

# Your Credit Union – saving and borrowing for your needs



This information sheet is issued by the Financial Services Authority (FSA), the independent watchdog set up by government to regulate financial services in the UK and protect the rights of retail customers such as you.

## What is a credit union?

Credit unions are mutual savings and loans societies. Membership is based on a 'common bond', something which links members together. For example, it could be that members live or work in the same area or work for the same employer.

The credit union movement has been growing strongly. There are about 700 credit unions in Great Britain, with over 300,000 members and around £200m in assets.

In other parts of the world, the credit union movement is very large. The movement is particularly strong in the USA, Canada, Ireland and Australia.

## What services do credit unions offer you?

Credit unions aim mainly to encourage people to develop a habit of saving. Once a member has established a record as a reliable saver, they will then be entitled to borrow from the credit union. The amount a member can borrow is usually limited to no more than three times the amount the member has saved.

Usually, members of credit unions borrow small amounts to pay for holidays, for

Christmas presents, or to replace household items such as TVs or washing machines.

The larger credit unions offer a wider range of services such as bill payments, travellers cheques and larger loans which may be repaid over longer periods.

When you borrow from a credit union you are generally given free life assurance cover to the value of the loan. So the loan will be repaid if you die before it is fully paid up.

## Why people choose to join a credit union

- Credit unions are run by volunteers elected by members of the credit union. You can get involved in making decisions and getting things done.
- Credit unions are not allowed to charge more than 1% a month on loans (APR 12.68%). So, they are an alternative to loan sharks who charge much higher rates of interest.
- Credit unions can pay up to 8% a year on your savings. As mutual societies, credit unions are 'not-for-profit' organisations so any operating surplus – money left over from running the credit

union – can be repaid to members in the form of a dividend on their savings or used to improve the services to members.

Credit unions in Great Britain now come under the regulation of the FSA. This means that those running credit unions in Great Britain will have to be approved by the FSA and they will have to comply with certain rules in the way they run the credit union.

Credit unions in Northern Ireland are not regulated by the FSA but are regulated by the Registry of Credit Unions and Industrial and Provident Societies.

## **In addition:**

### **Complaints**

- Credit unions are required to have clear internal procedures for dealing with members' complaints. You must first try to resolve your complaint with the credit union you are complaining about. If you have a complaint that you cannot resolve with your credit union, you can take it to the Financial Ombudsman Service – see Useful contacts. Get the **FSA guide to making a complaint**. This gives detailed information on how to make a complaint.

### **Compensation**

All FSA authorised credit unions are participants in the Financial Services Compensation Scheme (FSCS) – see Useful contacts. If a credit union is not able to repay members in full, eg because it has gone out of business, the FSCS will provide compensation, subject to limits.

## **Useful contacts**

You can check if a credit union is authorised to accept your money by calling the **FSA Consumer Helpline** on 0845 606 1234 or by using the **FSA Firm Check Service** at [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

### **Financial Ombudsman Service**

South Quay Plaza  
183 Marsh Wall  
London E14 9SR  
Tel: 0845 080 1800  
Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

### **Financial Services Compensation Scheme**

7th Floor, Lloyds Chambers  
1 Portsoken Street  
London E1 8BN  
Tel: 020 7892 7300  
Website: [www.fscs.org.uk](http://www.fscs.org.uk)

### **The Registry of Credit Unions and Industrial and Provident Societies**

IDB House  
64 Chichester Street  
Belfast BT1 4JX  
Tel: 028 9054 4884

## **Useful FSA publications**

- The FSA – who we are, what we do and how we do it
- No bank account? Why it could pay you to have one
- You and your money – an overview of how the FSA can help consumers.
- FSA guide to financial advice
- FSA guide to making a complaint

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