



ANNUAL REPORT 2020



MANCHESTER
CREDIT UNION

OUR MISSION



Manchester Credit Union is a member-owned financial co-operative, and aims to become a leading provider of ethical and affordable financial services to an increasingly higher proportion of the population of the MCU common bond.

OUR VALUES

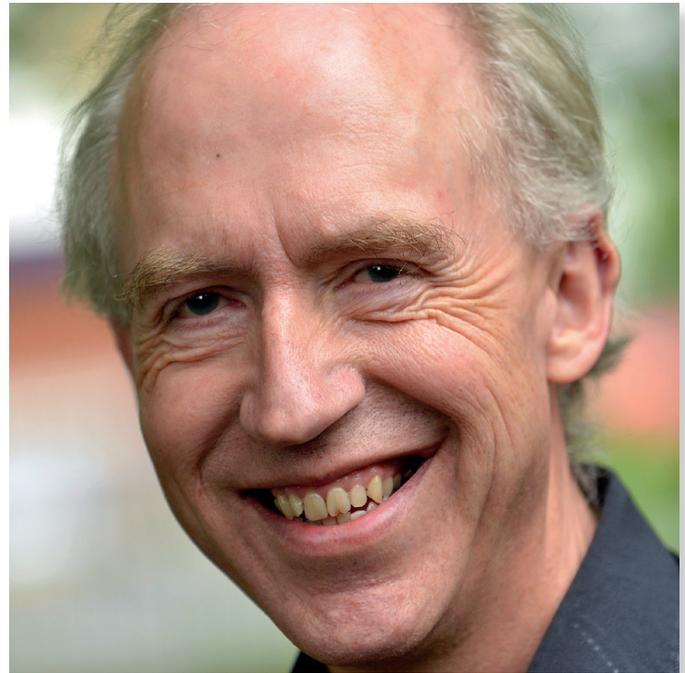
- 1 Members first** – striving to put members' needs at the heart of what we do, and striving to provide excellent customer service
- 2 Participation** – to promote full participation by welcoming the views and concerns of all our members.
- 3 Self help** – credit unions help people to help themselves by taking control of their finances.
- 4 Democracy** – one member, one vote – regardless of how much you have in savings.
- 5 Equality** – we treat all our members fairly and equally, regardless of who they are and where they come from
- 6 Integrity** – to act at all times with honesty and integrity and within legislative and regulatory requirements.
- 7 Co-operation** – credit unions work together with other credit unions to strengthen the credit union movement as a whole.
- 8 Community** – credit unions help to improve communities and the lives of people within by reducing the negative impacts of financial exclusion and high cost credit providers such as doorstep and payday lenders.
- 9 Supporting the local economy** – saving and borrowing with your local credit union keeps more money in members pockets, in the local economy, and is not paid out to external shareholders.
- 10 Openness and Honesty** – the way we do business is transparent and open, and if we make a mistake we will take responsibility for it and make improvements to ensure it does not happen again.
- 11 Education** – credit unions strive to educate their members, providing opportunities to improve financial capability. MCU also aims to act as a caring and responsible employer, encouraging the development and training of all our staff.

CHAIR'S REMARKS

You don't need me to tell you what an extraordinary year it has been since our last AGM in January 2020. It feels as though the pandemic has thrown everything up in the air, and we still don't know how the pieces will fall, or what the future will look like, with any degree of certainty.

I hope that you and all those you love have survived the ravages of the virus, although I know that many of us have lost friends and family to this dreadful disease. I'd like us all to reflect on that. People matter most, and those that matter to us are so important to us. Some have also been affected in other ways, which could feel equally devastating. Lost jobs and livelihoods, or other losses, have affected very many in our communities.

At a time like this, the values we have as a credit union are more important than ever. We are here to help each other. In technical language, we are a mutual, co-operative organisation. Those of us who need to borrow can do so because those of us who have savings have pitched them in for that purpose. However "big and successful" we are as a credit union, it is that commitment to helping each other that underpins everything we do, and which makes us different from commercial banks and other financial institutions. 'For people, not profit'.



Nevertheless, the credit union needs to be successful financially, or else we will fail to provide that help. So it is with some relief that I can reassure all members that the credit union has come through the last year in good shape financially. Christine Moore (CEO) and all of the staff have done a fantastic job in very challenging, and changing, circumstances, to keep the credit union running, and to provide our services to our members.

We had already made strides towards electronic and online services for our members, and these have been accelerated, while, I hope, still providing more traditional forms of access for members who have needed that.

We were fortunate to secure significant support from Fair4All Finance to help with additional costs arising during the pandemic. The board also agreed early on to allocate a chunk of money specifically to assist members who were in difficulties because of the impact of the pandemic. These two factors have enabled us to deal sympathetically with any members who have asked for help.

We have continued to make a surplus for the year we are reporting on, to September 2020. The board has been thinking about five things we could spend this surplus on:

- **Rewarding our staff**
- **Reducing borrowing costs for our borrowers**
- **Improving our IT and electronic services**
- **Building up our capital to enable us to grow, and to support more members**
- **Increasing dividends for our savers**

In December, the board paid a bonus to our staff again (1.). We felt they had thoroughly deserved it. We are working on reducing our interest rates for borrowers (2.), even though we already charge much less than many other providers. We are about to replace our main computer system (3.), which is groaning under the weight of current demands, although it has served us faithfully for decades! As we grow, we are required by the regulator to build up our capital resources (4.), so that we will have the strength to survive any further shocks to the economy.

You will see that the board is recommending a reduction of the dividend this year to 0.5%, which is the opposite of (5.)! Frankly, we don't need to encourage our members to save any more with us at the moment. And even 0.5% is very competitive for instant access savings just now. As our loan book grows back after the pandemic, hopefully, we may need to change this, and encourage more savings, but just now, increased savings increase the amount of capital we need to put by (4.). We'd like to put all of the surplus into (1. - 4.).

So, what of the future? Well, I don't have a crystal ball, but I expect that many of our members, both existing ones, and ones we've yet to recruit, will rely on us to help as we all rebuild after the pandemic. We are here, and ready to do just that.

Peter Mitchell
Chair of the Board

CEO REPORT

It has certainly been a roller coaster of a year for all of us, and I would like to start by offering my heartfelt condolences to everyone who has lost loved ones due to the pandemic. It is enough to lose friends and family under normal circumstances, but not to be able to gather together to remember them has been a particularly cruel consequence of COVID-19.

I would also like to thank you, our members, for the way you have responded and adapted to all the changes we have made this year. I know it has been difficult for some of you to access our online services, but they have proved to be essential since the first lock down.

I have been really proud of the way all the staff have worked together to ensure branches could re-open safely after the first lock down, ensuring face to face access for those members who need to come into branch.

During the first half of the year we were growing as usual and reaching more people, but in the second half everything ground to a halt for a few months. Lending plummeted and savings increased. Despite this we have managed to make a substantial surplus for the year, thanks to a generous COVID Resilience Grant from Fair4AllFinance. This enabled us to make up our lost income from interest on loans, and also to substantially increase our bad debt reserves.



24,984 members using the online members' area and



4,352 members downloaded the MCU App

2021 – A Brighter Future?

We may have got through the last financial year relatively unscathed, but we are aware that this year may be our most challenging ever. With many people likely to lose jobs and income when the furlough scheme ends, we know it will be a very difficult year for many.

Credit unions are about 'People helping People' and we will be here to help you as much as we can. The fact that we are in a strong financial position means we will be able to withstand whatever is in store in the years to come, and remain here for you, our members.

Following the end of 2020, we have moved on apace with our I.T. road map with the help of our Fintech partner, incuto. Open banking, which means you no longer have to scan and send in your bank statements when applying for a loan, 24/7 share withdrawals requested via your mobile, so you don't have to wait for the phone to be answered, designed to make it easier for you to access our services.

For the staff it means more time to look at new products and services, and we will be contacting you to ask what products you would like to help you to keep on top of your finances. If we don't have an up to date email address for you, there is a section on the members' area where you can update your details so we can keep in touch.

A new branch in Stretford Mall will be opening as soon as we are out of lock down, and our new spacious branch in Wythenshawe is now up and running with COVID safety measures in place.

2021 means we are celebrating 30 years as a credit union, and for obvious reasons we will be unable to have a big party as we originally hoped. Please watch out on the website and social media for stories, case studies and competitions to celebrate our 30th birthday celebrations.

KEY FACTS FROM 2019/20



32,512 loans granted



£10.5 million loans granted



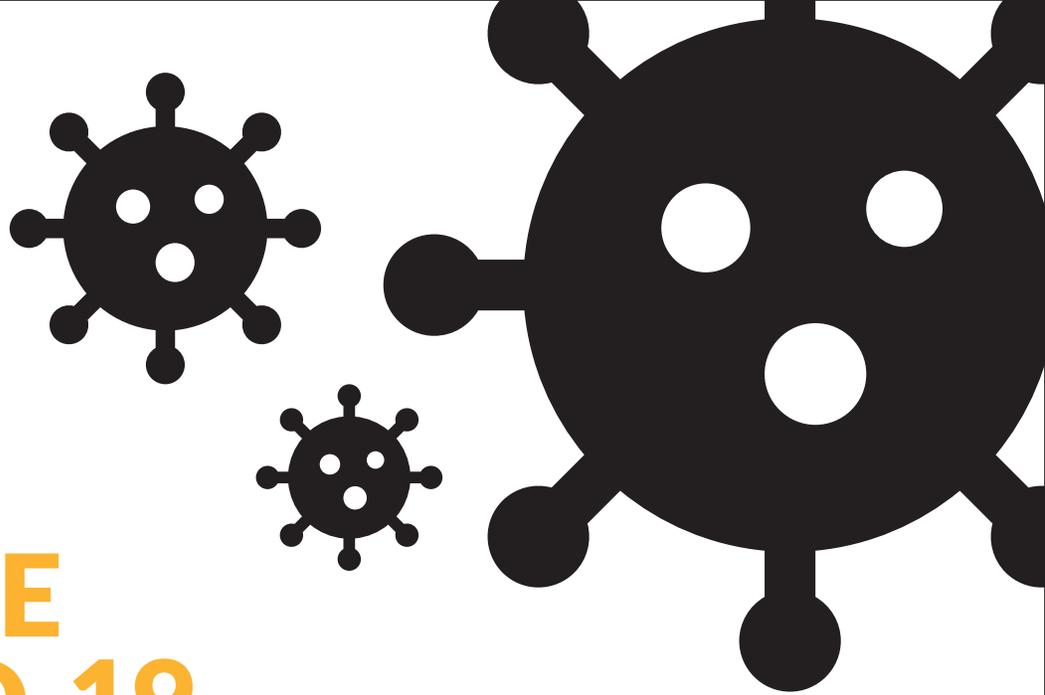
30,517 active members



Looking after £12 million in savings



79,878 telephone calls answered



RESPONSE TO COVID-19

Following the first announcements about the COVID-19 pandemic, MCU was able to respond quickly and put measures in place to protect members and staff. The majority of staff were immediately set up for home working and a skeleton staff worked on a rota basis from our Beswick office to answer the telephones.

With branches made COVID safe and re-opened as soon as possible, the team have had to be very flexible and respond to changing circumstances on a weekly and sometimes daily basis. I am very proud of the way they have all adapted and worked tirelessly to ensure our service to members was disrupted as little as possible.

There has been a record number of members downloading the new App and using the members' area, which has helped us to cope with the volume of enquiries coming in both online and on the telephones.

Throughout the pandemic, demand for lending has reduced and savings have increased. Many members have found

themselves better off as a result of not being able to go on holiday or out socialising, however, other members have suffered with a loss of income due to being furloughed or worse.

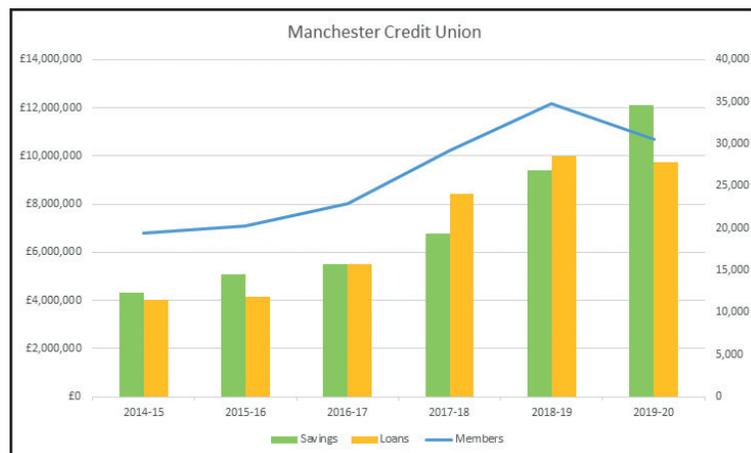
The credit control team have worked particularly hard to ensure that members' requests for forbearance on loan repayments have been accommodated, with repayment holidays or reduced payments among the mitigating actions we have taken to help our members.

We are very grateful to Fair4All Finance who awarded us a grant from their COVID Resilience Fund to ensure we were able to carry on lending through the pandemic. But the biggest thanks must go to our members for their understanding and patience during what has been a very challenging period. If we can get through this, we can get through anything!

TREASURER'S REPORT

As at 30th September 2020, MCU had 30,517 members with a total of £12,118,052 in savings and £9,750.841 out on loan.

	2020	2019
Members	30,517	34,840
Savings	£12,118,052	£9,387,752
Loans	£9,750,841	£9,986,759



Our savings have continued to increase over the past twelve months, although the level of our loan book has remained broadly similar to last year.

MCU is now fully sustainable from its own earned income, and this has enabled us to achieve a surplus this year of £592,358 (2019: £431,152). This surplus has again allowed us to make significant transfers to our reserves and bad debt provisions, which will provide MCU with important security in the current uncertain climate. We are proposing to pay a dividend of 0.50% on all instant access share accounts.

Barry James, Treasurer, February 2021

INDEPENDENT AUDITORS REPORT

MCU's accounts are audited by Alexander Sloan. The final audited accounts for 2019/20 can be found at www.manchestercreditunion.co.uk/images/library/documents/22022021-140306.pdf

REPORT FROM THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a committee appointed by the Board of Directors and meets on a quarterly basis. It comprises of several directors of the board and an independent chair (who is not a member of the board).

It is responsible for overseeing the work of the credit union's internal auditor, which is an external audit company employed to ensure that the credit union is run well and in the interests of the members and it complies with all legislation and regulation. The committee receives the reports of the internal auditor and, with the staff team, considers how the credit union can respond to any comments made in the reports.

The Audit and Risk Committee oversees the risk management framework of the credit union. This means that it considers, with the staff team, the risks that the credit union faces and how these can be mitigated, reduced or overcome.

During 2019/20 three internal audit reviews were carried out by auditors and the reports were seen, considered and responded to by the committee. The four reports were:

- **Loan compliance (undertaken each year given the centrality of lending to the credit union)**
- **Bad debt and arrears**
- **General Data Protection Regulation (GDPR)**

In each of these reports the internal auditors made recommendations for improvements to policy and practice and the Audit and Risk Committee can confirm that there were taken on board by the staff team. The internal audit is an essential function within the credit union as it ensures that our credit union is a safe and secure financial institution for all its members.

The oversight of risk is an important role of the Audit and Risk Committee. At each of its meetings, the committee considers a comprehensive register of all the risks facing the credit union. It looks at strategic risks, financial risks, operational risks, credit risks, governance risks, regulatory risks, and reputational risks. The committee measures the level of the likelihood and the impact of risk against a numerical grading system. The Audit and Risk Committee can assure the membership that the monitoring and mitigation of risk is robust within the credit union.

One element of risk management is regulatory risk. The Audit and Risk Committee regularly checks the compliance checklist to ensure that the credit union is operating with the law and within regulation. The Committee can assure the membership that MCU complies fully with the legislation and regulation.

*Paul A Jones, Independent Chair,
MCU Audit and Risk Committee*

CELEBRATING
30 YEARS
OF MANCHESTER
CREDIT UNION

32,000 members and interest saved of over £5million per year



Telephone: 0161 231 5222

Email: info@manchestercreditunion.co.uk

Website: www.manchestercreditunion.co.uk



Manchester Credit Union



@CUManchester

Manchester Credit Union (MCU) is open to anyone living or working in Manchester, Bury, Rochdale, Tameside, Trafford and the High Peak. It is also open to staff and tenants of Great Places, Irwell Valley, Mosscares St. Vincent's and Arcon Housing Associations.

MCU is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Firm Ref: 231400

Deposits are protected by the Financial Services Compensation Scheme.