



Introduction to Credit Union Statistics

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Annual statistics relating to credit unions in Great Britain were previously published on the Financial Services Authority website. The Bank of England will now regularly release statistics based on the regulatory data reported annually by credit unions. These data include those for Northern Ireland credit unions, which have been collected by the PRA for the first time in 2013. As this is the first time the Bank has published this information, this article describes the credit union sector within the United Kingdom and provides a brief analysis of the evolution of the data for Great Britain from 2004 to 2012. This article also covers future plans for the publication of credit union data.

What are Credit Unions?

Credit unions are mutual societies that are run as financial co-operatives. They are community-based organisations, many of which are staffed by volunteers. Credit unions are set up for the benefit of a particular group or community that share a common bond. This common bond might be living or working in a certain area, belonging to a particular organisation, or working for a certain employer.

To use the facilities of a credit union, you must become a member, often for a nominal fee. Although credit unions exist primarily to provide savings and loans to their members, some are able to offer more specialist services such as basic bank accounts, cash ISA's and funeral planning. A limited number of credit unions offer mortgage products.

Credit unions are prudentially regulated by the PRA.¹ The PRA's statistics on credit unions are compiled and aggregated from supervisory data collected through both quarterly and annual returns.²

Credit union annual data are reported as at 30 September, the year-end for almost all firms. 595 credit unions were authorised to conduct business in Great Britain and Northern Ireland in 2012;

Northern Ireland figures were reported alongside all other UK credit unions for the first time in 2012. Northern Ireland credit unions previously reported to the Northern Ireland Department of Enterprise, Trade and Investment (DETI), but the data collected by the DETI are insufficient in detail to allow comprehensive comparison with the data collected in 2012. For this reason, the comparisons over time presented in this article are based on Great Britain data only.

Basic Facts

For credit unions in Great Britain:

The number of credit unions fell from 565 in 2004 to 390 in 2012. Some credit unions have closed, but many have merged to form larger organisations. Total assets rose from £432m in 2004 to £957m in 2012. Although average assets amounted to £2.5m in 2012, there was a wide variation in size, with assets ranging from around £100m to just £20,000.

The total number of members rose from 563,000 in 2004 to 1.04m in 2012, of which juvenile³ depositors accounted for 11.8% in 2004 and 11.7% in 2012. Chart 1 plots the growth in membership for adults and juveniles.

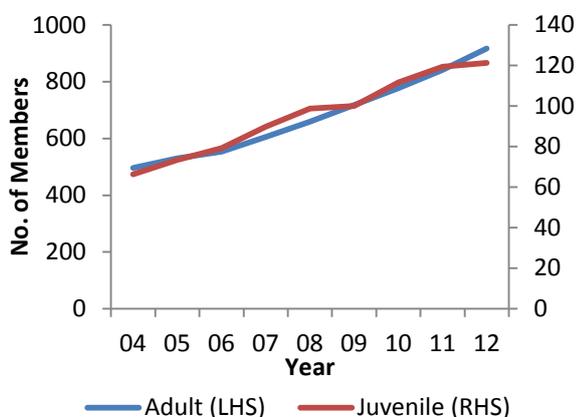
¹ <http://www.bankofengland.co.uk/PRA/Pages/default.aspx>

² <http://www.bankofengland.co.uk/praregulatorydata/mcreditunions.aspx>

³ Juveniles defined as per the description provided in the CY Guidance document.

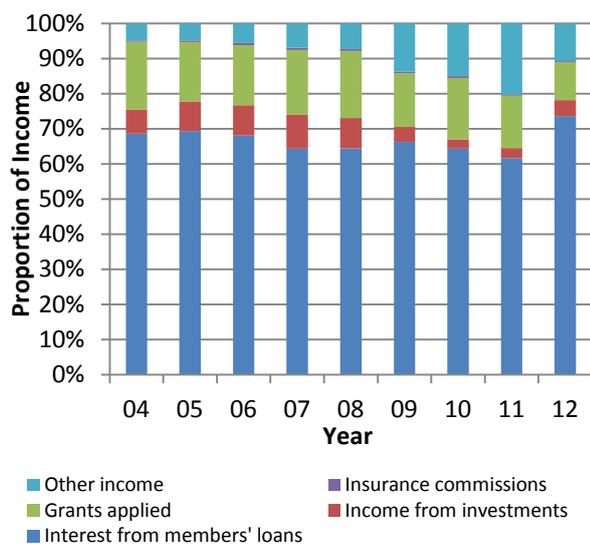
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Chart 1: Members at Year End (000s)



Annual income in 2012 was £91.4m, up from £45.5m in 2004, but the data showed a fall of 6.6% during 2012. Chart 2 shows that by far the largest source of income for credit unions is the interest charged on loans, which in 2012 accounted for over 73.7% of income. Interest rates are currently capped at 2% per month, but from April 2014 the cap will be raised to 3%.⁴ This change is intended to ensure that firms are able to cover their administration costs on smaller loans, and give them greater security against bad debts. (Northern Ireland credit unions operate under a cap of 1% per month and this cap will remain unchanged.) The fall in income in 2012 was in part due to a reduction in grants received

Chart 2: Breakdown of Income

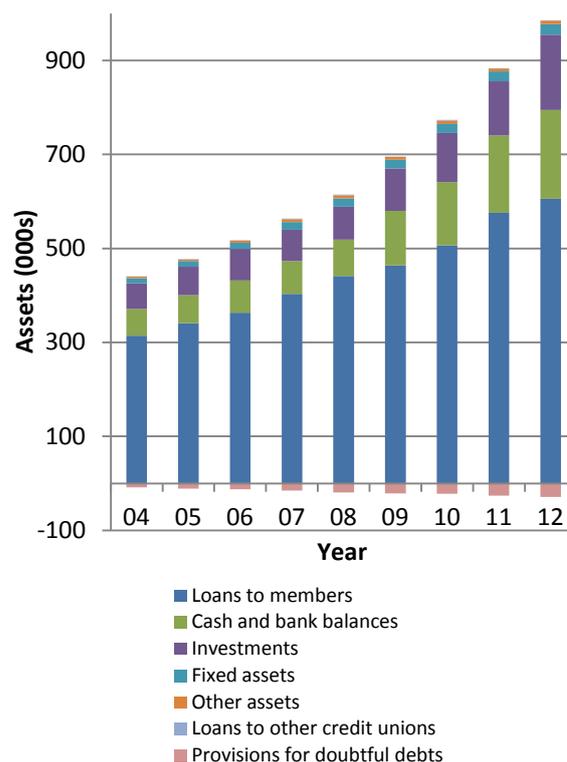


⁴ <http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf>

from other organisations of £4.8m. A fall in grants was also experienced in 2009, although lower than in 2012, at £2.4m.

Chart 3 provides a breakdown of credit union assets. The value of loans made to members during 2012 was £408m, and at year-end there were 340,000 loans outstanding with a total value of £606m. This is significantly higher than in 2004, when the value of loans to members was £251m, and when there were 190,000 loans outstanding at year-end, valued at £314m. The provision for doubtful debts rose from 2.7% of outstanding loans in 2004 to 4.8% in 2012. This may reflect an increasing concern among credit unions about the ability of people they have lent to in the past to pay back their loans.

Chart 3: Breakdown of Assets (000s)



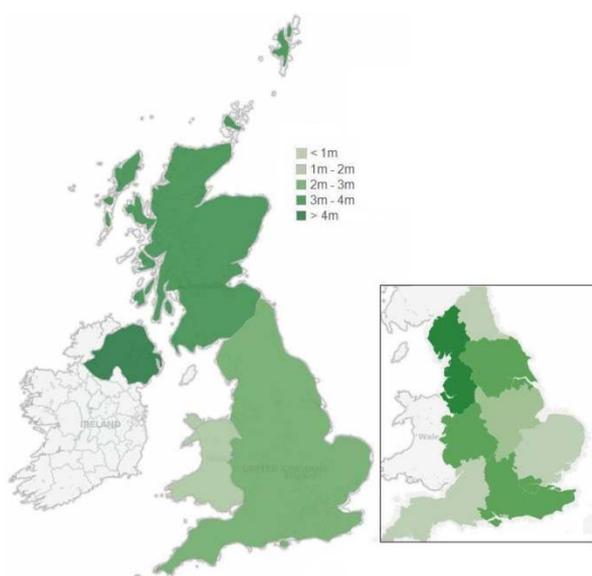
Regional Differences

Of the total reporting population of credit unions in the United Kingdom, 47.0% were based in England, 19.1% in Scotland, 3.6% in Wales and 30.2% in Northern Ireland. While accounting for 47.0% of all reporting credit unions and 41.5% of total membership, only 1.5% of the adult

population in England are members of a credit union. This compares to 2.1% in Wales and 6.8% in Scotland. Credit unions in Northern Ireland are far more popular, where membership is 36.9% of the adult population.⁵

Chart 4 shows the average assets per credit union by country and by region. The relative importance of credit unions in Northern Ireland is clear from the total United Kingdom figures. Average assets per credit union amounted to £2m in England, £3.6m in Scotland, £1.4m in Wales, and £7.2m in Northern Ireland.

Chart 4: Average Assets Per Credit Union



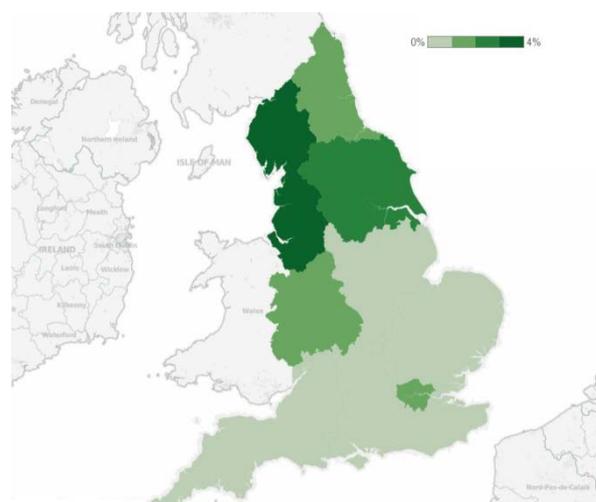
Total assets amounted to £2.25bn, of which Northern Ireland accounted for 56.1%. Northern Ireland credit unions made loans to members of £254m in 2012, compared to £408m by the credit unions in Great Britain.

The 2012 data show significant regional differences within England. The North West has 13.3% of the adult population, but over 30% of credit union membership and account for 38.1% of all credit union assets in England. Chart 5 shows the percentage of adult population that hold credit union membership. Some 3.3% of the

⁵ Adult population figures based mid-2010 estimates of residents aged 18 and over. Figures can be viewed at: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-231847> (Population Estimates Analysis Tool)

adult population of the North West are members of a credit union. The South East has 16.3% of the adult population, but just 4.7% of credit union membership – 0.4% of the adult population belong to a credit union. Greater London has 14.9% of the adult population and 13.5% of the credit union membership.

Chart 5: Adult Population & Credit Union Membership by Region



Comparison with other Bank Statistics

With the addition of detailed data for Northern Ireland from 2012, it is now possible to compare the supervisory data from credit unions with other data reported by banks and building societies (“MFIs”) to the Bank of England for statistical purposes.⁶ UK resident MFIs report monthly, quarterly and annual figures for deposits, loans and credit facilities offered to their customers. Credit unions use these services and report on their usage in their quarterly and annual reporting. It is possible to compare UK resident MFIs quarterly figures for the year to 30 September 2012 with the credit unions’ end-September 2012 annual figures.

These comparisons show that supervisory data from credit unions and statistical data from banks and building societies are broadly in line with each other. For example, UK resident MFIs reported

⁶Data reported on the AD/AL forms: <http://www.bankofengland.co.uk/statistics/Pages/reporters/defs/default.aspx>

loans made to credit unions in the year of around £2m and credit unions reported loans received from banks and building societies of £1.9m, but deposits from credit unions were reported by MFIs to total £783m, while credit unions reported they had £785 million of deposits with MFIs. Finally, credit facilities extended to credit unions by MFIs were reported at approximately £4m, while the corresponding figure reported by credit unions was £4.4m.

The Future of Credit Unions Statistics

This is the first time that the Bank has published any aggregate regulatory credit union data. A time series from 2004 to 2012 has been published alongside this article. In the future, commentaries will refer to any changes or updates since the last publication.

Currently credit unions still report on paper for both quarterly and annual submission cycles. Paper-based reporting is a time consuming process and prone to errors. The process for collecting, validating and inputting credit union data is subject to unforeseen delays. For this reason, our next publication of credit union data, covering both annual and quarterly reporting, will be in July 2014.

The FSA and more recently the PRA have discussed the possibility of moving credit unions onto electronic reporting. This is expected to bring a number of benefits, the most obvious of which are the reduction in both processing time and in reporting errors. A move to electronic reporting will make the Bank's publishing and reporting of the credit union data more robust, and allow the Bank to commit to a fixed publishing schedule for regular releases with a reasonable time lag after the reporting date.