



MANCHESTER
CREDIT UNION



ANNUAL REPORT 2019

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INTRODUCTION

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, Mosscafe 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.



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 by:

- Putting our members' needs first
- Providing opportunities for improving members' financial capability
- Providing excellent customer service and;
- Developing and nurturing mutually beneficial relationships with a wide range of partners across Greater Manchester, thereby contributing to greater community cohesion.

MCU also has two social goals, which are:

- To contribute towards the alleviation of poverty within the community - MCU benefits the local community by reducing the negative impacts of financial exclusion and high cost credit providers such as doorstep and payday lenders.
- To contribute towards the economic regeneration of the community by keeping money in the local economy.

MCU is proud to be part of the worldwide credit union community and a Real Living Wage Employer





REPORT FROM THE CHAIR OF THE BOARD

You will see from the annual accounts presented here tonight that Manchester Credit Union continues to flourish, and to generate a surplus which will be used to improve our services to you, our members, to strengthen our ability to grow to serve more members of the community and to give us some financial stability, which I hope will see us safely through what may be turbulent times ahead.

Last year, we explained that we needed more savings, as the demand for loans grew. Through our limited Gold Saver account we managed to raise all of the funds we needed, and more. We have repaid all of the money we borrowed from other credit unions, and we still have a comfortable cushion to maintain the levels of capital and liquidity required by the regulator. Thank you to all our savers.

Our Family Loans continue to attract new members, and we now have over 11,000 of them. This is still only a fraction of our 35,000 active members, but it does ensure that we have a steady income, as well as offering loans at affordable rates to many families who would otherwise be driven to high-cost credit of various forms to meet their needs.

We want to make sure that our services are provided in attractive ways to everyone, including in person, on the phone, online and through an App for your phone. If we are to compete with high cost credit providers, we need to be as accessible as we can. Companies aggressively offering pay-day advances, more conventional, but usurious, pay-day lenders, and illegal lenders continue to exploit people's need for credit, and the more we can extend our mutual and ethical services, the better we will serve our members and our community. Members in Trafford will be pleased to know that we now offer a regular service to members at the Limelight Centre in Old Trafford.

The Board agreed again this year to pay a bonus to our fabulous staff, whose untiring work for our members lies at the root of our success. I hope you will all join me in thanking all of our staff for their work for us.

Credit Unions *for*
Greater Manchester



We continue to work with other credit unions in various ways. Co-operatives like ours are meant to co-operate, and we feel we can add value by working together with other community credit unions in Greater Manchester, through the consortium, Credit Unions for Greater Manchester, which has been attracting interest and support for our success in making it work for the benefit of everyone in the county. The consortium has recently been awarded a £150,000 grant, together with Incuto, a software house developing innovative computer programs for credit unions, to put up a real and effective challenge to pay-day lenders, combining the accessible and rapid decision-making that many borrowers demand, with ethical credit union loans. If we can show that it works, we may be allocated another £250,000 to expand the service across the whole of Greater Manchester, which would be a real step forward. We are also co-operating with other big-city credit unions across the UK to share ideas, and to find new ways of thriving in the crowded financial services market, while retaining our distinctive, democratic, mutual and ethical values.

We were visited during the year by the Prudential Regulation Authority, who were pleased with the way we run things. I would like to thank all of the members of the Board, who have worked well together again this year to ensure that we have everything in place to allow our credit union to serve our members, and to draw in new members as we grow.

Peter Mitchell, Chair of the Board of Directors, January 2020





REPORT FROM THE CEO

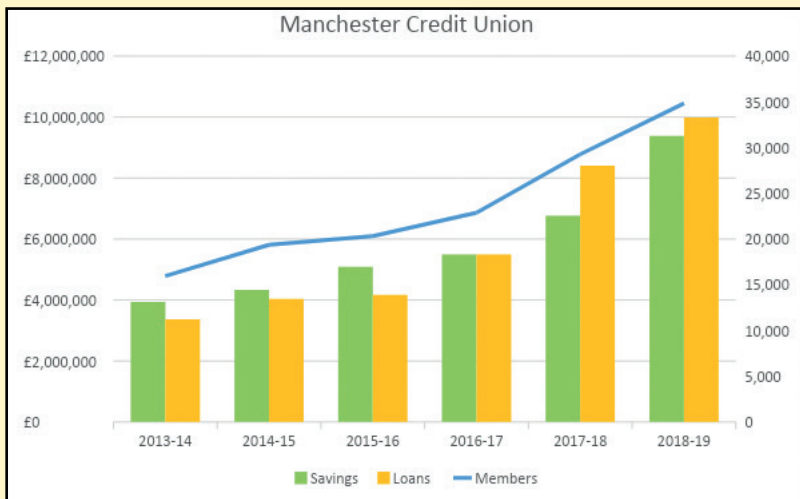
I am delighted to report that 2018/19 has been another very successful year. We have lent out a total of **£10,729,886** during the year, compared to **£9,442,310** last financial year.

Our family loan members have saved almost £800,000 between them, which is a fantastic achievement, given that many of them had never saved anything before. £1 a week does not sound much but it soon adds up and helps to get people into good savings habits.

Angela Taylor joined us during the year as our Membership Services Manager who looks after our expanded membership services team of 16, two of whom are apprentices. This team is responsible for dealing with all loans, both new and top up, with the exception of a handful of very large ones which are looked at by the Senior Management Team.

We are continually striving to improve our members' experience, and have introduced improved online services for members, in particular our new members' area, which is much more user friendly than the old one. We now have over 17,000 members registered and using this for balance enquiries and share withdrawals, relieving pressure on the telephone lines.

The use of Cognito forms for loan applications and the introduction of Open Banking have both helped to speed up the loan application process, and we are hoping that once the new App is launched this will make to process much easier for members.





5* Fairbanking Award

We were delighted to be awarded a 5* banking award from The Fairbanking Foundation, which is the only Mark in the UK that is UKAS certified. It was granted for our personal loans, and provides robust objective evidence to our members and society as a whole, that we are delivering member financial well-being in our products.

All of our personal loan members were surveyed by Ipsos Mori in September and we were really happy to see the positive feedback from the unusually high number of members who responded to the survey. One part of the survey, looked in depth at what happens when members fall into difficulty with repayments, and are given amended/extended repayment options; below are some of the responses:

"I have increased and decreased payments over the years in line with fluctuations in income due to having kids, being on mat leave, reduced hours/increased hours etc: I love the flexibility the credit union provides"

"I have used this service in unexpected difficulties. Credit union have great understanding and there were no problems in coming up with a new payment solution to solve the issue."

"I know that lenders want to (and have to) provide support if struggling. Knowing the credit union will act more ethically than a traditional financial services company I wouldn't hesitate in speaking to them."

"Due to great customer service I've received in the past gives me confidence that I could call if there were any problems regarding my repayment."

"It meant I wasn't spiralling in to a cycle of falling behind, incurring charges, late fees, then stressing and then falling in to a financial/mental mess like has been my previous experience"

"Friendly staff. Helpful. Trusting. The system is made with humans in mind and that they may not be in the perfect position at all times and don't need to be severely punished."

PRA Visit

Early in 2019 we had our first official visit from the Prudential Regulation Authority (PRA – Bank of England). This visit was prompted by our size and our rapid growth over the last two years. We are now one of the largest community credit unions in the country, with 35,000 members and assets in excess of £11million.

Whilst we were initially a little nervous about this first visit from one of our regulators, we were very pleased with the feedback from the PRA, and following this we were granted permission to offer interest bearing shares, in addition to our usual dividend payments, which enabled us to offer a guaranteed interest rate on our Gold Saver account.

This was introduced in order to attract more lending capital and proved extremely popular with both individual and corporate members. We would like to thank in particular, Northwards Housing, Wythenshawe Community Housing Group, Metro Moneywise Credit Union and No 1 Copperpot Credit Union for placing funds with MCU to facilitate our lending growth .

Payroll Plus

We continue to recruit more payroll partners , but are seeing increased competition for this business from private lenders such as Neyber and Salary Finance (Neyber are backed by Goldman Sachs). They have huge marketing budgets and slick salesmen, who are very impressive when selling their services.

We believe the credit union is not only an ethical option, but as deposit takers we are able to help people to improve their financial wellbeing through developing a savings habit. However, we will have to improve our marketing materials and communications if we are to continue to attract more payroll partners. We have recently recruited Regatta, the outdoor clothing company, which is a family firm and also includes the Craghopper brand.

Once again I would like to thank our excellent team of staff led by Mandy Wilcock for their hard work throughout the year. There are now so many different software systems added onto our core platform to enable us to deal with the hundreds of thousands of transactions each month, I don't know how Mandy manages to keep track of it all! The board of directors continue to be supportive and ensure we have the necessary resources to continue to develop and enhance our systems.

Christine Moore, CEO, January 2020



TREASURER'S REPORT

As at 30th September 2019, MCU had 34,415 members with a total of £9,387,752 in savings and £9,986,759 out on loan

	2019	2018
Members	34,415	29,271
Savings	£9,387,752	£6,762,461
Loans	£9,986,759	£8,411,814

We have significantly increased our savings over the past year, in particular due to the popularity of our Gold Saver account, and this has improved our liquidity and removed the need for us to borrow funds from elsewhere.

We have generated a surplus this year of £431,152 (2018: £402,279) which again has allowed us to make significant transfers to our reserves and bad debt provisions. We are again proposing to pay a dividend of 1% on all instant access share accounts, with 2.5% payable on 31st March 2020 to anyone with a Gold Saver account.

MCU is now fully sustainable from its own earned income and achieving solid year-on-year growth which we hope will continue into the future.

Barry James, Treasurer, January 2020



INDEPENDENT AUDITORS REPORT

MCU's accounts are audited by Alexander Sloan. There is a separate booklet containing the final audited accounts for 2018/19



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 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 2018/19 four 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 - July 2019
- Savings - July 2019
- Treasury Management - July 2019
- Performance Management - October 2018

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 all 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 the other 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



COMPANY INFORMATION

Registered in January 1991

Registration number: 235C FCA Firm Reference No: 213400

Registered Office: Queen's Court, 24 Queen Street, Manchester M2 5HX

MCU BOARD

Chair: Peter Mitchell

Treasurer: Barry James

Secretary & Vice Chair: Moira Suringar

Directors: Jamie Lee, Derek Bodey, Rachel Rosewell, Andy McBeath

CEO: Christine Moore

EXTERNAL AUDITORS

Alexander Sloan

180 St Vincent Street

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INTERNAL AUDITORS

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