appeared to increase people's feeling of helplessness. They felt that no ethical bank any longer existed. One participant commented, 'We took the great trouble three years ago of going to the Co-operative Bank and I'm scratching my head now and sort of thinking, well you know, who do you believe?'

### 2.4 CREDIT UNIONS AS A MORE ETHICAL FORM OF BANKING

The level of knowledge about credit unions was very mixed. A minority had been involved with local credit unions for many years and knew a great deal, others had not been personally involved, but knew something about how they functioned. A significant proportion knew nothing about how credit unions worked. However, people did not seem to mind admitting to a lack of knowledge. In fact, they appeared to welcome the opportunity to ask questions of others in the group, including:

‘What are they? Where are they? Who are they?’

‘Are they just for loans though, or do they also do sort of non-banking stuff like paying bills?’

‘So they must have a manager. Am I right? And he would get paid, or she?’

‘How long will it take me to actually have joined and when could I borrow money?’

‘So you don’t get interest on what you pay in?’

‘How do credit unions support internet banking?’

Amongst those who did not know a great deal, some expressed a certain preconception about who credit unions are for:

‘I thought they were often used by people who were right on the edge.’

‘Don’t credit unions tend to lend to people who probably wouldn’t be very attractive to ordinary banks?’

‘I thought it was just for people who can’t get bank accounts who are a bad risk, so you’ve got the option to go to get them there.’

As the survey results in the previous chapter show, this lack of knowledge and this perception of credit unions as a ‘poor man’s bank’ are fairly representative of wider society.

After hearing about the key characteristics of credit unions<sup>8</sup>, people generally responded positively. ‘It sounds really good. It sounds moral. If people are not being allowed to borrow more than they can afford to pay back that sounds really good’, said one participant. Another person said, ‘I like the role a credit union can have in building the economic resilience of the community through training... it’s a financial product with more of a helping hand.’

However, some expressed concerns. A few were put off by how some credit unions look:

‘I don’t want to lend my money to anything that looks like that on the outside, I’m afraid. Now that is probably a really old fashioned point of view. But to me... they look like they’ve taken over a charity shop.’

Others were concerned about the fact that credit unions are often run by volunteers:

‘Volunteers, ouch!’

‘Whilst it’s good to have people who feel passionately about it enough to get voluntarily involved, you do actually need some energy behind it full-time so people will think, yeah, I’ve got to make this work. You need somebody, and I think... I’m not saying it should be staffed up, what I’m saying is it needs to be done efficiently and effectively.’

The appearance of credit unions and the fact that they are often run by volunteers contributed to a sense of unease about their trustworthiness compared to high street banks: ‘They don’t tempt me... Because I feel they are risky... It’s just a feeling.’ As a result, many participants seemed to believe that their money would be safer in a commercial bank.

There was a lively discussion in every group. People seemed very interested in talking about the issue and learning more. It became apparent, however, that, given the low level of awareness of credit unions, the course of the discussion was strongly influenced by key individuals who knew more. This could move it in a positive direction, if that individual had a good opinion of credit unions, or affect it negatively, if they had had a bad experience. For example, in one group, a latecomer to the discussion who worked closely with a local credit union told the following story:

**R15:** Today I saw a family that I deal with, a single parent with three children who, when I first came into contact with them... the lady had borrowed a small amount of money and the loan shark was trying to kick the front door in and to threaten them because they hadn't paid their money back. This family were terrified weekly... This lady joined the credit union and put a very small amount of [money in. This means she can] borrow small amounts of money at reasonable interest, but also feel good that she's giving back because her interest that she's paying is going back into the pot to lend to other people.

**R13:** ... I think that's fantastic.

**R6:** ... I would be very happy to put my money into the credit union and say to them don't give me interest just let me have my e-card and I'll use it as and when if I need to, but here's £1,000 and just use it and make interest on it but I'm not worried about that, just use it for the common good. I would be very happy to do that. I mean I'm sure most people would.

This story of how a credit union had helped one particular family was able to persuade two other participants of the value of these institutions, with one saying that he would be happy to invest his money with them.

In a different group, however, one participant had had a much more negative experience:

**F2:** The experience I've had is that credit unions are not sustainable. So they're continually dependent on grant funding because the level of investments they've got in isn't high enough to make them self-sustaining.

**M4:** So can we have a little record of how credit unions have performed in the past. I mean is there is a record of credit unions that have gone bust?

**F2:** Yeah a lot of them.

**M4:** Lots of them?

**M4:** ... That's a little worrying isn't it?

In this particular group, the view of one individual persuaded the rest that credit unions were not the answer to the problem. As such, the discussion moved onto other potential solutions, including peer-to-peer lending.

The role of these individuals reveals the importance of 'influencers'. If churchgoers are to be persuaded to support their local credit union, building a network of people who can communicate stories about how credit unions help people would have a huge influence on the way people perceive them.

### 2.5 CHURCH-BASED SUPPORT FOR CREDIT UNIONS

We finished the focus groups by asking participants what they thought about the Archbishop's proposal that churches support their local credit unions by raising awareness, opening accounts to save or borrow money, allowing them to use church premises as access points, or encouraging church members to volunteer their time and professional skills. Most participants were very enthusiastic: 'I'd also love to just say how excited I was when I heard what the Archbishop said because I thought that is brilliant. Absolutely brilliant.' For many, this kind of social action is at the heart of the Christian faith:

'Here's a practical way of supporting the poor and needy and that's what Jesus wanted us to do.

And I think it's a way for Christians to put money into an area where you think, you know what, this isn't going to be used for profit, this isn't going to be wasted, it's actually going to go out to people that need it. And I think that's what's refreshing about the idea.'

For one person, 'there would be the spin-off benefit of people saying 'the Church is relevant, it's doing things to help people''. For another, this might help 'swell the cathedral on a Sunday', as it would bring churches closer to their local communities.

However, there was a degree of confusion about the details of the Archbishop's message and what he wanted churches to do. Many questions were asked, including, 'Is the suggestion that churches should get involved in actually running a credit union or is it a matter of church members being encouraged to invest their money?' It was a common misconception that the Archbishop wanted churches to set up credit unions, rather than support existing ones and this caused a good deal of concern: 'It would be a mistake probably in many cases for the Church to run credit unions unless it had the expertise, because you do need financial expertise.'

Many participants wanted church leaders to clarify exactly what was being asked of them. In principle people seemed willing to support this initiative, but strong leadership and a great deal of encouragement was apparently required to help turn this enthusiasm into action.

A small minority, however, were very sceptical, largely because they worried that this was too much for church congregations to take on: 'the Church has got enough to worry about without starting to worry about this'. With church congregations already stretched for time, some viewed this as just another demand being made by central Church structures, a demand that felt unachievable. 'Is the onus going to be on the churches or church members, or what's the plan? What's it going to look like and will it be too big an ask for people?'

Yet, despite these concerns, the discussions were largely positive. Indeed, many seemed inspired by the idea that churches could do something practical to help those in their communities who are struggling financially. They appeared to have caught a vision of the Church contributing to the development of a more ethical financial system:

'There's a requirement for some sort of supportive structure for people who need support and finances in the local... And maybe the Church is the right vehicle to do that, or has an opportunity to get engaged with the community that way.'

While the groups obviously focused on the role of credit unions, some participants expressed a broader vision of the change that the Church could help bring about:

'The Church has this precious, beautiful idea of the Imago Dei; the image of God in every person... That human dignity is so central to our vision of how we see the world and it's so absent from finance at the moment, so absent and so I think for me that could be the litmus test of any of this... Does [an organisation] place human dignity in all ways; in what it invests in, in how it treats its employees, in how it treats its customers?'

A sign that the Church had succeeded in creating such a change would be, according to one participant, that:

‘The way that I organise my finances is different, because there will be new options, new credible options that I’m not down to choosing between Halifax and Nationwide, that actually there is a more diverse set of ways of organising your finances that are not the options that the big banks choose to offer.’

This larger vision of a transformed financial system was greeted enthusiastically by all. There appeared to be a universal desire for the Church to help build a more ethical, inclusive system that would be based upon protecting and supporting all people, regardless of their income level.

## CONCLUSION

It became apparent in these six focus groups that many churchgoers feel disappointed, upset and even angry about the way that banks have been operating in this country in recent years. In reflecting on interactions with increasingly complex and automated banking systems, people expressed feelings of powerlessness and frustration. Many feel that banks are not trustworthy.

When imagining the characteristics of a moral bank, people talked about ethical investment, transparent communications with customers, fair salaries for all employees and bonuses based on good performance. They also expressed a desire for a system that would value people above profits; that would recognise the value and dignity of each person and therefore refrain from misleading or exploitative practices.

Yet in practice, many had chosen where to bank based on convenience, the location of the branch, family connections or better online services. This may suggest that people’s expressed desire to bank with an ethical organisation is often not strong enough to lead to action. Or perhaps they feel that no better option exists. Those keen to consider the ethics of their bank almost universally expressed frustration at the difficulty of moving accounts or finding out how their money was being invested. As a result of recent events at the Co-operative Bank, people expressed the feeling that there was no longer an authentically ethical alternative.

These findings indicate that churchgoers are ready for change. Many are disillusioned with the current system, want to use their money ethically, and are keen to see a more moral, people-centred banking system. If they felt that an alternative existed that was not too difficult to support, many would, in principle, be willing to move banks.

Participants were generally positive about credit unions as an ethical form of banking. They were particularly enthusiastic about the fact that they encourage all members to borrow and save responsibly, thereby helping to tackle some of the underlying causes of debt. However, the level of understanding of how credit unions function was quite low and the perception of them as a ‘poor man’s bank’ was fairly strong.

Concerns were also expressed about credit unions; focused primarily on a perceived lack of professionalism. People were worried about the idea of volunteers managing their finances, concerned that they would not have received the same level of training as staff in commercial banks. They were also put off by the amateur appearance of some credit union premises and the frequently poor quality of their marketing materials.

The key role of influencers became apparent during these focus groups. As many people did not have a very detailed understanding of how credit unions function, their opinion could be swayed quite easily by those who were better informed. In groups where one or more participants spoke positively about credit unions, explaining how they help those on low incomes, others were more likely to express a desire to find out more about getting involved. This suggests that a network of influencers, willing to share information on how credit unions function and help communities, could be an effective means of encouraging more church members to join.

# CONCLUSION

## 1. CHURCHGOERS DO THINK THERE IS A NEED TO DEVELOP A MORE ETHICAL FINANCIAL SYSTEM

Churchgoers are not content with our current financial system. Focus group discussions showed that many feel disappointed, upset and even angry about the way that banks have been operating in recent years. In reflecting on their interactions with increasingly complex and automated banking systems, people expressed feelings of powerlessness and frustration. On the specific issue of payday lending, 84% of those surveyed agreed that payday loans exploit people without access to cheaper forms of credit.

Focus group participants expressed a desire for banking institutions that make ethical investments, communicate transparently with customers, pay fair salaries to all their employees and tie bonuses to good performance. Above all, they wanted a system that values people above profits; that recognises the worth and dignity of each person and so avoids unjust practices.

The majority of participants talked of their wish to make ethical decisions about where to bank. Many, however, were frustrated by the difficulty of moving accounts or finding out how a bank would invest their money. As a result of recent events at the Co-operative Bank, many felt that there is now no ethical option; although they wish to make ethical decisions about how their money is used, they feel unable to do so. This contributes to a sense of helplessness and despondency.

These findings suggest that churchgoers are ready for change. Many are disillusioned with the current financial system, want to use their money ethically, and are keen to see more community-based and people-centred alternatives. If they felt that an ethical option existed, and was not too difficult to access, many would in principle be willing to move their money.

## 2. CHURCHGOERS ARE POSITIVE ABOUT CREDIT UNIONS IN PRINCIPLE, BUT HAVE SOME CONCERNS

In principle, churchgoers are positive about credit unions as a form of ethical banking. Survey respondents were most enthusiastic about the fact that they share profits among members rather than shareholders and that they encourage members to borrow and save responsibly, thereby helping to tackle some of the underlying causes of debt. 'It sounds really good. It sounds moral,' said one focus group participant.

People who attend church at least once a month are twice as likely to be a current or past member of a credit union than others. However, the rate of current membership is still low at 6%. When the reasons for this were explored, focus groups participants expressed concerns about credit unions, primarily regarding their perceived lack of professionalism. Some were worried about the idea of volunteers managing their finances: 'Volunteers, ouch!' Others were put off by the amateur appearance of some premises: 'I don't want to lend my money to anything that looks like that on the outside.' These concerns were somewhat allayed when it was pointed out that credit unions are regulated by the Financial Conduct Authority and all savings, up to a total of £85,000 per member, are protected.

The primary barrier, however, to churchgoers becoming members, as almost half of those surveyed agreed, is the perception that they have no *need* to join. Focus groups suggest that this is because credit unions are thought to be for ‘people who were right on the edge’. This emphasises the importance of communicating the reasons why individuals, particularly those on middle or high incomes, should join a credit union. Recent attempts to do so have focused on the way that they offer an alternative to payday loans. Another compelling motivation, however, given the feelings expressed by focus group participants, might be that membership is one way in which they could help to bring about a more ethical financial system. By investing in a credit union, they could contribute to the development of a more ethical, inclusive and people-centred system. Awareness of the competitive rates offered by credit unions on savings and small loans might also be an encouragement.

The secondary barrier is lack of knowledge. Only 22% of churchgoers feel that they know a great deal or a fair amount about how credit unions function; two-thirds are not even aware of a credit union they would be eligible to join. Churches can help to make sure that people are better informed, so that they understand what credit unions actually do and which are available to them locally.

Focus groups showed the key role that peer influencers could play. As many participants lacked a detailed understanding of credit unions, their opinion could be swayed by more informed participants. In groups where one or more participants offered positive opinions, others were more likely to express a desire to find out how they could personally get involved. One such influencer shared this story:

Today I saw a family that I deal with, a single parent with three children who, when I first came into contact with them... the lady had borrowed a small amount of money and the loan shark was trying to kick the front door in and to threaten them because they hadn't paid their money back... This lady joined the credit union and put a very small amount of [money in. This means she can] borrow small amounts of money at reasonable interest, but also feel good that she's giving back because the interest that she's paying is going back into the pot to lend to other people.

Such examples suggest that a network of peer influencers might well be an effective means of encouraging more church members to join. These influencers would need to have specific knowledge of local credit unions and how best to support them. After all, the sector is very diverse and varies considerably in terms of size, capacity and services offered.

### **3. CHURCHGOERS BELIEVE THE CHURCH SHOULD HELP TO GROW THE CREDIT UNION SECTOR**

Many agree that churches should actively support credit unions: almost half of churchgoers surveyed believed that churches should raise awareness of those in their local communities, allow them to use church premises, and encourage church members to volunteer their professional skills. For many focus group participants, this kind of social action is at the heart of the Christian faith. As one participant put it, ‘Here’s a practical way of supporting the poor and needy and that’s what Jesus wanted us to do.’

However, there was a degree of confusion about how churchgoers were expected to support credit unions. Some participants thought they were being asked to set up a credit union rather than support existing ones. Clear and repeated suggestions, communicated via a network of peer influencers, could help to show people the best way to offer their support, and so convert enthusiasm into concrete action.

Finally, focus groups showed that churchgoers are keen to place these discussions within a broader conversation about ethical finance and the best way for Christians to use their money. Participants articulated a desire to see the Church enabling or supporting a radical transformation of this country's financial system; a transformation that would be based on developing institutions that recognise the inherent value of each individual, regardless of income. A thriving credit union sector was welcomed as one way to help achieve this goal.

### NEXT STEPS

**Churchgoers perceive a need to build a more inclusive and ethical financial system; they also largely agree that credit unions can help to meet that need. How, then, can this enthusiasm be converted into concrete action? We recommend that:**

- 1.** Future communications to churchgoers should make the case for credit union membership, especially for those on middle or high incomes. They should explain the *need* to join and the *benefits* of doing so. Those who invest or borrow will help those on low incomes struggling to access affordable credit, by strengthening alternatives to payday loans. They will also contribute to the development of a more ethical and inclusive financial system which will, in the long run, benefit everyone. Access to the competitive rates offered on small loans and savings is another advantage of membership.
- 2.** Churchgoers should be encouraged to offer their individual expertise to assist credit unions in widening their appeal. That might involve helping to create more professional marketing materials, improving administrative systems or guiding future development by joining the Board, as well as leading by example by becoming members of their local credit union.
- 3.** The Church should work with partners to develop a network of peer influencers trained to answer people's questions, share case studies of the benefits of credit unions and give practical advice on how churchgoers can offer their support locally. The Contextual Theology Centre has proposed a 'Church Credit Champions Network', which could help this to make this happen.

The Church has the potential to make a significant contribution to the growth of the credit union sector and, therefore, to the development of a more ethical and inclusive financial system. These recommendations will help to encourage churchgoers to become more active supporters of credit unions, by deepening their knowledge and understanding of the sector and its value.

### ENDNOTES

- 1 Which? survey, 2013, discussed in the Independent, <http://buff.ly/1gjACNJ>.
- 2 Of the 7,500 bank and building society branches shut between 1989 and 2012, two thirds were in deprived areas. 'The Changing Geography of British Bank and Building Society Branch Networks 2003–2012', Leysdon et al, 2013
- 3 An article in the Independent condemned the 'grotesque practice' of charging low-income people to withdraw money, 2014, <http://ind.pn/19RZr14>.
- 4 'The UK Poverty Rip-Off', Save the Children, 2010. Also referenced in the 'Feasibility Study Report', Department for Work and Pensions Credit Union Expansion Project, 2012.
- 5 'Feasibility Study Report', Department for Work and Pensions Credit Union Expansion Project, 2012.
- 6 The denominational breakdown of annual church attendees is: 51% Church of England, 20% Roman Catholic, 16% non-conformist, 6% Church of Scotland, 6% other Protestant and 2% Church in Wales/Chapel. The breakdown of monthly church attendees is: 41% Church of England, 24% non-conformist, 22% Roman Catholic, 9% other Protestant, 4% Church of Scotland and 2% Church in Wales/Chapel.
- 7 These four activities were mentioned in a Church of England guidance document <http://buff.ly/19C092y>.
- 8 At this point in the focus groups we shared stimulus material, which included a brief description of the main characteristics of credit unions and included two photos of different credit union premises.