Credit Union **Growth Plan**

Contents

Executive summary

- Credit unions in the UK and globally are proven vehicles for financial inclusion.
- Enhanced financial inclusion is estimated to add £6.4 billion to economic growth annually
- They also play an important role in:
    - providing competition & choice in financial services
    - building a more resilient financial services sector
    - supporting financial wellbeing at work
- They have further potential in relation to:
    - supporting households to finance the green transition
    - financing SME growth
    - enhancing financial education for the public
- During the decade 2002-2012, the sector doubled its membership and trebled its lending and savings with a concerted programme of reform, investment and support
- While UK credit union membership now stands at 2.2 million, growth in the decade to 2024 has slowed to only 30%
- A targeted programme of reform, investment and support can return UK credit unions to their growth trajectory and see membership double to 4.4 million and lending treble to £8 billion in by 2035
- To achieve this, we call on government and regulators to address 11 areas:

1. Raise the geographical potential member common bond limit to 10 million
2. Maintain existing proportionate regulation of credit unions and review capital requirements for the largest & inter-credit union lending rules
3. Work with Fair4All Finance and devolved administrations to target investment in credit union infrastructure, consolidation and collaborative initiatives, including a CUSO incubator
4. Allocate Dormant Assets money to financial inclusion in devolved nations
5. Allow investment by credit unions in CUSOs and broaden CUSO definition
6. Reform legislation to allow ownership of CUSOs by individual credit unions
7. Roll out auto-enrolment, opt-out payroll savings initiatives via credit unions
8. Review corporation tax settlement for credit unions
9. Create a new tax relief for investment in credit unions
10. Provide access to central bank reserve accounts for credit unions
11. With British Business Bank & social investment community, provide risk underwriting for credit union SME lending.

Introduction – why grow credit unions?

Credit unions are proven and long-established vehicles for financial inclusion. They contribute to inclusive economies and thriving communities, making a measurable contribution to the delivery of the UN's Sustainable Development Goals.[1]

Through extending access to affordable credit, promoting savings, and offering a range of responsible financial products and services, credit unions play a vital role in tackling the £2 billion gap between the demand for and supply of affordable credit. They also help to address the reality that one in four people has less than £100 in savings and one in four remains inadequately protected by insurance.

Affordable and inclusive credit

Credit unions provide affordable and inclusive personal lending services, reducing household cost of credit and mitigating negative market outcomes:

- Credit unions lend at lower values than banks, lending as little as £50 and with interest rates capped at 42.6% APR, or 3% a month[2] they are the cheapest in the market for many of those with limited credit options seeking small-sum credit.[3]
- Credit unions engage with the most deprived and excluded communities. For example, 31% of members of Community Development Credit Union (CDCU) pathfinder credit unions – typical of many community credit unions across the country – are classed as cash-strapped families,13% are from hard-up households. And 8% are within the challenging circumstances group.[4]

Building household savings

Credit unions promote a savings culture and thereby build financial resilience. This reduces households' need to borrow and contributes to wellbeing by reducing stress:

- 56% of credit unions in Great Britain (England, Scotland and Wales) provide payroll savings in collaboration with employers. Research by the Financial Inclusion Centre has shown the effectiveness of this mechanism for creating good savings habits.[5]
- Save As You Borrow (SAYB) is a method widely employed to encourage borrowers to save alongside repaying loans and is proven to transform savings intentions among those who have little track record of saving in the past.[6]

1 https://www.researchgate.net/publication/390830112_Sustainable_development_and_credit_unions_in_economic_and_social_profitability_a_bibliometric_analysis

2 12.68% APR or 1% per month in Northen Ireland

3 Lending at the APR cap, a £400 credit union loan over one year would result in a total repayment of £477.36. This compares to a home collected credit loan charging between 230% APR and 272% APR resulting in repayable amounts ranging from £693.33 to £728 over one year. Government to increase access to affordable credit - GOV.UK

4 CDCU Whitepaper

5 Better and Brighter?

6 A Fairbanking Foundation report on SAYB highlighted that of every 100 credit unions members c. 74 were not regular savers prior to borrowing from a credit union while between 75 savers 45 would go on to save regularly because of 'save as you borrow'. The Save As You Borrow method enabled 67% of people that had never previously saved to become regular savers. Save as you borrow- credit unions creating good habits: A report by the Fairbanking Foundation

- Prize-linked savings schemes in Great Britain, such as PrizeSaver, incentivise saving for those with limited means with the chance to win prizes instead of interest returns.[7]
- Many credit unions pay competitive returns on savings and offer ISAs and other savings products to provide choice and competition for consumers.[8]

Access to wider financial services

Promoting access to other resilience-enhancing financial services, such as insurance.

- Many credit unions offer life protection insurance on savings and loans as a benefit of membership. This provides a payout at death on savings balances and clears outstanding loan balances, subject to conditions. Around a million credit union members enjoy this protection today.
- Since legislation in 2023, credit unions in Great Britain have been able to provide insurance products mediation services to their members building on this legacy of protection.

The Government's Financial Inclusion report demonstrates the important role of insurance in building financial resilience[9] especially at a time where people in more financially vulnerable circumstances lag behind the national population in having some form of insurance, 74% versus 84%.[10]

Wealth retention & economic development

Retaining wealth in communities and supporting economic development through reducing financial leakage.

- A Social Return of Investment (SROI) assessment Clockwise Credit Union in Leicestershire & Nottinghamshire reported that for every £1 invested, £11-£19 of value was created[11]

Enhancing the stability of financial markets as, like other co-operative & mutual organisations, credit unions are inherently less volatile and not directly exposed to the risks associated with interest rate fluctuations.

- This phenomenon was observed during the 2008 financial crisis, where 'co-operative banks were found to be more likely to continue lending compared to commercial banks'.[12]

Given this ability to make economies and society fairer, more inclusive and more resilient, the expansion of the credit union sector in line with Government's "doubling" goal will have significant positive effects.

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7 Home - PrizeSaver Credit Union

8 For example, Serve and Protect's Fixed Cash ISA provides a guaranteed return of 4% AER (2025/26), offering competitive returns in the context of the wider cash savings market. Competitive dividend returns on savings accounts, ranging from 3.5-4.5%, meant Serve and Protect could return £3 million to their members. SP_AR_2024_Digital.pdf

9 https://assets.publishing.service.gov.uk/media/61ade301e90e07043f2b9808/Financial_Inclusion_Report_2020-21.pdf

10 Understanding the role credit unions can play in tackling the protection gap

11 Social Return on Investment Evaluation Summary Report_V2

12 Harnessing the mutual sector's potential for growth

Growth goals – how much growth?

Credit unions have enjoyed sustained growth since they were founded in Northern Ireland in 1960 and Great Britain in 1964. Over the last decade, the credit union sector in United Kingdom has experienced a 28% increase in membership numbers, an increase in lending of 111%, asset growth of 83% and savings growth of 80%. Membership now sits at approx. 2.33 million in the UK, assets at £4.88 bn and savings of £4.09 billion.

It is important to note that this is inclusive of Northern Ireland – where credit union development has tracked the prominence of the sector in the Republic of Ireland where credit unions are a very significant part of the financial services and banking market. This demonstrates the scale potential of credit unions in Great Britain.

On the other hand, Northern Irish credit unions, due to the devolution of executive powers to the Northern Ireland Assembly—including direct responsibility for credit union legislation—operate within a distinct policy and legislative framework. Unlike their counterparts in Great Britain, they have not benefitted from equivalent programmes of support or sector development initiatives. In addition, the wider legislative environment in Northern Ireland has evolved differently and not always in parallel with that of Great Britain (or Republic of Ireland), creating unique and separate challenges for growth and modernisation there. There is huge growth potential within the credit union sector with the right investment, strategy and leadership. The current supply and demand gap in core credit union services demonstrates the market potential:

- **Supply & demand gap in credit markets** - there is approx. £ 2 billion[13] unmet need for affordable credit – despite credit union loan books reaching £1.83 bn in Great Britain[14] in Q4 2024.
- **Lack of savings among millions of households** - According to the MaPS data, 14 million people (1/4 of the working age population) have less than £100 to fall back on.[15]
- **Lack of insurance services for many households** - recent research has revealed a protection gap for people in financially vulnerable circumstances. 54% of community credit union members in Great Britain don't buy any form of insurance. [16]The trust members have in their credit unions presents opportunities for credit unions to expand their insurance provision, 82% of industry and 90% community members would recommend their credit union.[17]

13 Improving Access to Lending for the Financially Vulnerable | L.E.K. Consulting

14 Credit union quarterly statistics - 2024 Q4 | Bank of England

15 https://maps.org.uk/en/media-centre/press-releases/2022/one-in-six-uk-adults-have-no-savings

16 Understanding the role credit unions can play in tackling the protection gap

17 Ibid.

- **Scale of credit unions in other jurisdictions** - In Ireland (Incorporating both the Republic of Ireland and Northern Ireland) and the US, the credit union sectors are much larger. The Irish League of Credit Unions has a credit union membership size of 3.6 million[18], and total assets of more than 21 billion Euros. In the US, the credit union sector has over 2.3 trillion USD in assets and over 143 million members.[19]

Resuming our previous growth trajectory

During the decade 2002-2012, the credit union sector enjoyed a sustained period of legislative and regulatory reform, internal professionalisation, and concerted investment as part of the government's financial inclusion strategy.

In this time, credit union membership in Great Britain enjoyed impressive growth with membership doubling and financial measures (lending, savings & assets) tripling in value.

Credit unions can resume this growth trajectory and double membership to 4.4 million across the UK, and treble lending to £8 billion and assets to £15 billion in the decade to 2035 with the right programme of support and investment.

This would allow us to fulfil the potential demonstrated by our international counterparts and address these supply-demand gaps in credit, savings & financial services through a strategy focussed on the following areas:

- *Collaboration & consolidation* – restructuring sector investment to deliver scale economies through Credit Union Service Organisations (CUSOs) and strategic mergers
- *Leadership & skills* – investing in the credit union workforce, governance and risk management and emerging leadership so that credit unions are enabled to drive growth and strategic direction
- *Innovation & infrastructure* – investment in digital technology platforms and new products & services to modernise and diversify the credit union offer
- *Legislation & regulation* – creating a framework which retains credit unions' proportionate regulatory settlement while removing barriers to growth
- *Appropriate investment* – targeted investment in collaboration, modernisation and innovation with appropriate secondary capital structures & tax incentives.

18 About Credit Unions - The Irish League of Credit Unions

19 https://ncua.gov/files/publications/analysis/quarterly-data-summary-2025-Q1.pdf

Growth initiatives – how do we get there?

Collaboration & consolidation

- **CUSO development** – many credit unions lack the scale economies to make necessary investment in infrastructure and realise market opportunities in e.g. car finance, credit cards, mortgages & insurance. Elsewhere in the world, Credit Union Service Organisations – or CUSOs – address this problem by creating joint ventures between credit unions to pool investment and drive innovation and growth. We believe there is a huge opportunity to replicate this model in the UK market to drive the sector's growth building on early-stage collaborative ventures already in train, such as the SoundPound Group in Greater Manchester. There are also fledgling CUSOs around the country in areas such as shared back-office costs, car finance & banking technology.

  A **CUSO incubator** scheme, bringing together focussed expertise, investment and business development capacity to help established and emerging CUSOs to become self-sustaining drivers of growth has transformational potential.

- **Consolidation** – at the turn of the century there were around 700 credit unions in Great Britain and while the sector has grown significantly in terms of membership and assets in the time since, the number of credit unions has more than halved. This natural trend towards consolidation through merger is seen all across the world and enables credit unions to gain scale and enhance their ability to invest internally and remain competitive & relevant. While credit unions of all sizes and business models should continue to be supported, a programme of strategic, growth-focussed mergers within the credit union sector will provide a platform of institutional resilience from which to pursue significant growth.

Leadership & skills

- **Leadership & skills are essential to the growth and competitiveness** of the credit union sector, and we need to invest in young talent to deliver the leaders that will take the sector into the future. For example, in Great Britain, the Credit Union Foundation has had good success with its programme CU Futures which is in its tenth year and has had 101 candidates take part.
- We will develop a range of leadership and management pathways including apprenticeship programmes and academic courses to support the professional development of emerging leaders in the credit union sector. As regards apprenticeships, we will work in partnership with programmes supported by the **Apprenticeship Levy**.
- We will work with the **broader co-op, mutual and banking sector** to explore the opportunities for **knowledge and skills sharing** by larger institutions with credit unions. Primarily we anticipate that this activity will involve volunteering on credit union boards of directors, but it may also include focussed knowledge sharing around specific technical challenges, e.g. credit risk, operational risk & loan decisioning.
- Good governance is vital for the success of any organisation and credit unions are

no different. We will update our **Code of Governance for Credit Unions** and work with sector stakeholders and supporters to enhance and improve the quality of credit union governance. This includes exploring the role of volunteer directors and setting a framework for the use of paid directors.

- There are opportunities to **work alongside others in the co-op and mutual sector including the building societies, financial mutuals and wider co-operative professional education industry to support credit unions in accessing accredited, quality leadership training** programs, including the MSc in Strategic Leadership for financial mutuals which the BSA and AFM has developed with Loughborough Business School. In Northern Ireland, the Irish League of Credit Unions has been working with the Institute of Directors through a new director development programme.

Innovation & infrastructure

- Credit unions in the UK, with a few notable exceptions, provide almost exclusively unsecured personal loans as their core lending proposition. **In those parts of the world where credit unions are more prominent – the US, Australia, Canada & Republic of Ireland – they offer a full range of credit and banking services** including: car finance, credit cards, mortgages, secured personal loans, insurance services, payments and banking services and a range of savings and investment options.

- Given that unsecured personal loans represent a relatively small proportion of the overall British consumer credit market, the successful growth of the credit union sector in the UK will require a **diversification of product**. In June 2024 the UK's total outstanding consumer credit (excluding student loans) reached nearly £229.6 billion in June 2024[20]. The Bank of England reported net consumer credit borrowing by individuals had increased to £1.7 billion in January 2025, up from £1.1 billion in the previous month. Within this, net borrowing through credit cards increased to £1.1 billion from £0.4 billion - the highest increase since November 2023 (£1.2 billion). Over the same period, the annual growth rate for credit card borrowing increased to 8.5% from 8.1%. Net borrowing through other forms of consumer credit (such as car dealership finance and personal loans) remained at £0.7 billion in January 2025[21]. Around 84% of UK adults had some form of credit or loan in the last 12 months to May 2024[22]. This shows the increased demand for credit and the opportunity for credit unions to provide ethical alternative to their members and communities.

- It iis also clear that issues around consumer outcomes in credit markets with ongoing challenges in persistent credit card debt, or the commission issues in the car finance space, that a **greater cooperative and mutual presence** in these markets would not only enhance consumer outcomes—both directly and through greater competition—but also promote more ethical, transparent, and community-oriented standards of practice across the financial services landscape.

- Legislation in Great Britain in 2023 allowed **credit unions to enter new markets** – car finance & insurance mediation – and the legal position is settled in others – credit cards & mortgages – therefore opportunities to diversify abound. This is a key growth priority for the sector.

20 UK: outstanding consumer credit 2024| Statista

21 Money and Credit - January 2025 | Bank of England

22 Financial Lives 2024 survey | FCA

- Furthermore, the **rapid growth of a number of larger credit unions in Great Britain who have entered the online lending origination** space via price comparison marketplaces, demonstrates the very real opportunity that is created by the supply-demand gap in credit markets.
- In order to realise these opportunities we will pursue a programme of **focussed, collaborative investment in shared infrastructure** and CUSO initiatives to develop credit union options in a number of different markets.
- We will also actively explore opportunities for credit unions to access infrastructure – such as banking and payments services – in **collaboration with larger mutuals and banking institutions** who have an interest in expanding access and inclusion.
- There is a major opportunity for credit unions to support a significant expansion of savings among low- and moderate-income households through the roll out of **opt-out approaches to payroll savings**. The research trials conducted by Nest Insight have demonstrated the transformational potential of this approach which is akin to the transformational effects of auto-enrolment in pensions. In order for credit unions to benefit from this, we need to ensure that appropriate and scalable infrastructure is in place to support it.
- Credit unions currently have no access to **Bank of England reserve accounts**. While we appreciate such access requires a minimum level of institutional maturity, it is also evident that where credit unions have the operational capacity to meet these expectations, their lack of access puts them at a clear disadvantage in respect of security (since they are limited to investing with other financial institutions with no FSCS protection upon default) and returns (in the current interest rate environment, investments with financial institutions earn less than base rate). We believe there is a clear case for credit unions with the requisite capacity to have access to Bank of England reserve accounts to enhance their risk management tools and facilitate growth.
- In 2019, the Bank of England estimated a £22bn funding gap for SMEs in the UK. A report more recently shows this has widened with a credit shortfall of up to £65bn for small businesses. **Examples in Sheffield and Greater Manchester as well as Northern Ireland[23] demonstrate the potential for credit unions to provide support for SME businesses in the loan capital to fund business expansion**. This would benefit economic growth generally, as well as supporting the growth of credit unions as part of the co-op economy.
- **The transition to a net zero economy will require access to affordable and ethical finance for households and small businesses** seeking to invest in energy efficiency, green technologies, and low-carbon transport. Credit unions are well placed to play a greater role in this space, offering accessible lending for home energy improvements, electric vehicles, and community renewable projects. With appropriate policy support and access to green finance partnerships or guarantee schemes, credit unions could make a significant contribution to the delivery of the UK's net zero objectives while supporting members to reduce costs and environmental impact.

23 First ever corporate lending agreement with Waterside Credit Union in Derry

- Improving financial literacy and capability is fundamental to long-term financial wellbeing and economic resilience. **Credit unions have a distinctive and trusted role in delivering financial education, particularly through schools, workplaces, and community partnerships**. By helping individuals to understand budgeting, savings, and responsible borrowing from an early age, credit unions not only support more informed financial decision-making but also foster positive lifelong financial behaviours. With appropriate support, this work could be scaled nationally with other mutuals—strengthening financial inclusion, reducing problem debt, and nurturing the next generation of financially confident individuals
- In the longer-term, the sector aims to develop a government-sponsored **Central Finance Facility** which would provide financial and payments infrastructure to participating credit unions in the style of a "central credit union" or "credit union for credit unions" as is seen in other jurisdictions. This would provide liquidity and investment management for credit unions as well as access to payments infrastructure and central bank liquidity from the Bank of England. A step on the road to this would be for the **PRA to review inter-credit union lending rules** to allow liquidity sharing across the sector more readily.

Legislation & regulation

- Credit unions enjoy a number of significant carve outs and exemptions from broader regulatory requirements which provide a space in which credit unions can operate which would otherwise not be possible. This includes a **bespoke prudential regime under the Bank of England** provides simplified capital and liquidity requirements for credit unions relative to the banking sector.[24] Similarly, flowing from the interest rate cap credit unions uniquely operate within, an **exemption from consumer credit regulation** applies to much of the sector's lending.
- In aaddition to these formal frameworks designed specifically for credit unions, credit unions enjoy a **broadly proportionate experience of regulatory supervision**. This reflects the limited scale and risk represented by the sector to regulatory objectives on financial stability and consumer protection.
- Overall, therefore, while regulatory compliance remains a challenge for smaller credit unions in particular, we do not believe that the credit union experience of regulation is a barrier to growth, and the objective is therefore to **maintain the settlement credit unions enjoy to promote growth**. There will be an ongoing challenge here, of course, in respect of maintaining this proportionate regulation during the process of sector growth.
- There are certain exceptions to this overall approach:
    - **The largest credit unions – those over £50 million of assets – are subject to a 10% marginal rate of capital** for every additional £1 that they add to their balance sheet. This is high in comparison to their competitors and puts them at a disadvantage. We would like to **review this and explore the potential for simple risk weighting and capital discounts** where appropriate.

24 They are not captured by the Basel framework applied to banks and building societies

- **Novel business models which undermine or abuse the credit union model and its attendant regulatory settlement should be subject to robust oversight and active supervision** and actively supervised to ensure that the proportionate regulation we enjoy is not seen as an opportunity to game the wider regulatory system. Protecting the co-operative ethos at the heart of the credit union movement is essential to preserving public trust and ensuring that the proportionate regulatory framework afforded to credit unions is not misused by entities whose objectives or governance structures diverge from co-operative principles.

- **Failing credit unions with no clear plan or capacity for trading out of their difficulties should be in certain circumstances forced by the PRA to consider merger**, with appropriate financial support from FSCS if required. In many such cases, governance weaknesses are also a leading or contributory factor, and a merger can provide access to stronger leadership, systems, and oversight. At the very least, credit unions in this position should be required to produce a wind-down plan which is likely to lead to consideration of merger. A role for FSCS in facilitating a merger would preserve credit union services for members, prevent the "contamination" of an accepting credit union and reduce the cost of credit union failure on FSCS levy payers.

- Credit unions are not currently permitted to invest in CUSOs by regulation. The PRA has accepted the need to address this gap in launching a consultation which proposes to **allow CUSO investments subject to certain requirements and limitations.** We support this in principle and welcome the consultation. However, we do believe the proposed structure as published is flawed in that it limits the definition of CUSO to organisations owned only by credit unions rather than mixed ownership by credit unions and technology providers or investors, for instance. We also believe that the 5% of capital restriction is too low and will inhibit meaningful investment if it is not raised, subject to certain safeguards.

- Credit unions do not have access to the Bank of England's Sterling Monetary Framework (lender of last resort). For larger credit unions e.g. those offering mortgage lending, access to the Bank of England's facilities would enable them to enhance their treasury and liquidity risk management capabilities. They perform maturity transformation in much the same way as small building societies and it is anti-competitive that the **Sterling Monetary Framework** is made available to all newly authorised challenger banks but not established credit unions.

- With respect to **legislation, there are opportunities for further reform to unlock growth in the sector.** At a high level we believe that the objective should be to create an **enabling legislative environment** for credit unions which provides the sector with the tools and opportunities to meet their members' financial needs (subject to regulatory requirements) rather than limiting what the activities credit unions can engage in in the way the legislation in both Great Britain and Northern Ireland currently does. We appreciate this is a long-term project but would be an approach more aligned with those adopted in the most successful credit union sectors internationally.

- Targeted reforms in the following areas will provide support for continued growth and innovation in the sector:

- **Common bond reform** – the common bond is a crucial differentiator of the credit union model which is the basis of our proportionate regulatory settlement. Therefore, we strongly urge its retention in law. However, the current cap on the potential membership of geographical common bonds which was set at 3 million people in 2018, up from 2 million, creates perverse outcomes in relation to consolidation and merger activity, in particular. Credit unions like Clockwise in Leicestershire, Wave Community Bank in Brighton or Plane Saver Credit Union in Brentford, London, are all examples of credit unions that have had to remove elements of a merging credit union's common bond in order to comply with the cap. This is arbitrary and results in a loss of service for communities who would otherwise be served. Similarly, we have seen prominent failures of credit unions which might have been saved but for the common bond cap, London Community Credit Union is a recent high-profile example. Finally, we believe there are a number of coherent, coterminous geographies which do not fit within the cap as currently conceived e.g. the South-West of England (5.8m), Scotland (5.4m) and Greater London (8.9m). We therefore believe an **increase in the cap to 10 million** would address the issues arising from the current cap level while preserving the distinctive credit union structure, its links to community and the regulatory settlement we enjoy.

- **CUSO ownership** – the Credit Unions Act 1979 in Great Britain prohibits credit unions from wholly or majority owning subsidiaries and therefore imposes an effective requirement on the development of CUSOs that they are owned by groups of credit unions. In the US context, the most rapidly-growing part of the CUSO sector according to the National Association of CUSOs is the wholly-owned CUSO structure set up by a single credit union. We believe that there is learning here for the UK context and that where a credit union develops a model which adds value to the sector and, by extension, to itself it should not be prevented from monetising and benefitting from this innovation simply by virtue of it being a sole endeavour. Therefore, legislative reform to **allow the ownership of subsidiaries** should be pursued.

- **Tax** – credit unions pay corporation tax on their earned income from sources external to the credit union's membership. In practice this means that income derived from investments is taxed whereas income from lending to members is not. While this benefits some credit unions who are successful in lending effectively, there are others for whom this arrangement results in paying corporation tax despite making a loss or where tax takes them from a profit to a loss. It also limits the ability of credit unions to offset losses or internal investments against corporation tax in the way other businesses can. We believe there is **a case for reviewing the tax treatment of credit unions** to explore whether a more flexible approach could be found which might allow credit unions to opt for one or other approach to corporation tax, subject to requirements. We understand that there are a range of views within the sector on this topic and that any change is likely to create winners and losers and we therefore seek a review only at this stage.

Appropriate investment

- In order to realise some of the opportunities and growth objectives set out above, there will be a need to attract and support inward investment to the sector. We will continue to work with banks and philanthropic funds to attract investment in a number of the areas set out. There are, however, three specific areas we believe could provide the means of raising necessary capital investment:

    - **Financial inclusion** – HM Treasury is driving a process to develop a financial inclusion strategy which seeks to address a lack of access to responsible and affordable financial products and services for many millions. Alongside this, Fair4All Finance has been established in England with dormant bank & building society account funds to invest in and create the conditions for a more inclusive financial system. An explicit link should be made between the co-op & mutual growth objective and the financial inclusion strategy given the overlap in relation to credit unions as well as the broader financial co-op & mutual sector. In particular, **investment through Fair4All Finance and in collaboration with the banking sector** should be seen as a means of catalysing both credit union growth and financial inclusion.

    - **Devolved administrations** – in Scotland, Wales and Northern Ireland, the use of dormant assets funding which funds Fair4All Finance in England, is determined by the devolved administrations. To date, this funding has been directed towards support for young people, community wellbeing and the voluntary and community sectors; however, in none of these jurisdictions has it been allocated to financial inclusion. Given the central role that financial inclusion plays in fostering community development and economic resilience and social wellbeing- and its clear alignment with the principles and origins of the dormant assets scheme, there is a **strong case for the devolved administrations to allocate dedicated proportions of this funding to financial inclusion.**

    - **Credit union investment tax relief** – community investment tax relief supports investors in Community Development Financial Institutions (CDFIs) through allowing them to offset such investments against their tax liability. We believe that a similar tax relief for investments in credit union capital instruments could lever in additional capital investment to support the sector's growth.

Barriers & policy asks

In summary, in addition to the sector's own efforts and collaboration across the cooperative, mutual and wider financial services sectors, we believe the following policy initiatives should be pursued to drive the growth of credit unions in line with the "doubling" ambition.

1. Raise the geographical potential member common bond limit in Great Britain to 10 million
2. Maintain existing proportionate regulation of credit unions while considering more intervention on abuse of the credit union model and resolution of failing credit unions. Review capital requirements for the largest credit unions and inter-credit union lending rules.
3. Link financial inclusion & cooperative agenda and work with Fair4All Finance, the devolved administrations and others to target investment in credit union infrastructure and collaborative initiatives, including a CUSO incubator.
4. Allocate Dormant Assets money to financial inclusion in the devolved administrations.
5. Confirm proposals on allowing credit union investment in CUSOs, subject to a revision of value limits and adjustment to the definition of a CUSO to allow multi-stakeholder ownership
6. Reform legislation in Great Britain to allow ownership of CUSOs by individual credit unions
7. Create an enabling legislative and regulatory environment for auto-enrolment, opt-out payroll savings initiatives and support credit unions to deliver this in conjunction with employers
8. Review the corporation tax settlement for credit unions
9. Create a new tax relief for investment in credit unions
10. Provide access to central bank reserve accounts for credit unions
11. With British Business Bank & social investment community, provide risk capital underwriting support for credit union business lending

Finally, in the longer-term, we would like government to consider the case for creating a more permissive and enabling legislative framework for credit unions which provides the board ability to provide financial services in line with member needs subject to relevant regulatory requirements.

This would be a shift from the current approach which restricts credit unions to activities which are expressly permitted by legislation. A more enabling approach would be in line with the approach adopted in the most successful credit union sectors internationally.

Growth Plan Document – Summary

The Government's ambition to expand the co-operative and mutual economy, alongside its commitment to refreshing the UK's financial inclusion strategy, presents a significant opportunity for credit unions to scale their reach, strengthen resilience, and play a more prominent role within the UK's financial landscape. With 2025 designated as the International Year of Co-operatives, there is renewed momentum behind ensuring that policy, regulation and investment frameworks enable co-operatives and mutuals to start, grow and thrive.

ABCUL led the development of this Growth Plan on behalf of the credit union sector, working closely with credit unions and representative bodies across Great Britain. As the credit union representative on the Mutuals & Co-operative Business Council, ABCUL coordinated this collaborative process to ensure the collective voice, experience and potential of the sector are fully reflected within wider discussions on mutual growth. The plan is supported by all participating representative bodies, reflected through their joint endorsement. Credit unions already deliver vital social and economic value to communities across the UK; however, with the right strategic direction, supportive policy environment and targeted investment, the sector has the capacity to significantly expand its impact and sustainability..

This Growth Plan sets out a clear framework for unlocking that potential. It identifies five priority areas that are critical to supporting sustainable expansion across the sector, while also addressing the structural and regulatory barriers that currently constrain growth. These focus areas are:

- Collaboration and consolidation
- Leadership and skills
- Innovation and infrastructure
- Legislation and regulation
- Appropriate investment

Together, these themes provide a roadmap for strengthening credit unions as modern, resilient financial institutions, capable of supporting more members, reaching underserved communities, and contributing meaningfully to a more inclusive financial system.

This document is intended to inform discussion, shape policy thinking and support collaborative action across government, regulators, sector bodies and practitioners. Stakeholders are encouraged to share views, offer feedback, and explore ways to support the delivery of the Growth Plan by contacting advocacy@abcul.org.

ABCUL

ACE Credit Union Services

Building Societies Association

Irish League of Credit Unions

NCUF National Credit Union Forum

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