Ken Barclay,
Business Rates Review
Local Government Finance Unit
Scottish Government
Victoria Quay
Edinburgh
EH6 6QQ

7 October 2016

Dear Ken Barclay,

Business Rates Review

The Association of British Credit Unions (ABCUL) welcomes the opportunity to submit a response on behalf of Scotland's credit unions in relation to commercial business rates. ABCUL is the main trade association for credit unions in Scotland, representing the majority of credit unions and credit union members. As a co-operative itself, ABCUL is owned, funded and democratically controlled by its members.

Credit unions are not-for-profit financial co-operatives owned and controlled by their members, for whom they provide ethical savings and affordable loans. Scotland has a thriving credit union movement, which has been growing year on year. There are currently 375,000 credit union members of 103 credit unions in Scotland and, collectively, credit unions lent £276m to members in 2015. However, the model is not without its challenges, and credit unions need to ensure costs are low to ensure sustainability.

Whilst credit unions are growing in Scotland in terms of influence, they also play an important role in the policy agendas of both the UK and Scottish Governments. The new Scottish Government have highlighted in their manifesto that they foresee an important role for credit unions in serving those not typically served by main stream financial services, and we are engaged with Government officials in a range of policy areas. Credit unions play an important role in tackling financial exclusion, in helping those on the lowest incomes develop savings, and in providing financial education in schools. Indeed, within the past few weeks, the Scottish Government has announced £300,000 of investment in credit unions to enable them to expand their partnerships with schools.

Under current legislation, there is no automatic rate relief for credit unions in Scotland. Whilst 'not for profit' bodies, they are usually not registered charities and so are eligible for only discretionary rate relief from local authorities.

In preparing this response we have consulted our members, seeking their views on the current arrangements, what impact this has on their activities, and what impact any changes could have on them, positively or negatively.

The picture we established showed that the vast majority of local authorities informally offer 100% rate relief to credit unions. In Glasgow City Council area, which has a particularly high concentration of credit unions, rate relief is in place as a policy as part of a wider strategy to support co-operatives. In most other areas it is given, although credit unions often feel that they have no long term security – one member noted to that they felt obliged to submit a full new application every year, including accounts and questionnaires.

Of the mapping work we have carried out, we have only found that one of the local authority areas that our members are represented within does not give any rate relief –Stirling Council. Whilst the Council are certainly supportive to the credit union, providing other means of direct and indirect support, the credit union is liable for full business rates.

We would like to note our appreciation for the depth of local authority support for credit unions across the country, in terms of both rate relief and other indirect support. As noted above, even after a prolonged period of difficult budget decisions for most local authorities, our members have largely been exempt from paying business rates. This support is especially appreciated by our members, and the purpose of this response is not to seek further financial support from local authorities.

However, we would like to highlight some concerns about the current system, and ask for consideration to be given to offering automatic rate relief to credit unions as a central Government policy.

Firstly, the current system offers no year to year certainty for our members. Those credit unions with informal arrangements have no long term certainty that it will continue, but clearly need to have a reasonable expectation of costs in order to plan ahead for the business. One of our members pointed out to us that, if the Council changed their policy, the credit union would suddenly become liable for around £9000 a year in business rates. Most credit unions operate a financial year from September to September meaning that, at the beginning of their year, they do not have the certainty of knowing that the exemption will be in place for the remainder of the year.

Credit unions have made huge steps forward in becoming self sufficient in Scotland in recent times, and continue to grow in strength. Formalising the support that is largely already being given would give members the certainty to plan ahead more, yet would not mean a significant financial loss to Councils. It is also worth noting that, whilst Stirling Council does not offer it, they have certainly been very generous to the credit union with other support. The credit union acknowledges that offering rate relief might prevent the Council from offering other support in kind. However, they feel it would give them some certainty moving forward, and not put them in the position of constant negotiation with the Council.

Secondly, since legislation changed some years ago, we have seen a general trend of credit unions in Scotland expanding their common bonds, and operating over much wider regions. This has meant that many now operate over several local authority areas, and are in direct competition with other credit unions in these areas. Since 2009, for example, Stirling Credit Union has been operating across Stirling, Clackmannanshire, and parts of Lanarkshire. Unfortunately, as things stand, business rates mean that they operate at a disadvantage to other comparable credit unions in those areas.

I hope that you will give this some consideration. Please do let me know if you would like to discuss any of this further.

Yours sincerely

Karen Hurst,
Policy Officer, ABCUL Scotland