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Socială de Scurtă Durată"

## Investește în oameni!

Proiect cofinanțat din Fondul Social European prin Programul Operațional Sectorial Dezvoltarea Resurselor Umane 2007 – 2013

Axa prioritară: 6. "Promovarea incluziunii sociale"

Domeniul major de intervenție: 6.1. „Dezvoltarea economiei sociale”

Titlul proiectului: ICAR Incluziune prin microcredit și Ajutor Reciproc – strategie sustenabilă a economiei sociale pentru ocupare și creare de întreprinderi sociale

Cod Contract: POSDRU/173/6.1/S/148102

## Best practices in credit unions in Great Britain

A. Identification data	
1. Name of the organization	Manchester Credit Union Ltd
2. Location/Address of the organization	City Centre and Head Office – Brazenose Street, Manchester, M Plus 19 branches or service points throughout Greater Manchester and High Peak
3. Website of the organization	<a href="http://www.manchestercreditunion.co.uk/index.asp">http://www.manchestercreditunion.co.uk/index.asp</a>
4. Legal organisational form	Credit union - Under the legislation of Credit Unions Act 1979 and Co-operative and Community Benefit Societies Act 2014
5. Mission statement and description	<p>Manchester Credit Union is a member-owned financial co-operative, and aims to become a full service provider of ethical and affordable financial services to a socially, culturally and economically diverse membership by:</p> <ul style="list-style-type: none"> <li>• Putting our members' needs at the heart of what we do</li> <li>• Providing opportunities for improving member's financial capability</li> <li>• Striving to provide excellent customer service and;</li> <li>• The development and nurturing of mutually beneficial relationships with a wide range of partners across the MCU common bond.</li> </ul> <p>MCU also has two additional social goals, which are:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• To contribute towards the economic regeneration of the community</li> </ul>
B. Good practice of the organization	
Aspects that recommend the organization as a good practice in:	<b>Membership accountability</b> - The credit union is accountable to its members in general meetings – but it has also created membership relations committee to discuss the credit union more directly with the members who are the owners of the credit union,
- Membership accountability	



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- Micro-credit
- Financial inclusion of underserved/ non-banked/ under-banked/ non-bankable individuals
- Financial education
- Responsible loans
- Financial services to other disadvantaged clients/ non-profit organisations
- Social ethical banking

**Micro-credit** - The credit union offers its members personal consumer loans – it does not directly lend to businesses. However, there are many examples of small traders borrowing for a business purpose from the credit union. Examples would include borrowing for a van to run the business.

**Financial inclusion** - The credit union mainly serves people who have little or no access to mainstream financial services. Around 70 per cent of the membership live on low incomes and are in receipt of welfare benefits. All the credit union branches and service points, apart from the City Centre office, are located in low income areas of the city. The credit union offers savings accounts, loans and transaction services that are designed for the low income market.

### C. Context:

1. Year of Founding  
1991 (originally as Beswick and Openshaw Credit Union) - re-established as Manchester Credit Union in 2001.
2. Context of start-up – profile of the founding members and their economic social rationale.  
It was in 1991 that Manchester Credit Union was formed by a small group of volunteers in the back of a church hall in a run-down neighbourhood of Manchester. The recession of the early 1990s meant times were hard. Unemployment was at record levels and most people in the neighbourhood were surviving on low wages or welfare benefits. Yet high-cost loan companies operated freely only adding to the financial difficulties of hard-pressed local families. In was in direct response to the financial hardships of the time that the volunteers came together to try to make a difference in the lives of their families, friends and people in the community.  
These early volunteers were not professional people. They were not accountants, marketing experts or economists. Most were local women concerned about the people in their locality and some were church workers who had some basic skills in organising and keeping financial accounts. But they were united by a sense of social purpose and a strong desire to create a credit union that put people at its heart rather than profits. They were deeply embedded in social and community networks and saw the credit union contributing to the development of their community at a very local level.  
In Britain at that time, community development was often seen as a local neighbourhood, or sub-neighbourhood, intervention. Its focus was often on the personal and social development of individuals through participation in highly localised actions. It was the same with the credit union, and remaining small and localised was part of its attraction. By 1998, after seven years of development, the credit union still only had 131 members. At the time, there were 15 other credit unions in the city operating in a similar way; and the collective vision was to create 100 localised neighbourhood credit unions throughout a city of a population of just 440,000 people.



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However by 1999, the British credit union movement had begun to realise that its approach to credit union development was flawed and not built for long-term success. Credit unions, such as Beswick and Openshaw, as Manchester Credit Union was known at the time, were not built for growth and were ultimately unsustainable. From that time, a process of modernisation and transformation has taken place in the British credit union movement, including in Manchester Credit Union. New business and development models were introduced and many small credit unions came together to form larger institutions. Three other credit unions transferred into the original Beswick and Openshaw Credit Union to form in 2007 the now Manchester Credit Union.

In this process of change, the commitment to community development remains albeit understood somewhat differently. The credit union is no longer just a micro-intervention to engage small groups of local people at a grass-roots level, even though many of its localised community branches remain and thrive. The credit union has grown and is now more strategic, and community development interventions are seen more in terms of engagement and partnerships with social housing providers, employment services, local companies, municipal bodies and educational institutions in order to ensure that the benefits of credit union membership reach many more people throughout the city.

3. What are the main services of the organization? Please describe them in a few words referring to:

- savings
- loans
- mortgages
- financial aid in case of sickness/death/ etc.
- micro-credit
- credit cards
- online banking
- other services

#### **Savings**

- Members can save as much or as little as they like, either weekly, monthly or as often as they wish – a dividend is paid on savings at the end of the financial year – this year it was 1 per cent. Members are encouraged to save regularly into the credit union by standing order or payroll deduction. Members repaying loans are highly recommended to save when repaying a loan – but this is not obligatory.
- Christmas Club – The Christmas Club account operates as follows:
  - Accounts can be opened at any time.
  - Savings must be made on a regular basis, weekly, fortnightly or monthly.
  - Savers must save for at least 26 weeks out of 52
  - Savings cannot be touched until the first week in November.
  - Any withdrawals during the year will invalidate the account.
  - Every member who meets the above criteria will be entered into a prize draw for a Christmas Hamper worth £200!

#### **Loans**

- The credit union offers loans at a range of interest rates depending on the size of the loan and the status of the member. Loans under £2,000 are normally charged at 42.6 per cent APR. Loans up to £5,000 at 19.56 per cent APR, £5,000 to £7,000 at 12.68 per cent APR., £7,000 to £15,000 at 8.5 per



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cent APR

- For loans over £5,000 MCU will offer to beat the best interest rate obtained by a member from another credit provider by 0.5% subject to a minimum rate of 4.5% APR for an equivalent product on production of a valid offer letter

#### **Financial aid in case of sickness/death/ etc.**

- All members' loans and savings are insured at no direct cost to the member. This is called Loan Protection and Life Savings insurance (LP/LS). When people join the Credit Union they fill in a Nomination form, which tells the credit union who they have chosen to be their beneficiary. It does not have to be the next of kin and can be more than one person. It can be changed at any time.
- **Life Savings cover.** In the event of a member's death or total and permanent disability, deposits made before their 65th birthday will get 100% cover. Anything deposited between the ages of 65 and 80 will get 25 per cent. The amount of insurance depends upon the age when savings were put in the credit union, not upon the age of the person when he or she dies, providing they have been left in the credit union during that time. In addition dependants also receive Accidental Death and Dismemberment Cover. This pays up to an additional 100% of the value of the shares in the event of death caused by an accident prior to age 65.
- **Loan Protection Insurance.** All members under the age of 70 years have free loan protection. In the event of their death, any outstanding loan would be paid off in full (Maximum £5000). However, there is a 6 months Pre-existing Condition Limitation. This means that if someone dies within 6 months of taking out the loan, of a condition that they already knew about, the loan would not be covered. If a member dies within 6 months of taking out a loan, unexpectedly, or from something they did not know about, then the loan would be paid off in full.

#### **Credit union current account**

- In 2008, Manchester Credit Union introduced the credit union current account which offers members a basic banking transaction service. It offers all functions of a current account (VISA debit card, direct debits and standing orders etc.) but does not offer a cheque book or an overdraft facility
- Members have to pay £5 per month for the current account to cover credit union costs as it is expensive to operate
- However, the credit union is going to terminate the current account in 2016. Only about 1,000 members opened the current account - in UK basic current accounts are free at all banks and the credit union charges. The only people to open an account were people who could not get a standard bank account. The credit union is replacing the current account with a pre-paid debit card.



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### Micro-credit

- The credit union only makes personal loans to members some of whom would use the loan for a business purpose. These tend to be sole traders purchasing basic items of equipment – e.g. a motor vehicle to conduct a business. The credit union does not lend directly to businesses as corporate entities, even though the legislation now does allow this.

### Pre-paid debit cards

- The credit union does offer a re-paid visa debit card – The CredEcardplus is a reloadable prepaid card and e-account that works similar to a high street bank account. Anyone can apply and no credit checks are required. The features of the pre-paid card include:
  - There are no overdraft fees or expensive letters if a payment is missed
  - Can only spend what is loaded into the e-account and card
  - Instant access to money via ATMs and get cash-back free from supermarkets and other retailers
  - Own UK sort code and account number
  - FREE Mobile phone APP
  - Online budget facility 'The Envelope'
  - Up to the minute balance information by text, email, App and ATMs
  - Ability to get statements, pay bills and set up standing orders from the e-account
  - Pay money onto your card via your local PayPoint facility
  - Telephone and online UK based customer service support available 6 days a week
  - Cash rewards of between 3% and 15% paid back on shopping
  - Online banking

The pre-paid debit card is offered to people who do not have a workable bank account. Money on the card is not kept in the credit union account – but the card does facilitate the transfer of money to the member.

### Other services

- Payroll deduction facilities** are available for employees across the region in local authorities, housing providers, health authorities and other local companies.

4. Geographic coverage with respect to the provision of services

Admission to membership of the Manchester Credit Union is restricted to individuals residing in or being employed in the City of Manchester, or the metropolitan boroughs of Rochdale, Tameside, Trafford, Stockport, Bury and the High Peak.

### D. Ownership and membership

1. What is the ownership structure of the organization? Please refer to: profile,

The credit union is owned by its members. At the end of September 2015, MCU had an active membership of 19,300 adults and assets of over £5.4 million.



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number of shareholders by type, and relative shares hold, membership based.

2. Please describe the main changes in ownership referring to mergers and acquisitions.

The credit union traces its origin to 1991.

Manchester Credit Union (MCU) came into being in February 2007 when the then East Manchester Credit Union (EMCU) expanded its 'common bond' to cover the whole of the City of Manchester. EMCU traces its origins to the former Beswick and Openshaw Credit Union Ltd (BOCU) which was founded in **1991** by a variety of community partners working in the East Manchester area.

For the first few years after 1991 growth was minimal, as the credit union saw itself, largely, as a part of the community development movement. It was run entirely by volunteers and operated out of a number of community locations. Its focus was on serving financially excluded and low income members.

In the late 1990s the credit union benefited from the regeneration of East Manchester and obtained funding to enable it to open shop-front premises and employ a manager in 2000. Involvement in the Wired-Up Communities project, Eastserve, enabled EMCU to raise its profile locally and to have early experience of instant lending.

MCU has received transfers of engagement from a number of other credit unions, including Gorton (2006) Wythenshawe (2008), Money Spinner (2011) and Trafford United (2013), and now has an extensive network of outlets across the Greater Manchester City Region.

As one of the largest Growth Fund contractors in the country, MCU has delivered in excess of 50,000 small loans to date totalling almost £20m. This has resulted in Manchester Credit Union becoming one of the largest and fastest growing community credit unions in the country.

3. Please describe the main changes in membership (number and structure) over the last 10 years.

Year No of Members

2006 1537

2007 2322

2008 2754

2009 3739

2010 5130

2011 6708

2012 9730

2013 12247

2014 16555

2015 19300



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	Note that above membership growth includes transfers of engagement from other closing credit unions
4. If the case, indicate main changes in ownership over the lifetime of the organization.	The credit union is owned by its members – the main change has been the expansion of the membership from a small community credit union to one now with over 18,000 members. This has changed the dynamics of membership and the engagement of members as owners of the credit union rather than just customers is increasingly demanding,
5. Describe in a few words the voting rights (e.g. one member-one vote; proportional to the individual contribution; proportional to use of services, etc.).	Each member has one vote which can be exercised in general meetings. The credit union is a one member - one vote co-operative
6. If membership, is membership open or closed? Is exclusivity required?	Membership is open to any person who meets the requirements of membership.
7. If membership, what are the conditions an individual has to meet to become a member? Please describe the entry policies and conditions (e.g. residence area, profession, religious background etc.)	<p>Admission to membership of the Manchester Credit Union is restricted to:</p> <ol style="list-style-type: none"> <li>1. Individuals residing in or being employed in the City of Manchester, or the metropolitan boroughs of Rochdale, Tameside, Trafford, Stockport, Bury and the High Peak.</li> <li>2. A body corporate, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above localities</li> <li>3. Individuals employed by the following employers: <ol style="list-style-type: none"> <li>a. Great Places Housing Association</li> <li>b. Arcon Housing Association</li> <li>c. St Vincent's Housing Association</li> <li>d. Irwell Valley Housing Association</li> </ol> </li> <li>4. Individuals otherwise associated with the employers above by being in receipt of housing or support services from those employers.</li> </ol> <p>An individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.</p>
8. Please describe the major changes during the organization's history in the conditions of accepting a new member, if any.	<p>The main changes have been :</p> <ul style="list-style-type: none"> <li>• The expansion of the geographical area covered and the transfer of engagements of other credit unions into MCU</li> <li>• The inclusion of employees and tenants of a number of named housing associations</li> </ul>



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	<ul style="list-style-type: none"> <li>• The inclusion of employees from named companies</li> <li>• The ability to know have corporate members – organisations, companies and associations can now become members in the credit union (this resulted from a major change in the legislation in 2011)</li> </ul>
9. Is a capital contribution required? If so, how much? Is equity capital unallocated or individualised?	Each member must have a £1 share in the credit union.
10. Is there a regular share required? If so, how often and how much is it?	Members are encouraged to save regularly and when repaying a loan. Active members are defined as those who actively continue to save and borrow in the credit union. However there is no defined weekly or monthly savings deposit required. A dormant member is a member who no longer continues to save or to borrow in the credit union and who has less than £25 in their savings account.
11. Please describe the refunding policies in case of member resignation.	Members can withdraw their savings at any time even if they have an outstanding loan. Members can close their account at any time. They would not be allowed to close the account and withdraw savings, however, if they had an outstanding loan.
<b>E. Governance</b>	
1. Describe the governance structures of the organization (general assembly, board, management, committees, etc.), number of members and method of selection (appointed or elected and by whom), term of election, representation criteria (e.g. gender balance).	<p>The credit union is governed by a voluntary board of directors - these directors must be members of the credit union. They are elected directly by the membership in the annual general meeting. Each director is elected for a term of three years, and can serve three terms in total. He or she would be eligible for re-election to the board after a two year period of absence.</p> <p>The board is comprised of 9 directors at the moment – 8 are non-executive directors and the CEO is the executive director. The chair of the credit union must be a non-executive director. The aim is to recruit a number of new directors – to create aboard of about 11 or 12 persons. The board is accountable to the members of the credit union in the annual and any other general meeting. The CEO, the executive director, is accountable to the board for the operation and the management of the credit union.</p> <p>The credit union has a number of sub-committees of the board. These are:</p> <ul style="list-style-type: none"> <li>• <b>The finance, audit and risk committee</b> – which oversees the financial situation of the credit union and agrees the budget for presentation to the full board. This committee is also responsible for oversight of the internal audit of the credit union and liaison with the internal auditors (an external audit firm employed for this purpose). It also has responsibility for oversight of the risk register and the risk management framework. The chair of the committee is always someone with an accounting qualification and cannot be the chair of the credit union. There are four non-executive directors and the CEO on this committee.</li> </ul>



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- **The credit committee** oversees the loans policy of the credit union. It is chaired by a non-executive director (not the chair) and comprised two or three other directors, the CEO and other senior management representatives. It oversees the development of the loan portfolio and policy on pricing of loans.
- **The nominating or search committee** is responsible for seeking out and interviewing new members for the board of directors. The role of the nominations committee is :
  - To ensure that the board retains an appropriate balance of skills to support the strategic objectives of the credit union
  - To maintain a formal, rigorous and transparent approach to the appointment of directors
  - To maintain an effective framework for succession planning
  - To ensure transparent and effective democratic representation.

Normally candidates for election to the board of directors must be recommended by the nominating committee.

There are three or five directors on the committee and is open to independent persons with specific relevant skills such as human resources in finance and accountancy. Board directors are always be in a majority. None of the board directors may be individuals whose positions are up for re-election at the next AGM.

2. What are the main responsibilities and roles of the various governance bodies?

The credit union boards is elected by the membership and given stewardship, leadership and authority over all aspects of credit union organisation, and it is tasked to ensure the credit union achieves its purpose, within the framework of legislation and regulation. The board is accountable to the members as owners of the credit union, and directors are expected to lead, to direct and to control the credit union so that it achieves its objectives in serving the interests of its members. Accountable in leadership to the member-owners, the board is endowed with all authority for the credit union, and the board bears ultimate accountability for credit union functioning and performance.

However, the board delegates elements of their authority to the CEO to manage the credit union. Authority is delegated to one designated CEO who is in turn accountable to the board for the management of the credit union. The CEO is the executive director of the board.

The roles and responsibilities of the directors and the CEO are attached in a separate file.

The membership of the credit union is part of the governance structure of the credit union. Members of the credit union are both owners and customers of the credit union. They collectively own the credit union, but use its services as customers. Boards therefore are accountable to members as owners; but they also have to oversee the delivery of a quality service to the members as customers. The two are



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	<p>distinct realities and the board has to ensure both realities are clear in the context of board accountability. If directors are to be accountable to members, they have to build awareness among the staff team and the membership as a whole that members are owners as well as customers.</p> <p>The responsibilities of the board committees are described in the last section. The three committees are the finance, audit and risk committee, the credit committee and the nominating (or search) committee.</p>
3. How often and in which form does the governance structure give reports and other information to the members? How members are kept informed with all the aspects that concern the activity and the management of the organization?	<p>Members-owners cannot engage in contributing to the credit union unless they have the relevant information at their disposal.</p> <p>Members have access to the rules of the credit union and information on directors and the CEO, including background information on qualifications and experience and attendance records at board meetings. The monthly minutes of directors meetings are available on the website.</p> <p>Each year they are provided with a fully documented annual report including audited accounts, a detailed report on progress from the chair and a report on operations and strategic development from the CEO.</p> <p>The members have the right to question the board, CEO and auditors on the performance of the credit union.</p>
4. Does the organization undergoes and annual external audit verification? Please describe the procedure.	<p>Yes there is a standard external audit undertaken by an independent accountancy company. This is a requirement of the regulator – the audited accounts, including a report from the auditor; have to be submitted each year to the regulator.</p> <p>The audit plan is set by the external audit company in consultation with the CEO. The audit report is first given to the Finance, Audit and Risk committee. The external audit services as provided by the external auditor include:</p> <ul style="list-style-type: none"> <li>- year-end audit; production of statutory accounts</li> <li>- provision of a year-end document letter summarising key issues and recommendations relating to MCU's systems and management</li> <li>- provision of on-going information (and where necessary advice) regarding relevant accounting and regulatory issues</li> </ul>
5. Does the organization undergo internal audit verifications? Please describe the procedure.	<p>The internal audit is also carried out by an independent accountancy company, but not the same one that carries out the external audit.</p> <p>The purpose of internal audit is to provide the Board, the Finance, Audit and Risk Committee and the Chief Executive with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion of the internal auditors forms part of the framework of assurances that the Credit Union receives and is used to help inform annual governance statements. Internal audit also has an independent and objective consultancy role to</p>



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2007-2013



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	<p>help line managers and team leaders improve risk management, governance and control. Internal audit works with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place to:</p> <ul style="list-style-type: none"> <li>• Establish and monitor the achievement of the organisation's objectives.</li> <li>• Identify, assess and manage the risks to achieving the organisation's objectives.</li> <li>• Formulate and evaluate policy, or provide policy advice, within the responsibilities of the Chief Executive.</li> <li>• Ensure the economical, effective and efficient use of resources.</li> <li>• Ensure compliance with established policies, procedures, laws and regulations, including the organisation's own governance arrangements.</li> <li>• Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.</li> <li>• Ensure the integrity and reliability of information, accounts and data.</li> </ul>
6. Are there external independent board members?	<p>The board is comprised of 8 non-executive directors currently (all volunteers) and the CEO who is an executive director.</p> <p>Note – normally in most British credit unions the CEO is not a board member (director) but attends board meetings in the role of CEO but with no voting rights. The UK regulator however does allow CEOs to be full voting board members if the credit union wants to do this. Manchester has decided that the CEO is to be a member of the board with voting rights. But this would be a minority position in British credit unions.</p> <p>Note the CEOs in Copperpot and Lodge Lane are <b>not</b> executive directors with voting rights.</p>
7. Describe management and board salary/compensation policies and how they are decided/determined.	<p>These are set in consultation with an external human relations and recruitment company. The credit union pays for its professional advice on salary scales.</p>
<b>F. Services and products</b>	
1. Please give a detailed description of each of the services and benefits offered to the members/non-members.	<p>These are detailed above in section C3 - the credit union is fundamentally a saving and loans organisation, even though some members have a current account or pre-paid debit card. Members can have their wages or welfare benefits paid into the credit union and access the money with a VISA debit card (current account) or a pre-paid debit card.</p> <p>Credit union offers free life insurance on savings and loans.</p>
2. Describe the conditions that a member has to meet to be eligible for of each of the	<p>There are no conditions to meet – apart from living or working in the area served by the credit union and, for loans, being assessed as having the ability to repay the loan. There is no prior savings amount or period</p>



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services offered by the organization (e.g. quantum of individual saving account total value, time since a person became a member). Please refer to all the main services.

in order to apply for a loan.

3. For loans, microcredit and saving accounts, what is the rate of interest and how is it established? Please describe by type.

#### Savings

The dividend payable is decided each year by the board of directors on the advice of the CEO. It is paid from the surplus of the credit union after all other costs including regulatory transfer to reserves have been met. Last year it was 1%.

The dividend must be accepted by the members in the annual general meeting. They cannot raise the dividend but they could lower it to strengthen the reserves of the credit union.

#### Loans

The interest rate for loans is set by the credit committee and approved by the board of directors. It is set in relation to the market and to the need to build the economic stability of the credit union.

The credit union offers loans at a range of interest rates depending on the size of the loan and the status of the member. Loans under £2,000 are normally charged at 42.6 per cent APR. Loans up to £5,000 at 19.56 per cent APR, £5,000 to £7,000 at 12.68 per cent APR., £7,000 to £15,000 at 8.5 per cent APR.

For loans over £5,000 MCU will offer to beat the best interest rate obtained by a member from another credit provider by 0.5% subject to a minimum rate of 4.5% APR for an equivalent product on production of a valid offer letter.

4. Describe the procedures used in case of delays or no reimbursement of the credit by a client.

The credit union has its own credit control section and procedures – a dedicated staff member oversees credit control and the team phones and writes to members who default on loans. They do all they can to support members in financial difficulty and will reschedule loan repayments if that will help the member. They will also refer people for money and debt advice. But the credit union will take people to court if necessary and pursue repayment through legal means. It is possible for the court to make an order to set up loan repayments directly from an employer (from wages) or from the welfare benefits office and take directly from benefits.

The credit union employs a credit control officer.

The control of bad debt and loan delinquency is a major problem for this credit union – many of its members are on low incomes and struggle to manage the household budget. The credit union has to act quickly if a member misses a repayment.



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- |   |   |
|---|---|
| 5. Does the organization have any procedures/practices to avoid over debt of members that apply for credits?                  | <p>The credit union has a rigorous loan application assessment process. It uses electronic loans application assessment software and it checks the credit reference status of each applicant through Equifax. It also assesses the application against an income and expenditure statement. For applications that are not straightforward, the credit union will interview people face-to-face.</p> <p>The credit union only loans to people who can demonstrate that they can repay – around 25 per cent of all loans applications are declined by the credit union.</p> <p>However about 25 per cent of all applications are agreed immediately online without any further investigation. These are applications assessed as credit worthy by the electronic assessment system. The system is called ALD – automatic loan decision – a computerised tool used to speed up the loan application and granting process. Around 50 per cent of applications still require some human decision making based on further information or an interview.</p>  |
| 6. Describe the programs and/or services for underserved / unserved clients/members.  | <p>About 70 per cent of the credit union membership could be classed as financially excluded. The credit union operates in all the low income and disadvantaged areas of the city. The focus of the credit union has traditionally been on serving the unserved and underserved and its products reflect this. The credit union enables people to obtain low value loans (which would not be made by a bank) and to save small amounts of money regularly. It runs a Christmas Club with savings locked in until November.</p> <p>However, the focus on the financially excluded is causing problems for the credit union – as it is just not possible to serve nearly 19,000 members if 70 per cent of them are on very low incomes. This is the reason that the credit union is failing to make a surplus on its trading.</p> <p>The major strategic objective of the credit union is to serve more moderate income working people. This is the reason that the current recruitment objective is to recruit people in employment though the payroll partners (these are companies that offer payroll deduction for savings and loans directly into the credit union).</p> |
| 7. Does the organization have specific activities for members' financial education? If yes, please describe these activities. | <p>There are no formal education programmes – education is mainly informal through the quality of conversations between staff and the members. Members are offered information at the time of joining or setting up new accounts.</p> <p>Members needing money and debt advice are referred to an independent debt advice agency.</p>   |

#### G. Membership/customer relation

- |  |  |
|--|--|
| 1. Please describe briefly the methods and practices of communication/relationship with clients. | <ul style="list-style-type: none"> <li>• Newsletter – which is sent to members</li> <li>• Email</li> <li>• Website</li> <li>• Twitter</li> </ul> |
|--|--|



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Organismul Intermediar Regional  
POSDRU Regiunea Centru



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Judecatorie de Soluționare de Cauze

	<ul style="list-style-type: none"> <li>Members forum – this is a meeting to which members are invited to discuss general issues about the credit union. It is an open meeting for members</li> </ul>
2. Does the organization operate a management information system? Please describe its main features.	<p>The credit union operates the fully integrated Curtains system supplied by Kesho - <a href="http://www.kesho.co.uk/index.php">http://www.kesho.co.uk/index.php</a></p> <p>See the No 1 Police Copperpot Credit Union case study for description of the Curtains system – it is the same system as at No 1 Police.</p>
3. Describe briefly the distribution of profits / benefits / surplus policies and procedures.	<p>The surplus is divided between the credit union reserves and the dividend on savings. The policy of the credit union is to offer a dividend that is just above the interest rates offered by banks – to offer too high a rate would attract too much savings. This would affect the capital ratio if loans could not be made quickly enough to generate income. In the last few years, the credit union has made a loss – but a dividend can be paid because of the high level of reserves.</p>
4. Are members/owners liable for losses of the organization? Describe how liability is shared.	<p>Since 2002, the credit union has benefitted from the Financial Services Compensation Scheme through which the savings of each individual member are protected by the Government to the value of 100,000 euros (currently £75,000).</p> <p>This has offered credit unions an immense benefit because all members know that their savings in credit unions are 100% safe. Nobody in MCU has 100,000 euros in their account. It has resulted in much greater confidence in the credit union movement generally.</p>
5. How does the organization inform the members about the situation of their credits, e.g. amount left to reimburse, rate of interest paid etc.?	<p>Annual statement sent to a member and statement on demand.</p> <p>A member can come into the office at any time and request a statement or ask over the phone.</p> <p>Loan balance information is available online on the credit union website – all member financial information is available online.</p>
6. Describe the strategy used for recruiting new members.	<p>The recruitment of new members in low income communities is mainly through word of mouth with current members telling new people about the benefits of credit union membership. The credit union has branches in most of the low income areas of the city.</p> <p>The credit union also operates through other organisations such as housing associations that advertise the credit union services to their tenants.</p> <p>At the moment the major recruitment drive is through employers and companies who are payroll partners – the opportunity of payroll deduction services is widely advertised in the local council, hospitals, the university and local companies. The focus is to recruit more moderate income working people into credit union membership.</p>
7. Does the organization have any programmes and/or procedures for	<p>There are no real retention programmes – members stay with the credit union if the products and services it offers meet their wants and needs. For financially excluded members, the credit union is perhaps their</p>



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member retention and/or loyalty programmes? Please describe briefly. What are the main reasons for which members decide to leave the organization? Are these taken into account in developing the strategy?	only affordable option. Otherwise they would have to borrow from high cost lenders People generally leave the credit union if they: – Move away from Manchester (even though they can retain membership - once a member, always a member) – If they are refused a loan – this sometimes results in people leaving – If they default on a loan – and their savings are taken to repay outstanding debt.
8. Does the organization have any tools for measuring members' satisfaction? If yes, please describe briefly.	Member questionnaire and survey – once a year
9. Does the organization have any procedures for taking of members complaints? Please describe them.	Complaints procedures are obligatory in the credit union – a regulatory requirement. See the Lodge Lane case study – it is the same process as detailed in CREDS. The MCU complaints policy is attached – this is a little out of date – but gives an idea of how complaints are handled – the complaints policy must comply with CREDS. Some updates are required for this reason.
<b>H. Strategy</b>	
1. Describe briefly the business strategy looking at aspects like: main products/services, market niche, market share, quality and pricing/costs and <u>main changes</u> occurred in time.	The main change in strategy is to endeavour to move away from just serving low income and financially excluded members and towards serving more moderate income members who are working. This is a major and important change of direction. The credit union has just opened a new prestigious head office and branch in Manchester City Centre – the aim is to appear as a professional financial institution serving all members of the city and not just those on low-income and disadvantaged estates. The following is taken from the current business plan – attached. Tier 2 members are moderate income members – not the rich, just ordinary people in work and with a moderate income. They are people who are not in receipt of welfare benefits. <b>The over-arching objectives for 2015/16 are to improve profitability by:</b> <ul style="list-style-type: none"> <li>• Broadening the customer base by attracting more Tier 2 members who are economically active and as a consequence increase the average value of loans granted from £599 to £700.</li> <li>• Making existing business targeted to Tier 3 members more profitable through improved and more efficient business systems and processes.</li> <li>• Improving member engagement.</li> </ul> <b>This will be achieved by:</b> <ul style="list-style-type: none"> <li>• Presence in areas more easily accessible to a broader customer base including a Manchester City Centre location.</li> </ul>



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- *Streamlining of loan processing to include more automation, in particular less reliance on bank statements and other paperwork.*
- *Improved website and automated processes*
- *Investment in new technology to enable remote access and on-line functionality*
- *Improved Payroll Plus offer and marketing*
- *Using Engage suite of products to move away from unprofitable CUCA business and re-focus resources on attracting new Payroll Plus partners.*
- *Exploring options to centralise the loan function.*
- *Improving member service standards to attract and retain new and existing members*
- *Improving loan decision making and collection rates*
- *Developing the members forum and a network of community and workplace champions.*

2. Describe briefly the relation between the business strategy and the social mission of the enterprise.

The credit union has both social and economic goals. This is the same as at Lodge Lane.

The **social goals** include:

- People helping people in the community
- Giving people control over their financial destiny
- Enabling mutual self-help and reliance
- Empowerment of individuals and communities through the creation and control of a successful enterprise
- Building community cohesion and solidarity
- Education in the wise use of money
- Instilling democratic and cooperative values within the community

The **economic goals** include:

- Giving people a better deal on financial services (especially savings and loans)
- Establishing a sustainable community controlled financial institution
- Ensuring surpluses are repaid to members in dividends on savings
- Creating jobs in the community
- Keeping the for profit sector honest

The business strategy aims both to achieve the economic goals of the credit union and its social mission. The two are interwoven and entwined. Credit unions have had to learn that they cannot achieve their social goals without first building a sustainable community business. They have also learnt that they cannot create a sustainable community business without offering members the kind of products and services they want and need. Credit unions need to be effective businesses to achieve social goals for their



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Socială din România

	members.
3. How are members involved in defining the organization's strategy and activity? Please describe briefly.	They are involved through participation in the AGM and other general meetings. Also they are consulted through the Members Forum and through the annual survey.
4. Which are the other stakeholders that you work with? Please describe briefly the methods and practices of communication/relationships with them.	<b>Local authorities throughout Greater Manchester</b> – meetings and information sessions – offering credit union services to their employees – working with local authorities on community regeneration initiatives <b>Housing associations</b> – close contact – offering credit union services to their employees and tenants <b>Employers</b> – These are payroll partners who offer payroll deduction facilities to their staff to repay loans and save directly in the credit union <b>Churches</b> – mainly Church of England, Roman Catholic and Baptist. Promote credit union services in the areas the churches serve. Churches offer practical support. <b>Schools</b> – credit union services for children <b>Community organisations</b> – close contact with resident associations and other community groups
5. Please describe briefly the strategic partners or alliances that the organization has.	The main strategic partners would be local authorities – especially Manchester City Council – see the presentation given by the City Council when the Romanian group visited Manchester. This is attached. And housing associations – who make their premises available, free of charge for the credit union service points. Large numbers of members are social housing tenants.
<b>I. Human resources</b>	
1. Human resources - personnel - No. of employees (by gender, ethnic background, vulnerable employees) - No. of volunteers (by type, if the case)	22 staff - 17 women and 5 men. The CEO is a woman. Only one staff member is from an ethnic minority. At the moment there are no vulnerable employees. Apart from the directors (who are all volunteers) there are 6 operational volunteers who run outreach sessions in schools and churches.
2. Please describe the employment policies that organization has. Does the organization have any special benefits for employees only?	The credit union employs a human resources and recruitment company to hire in staff. The credit union complies with their standard good practice and with the law.
3. Please describe equal opportunities policies and practices, if any and work integration plan/programme for vulnerable employees, if any.	Yes – this is attached
4. Please describe volunteer recruitment	At the moment the volunteer recruitment policy is out of date – but this will be resurrected given that the



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policies and volunteer roles.

credit union intends to build up its pool of volunteers. The policy will include a volunteer agreement and a commitment to support the training and development of volunteers.

**J. Performance measurement:**

1. What indicators and procedures does the organization use to measure its business and social performance?

The regular monitoring and evaluation of progress against objectives as detailed in the strategic plan is fundamental to the oversight function of the board, and it is against these objectives that the performance of the credit union as well of the CEO is measured.

The financial and non-financial objectives, as defined in the strategic plan are converted to a series of metrics by which credit union performance can be readily and easily measured in board meetings. The concept of a balanced scorecard has been introduced which sets out in a clearly accessible manner the metrics by which credit union progress can be measured monthly, quarterly and annually. Against these metrics the board holds management to account for their achievement.

At each board meeting, alongside the balanced scorecard, there is a board objectives report which measures progress towards the wider objectives set out in the business plan. This scorecard is statistical; the objectives report relates progress in text form.

2. Yearly social results – in the last 3 years, using your organisations' social performance indicators

3. Indicators	2012	2013	2014
a. Assets (raw numbers)	£4,086,035	£4,720,288	£4,764,589
b. Assets (description)			
c. Capital / Asset ratio	31.52%	21.84%	15.4%
d. Turnover	£870,469	£1,109,536	£1,189,502
e. Profit/loss	-£3,684	-£71,698	-£77,490
f. Amount of credit offered (by type of credit)	£3,859,347	£4,353,168	£4,883,517
g. Maximum and minimum credit taken by a member	£30 - £15,000	£30 - £15,000	£30 - £15,000
h. Medium loan taken by a member	£462	£463	£571
i. Number of clients that took loans	4,205	5,232	5,164
j. Revenues from interest rates	£564,482	£655,951	£721,541
k. Deposits/ social funds of members	2,727,484	£3,626,871	£4,005,029



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l. Running/ operating expenses (%)	19.31%	17.80%	24.01%
m. Bad loans amount unreturned by borrowers	5.44%	4.98%	10.77%
n. Number of members that benefited of other services (by type of service, including financial education activities)	923 Credit Union Current Accounts	1,040 Credit Union Current Accounts	1,111 Credit Union Current Accounts
<b>Contact info</b> <b>Contact person</b> <b>Email</b>			
<b>Christine Moore – CEO</b> <b>Christine.Moore@manchestercreditunion.co.uk</b>			



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## **Manchester Credit Union Limited**

### **Internal Complaint Handling Procedure**

#### **Our Commitment to Members**

As a member of the Association of British Credit Unions, and Part of the World Council of Credit Unions, this credit union aims to provide members with quality financial services.

We welcome an opportunity to put things right for members who are dissatisfied with our service. Members feedback will be used to help improve services for all members.

This procedure sets out how a complaint can be made to the Credit Union, and how the complaint will be investigated and responded to.

#### **Definition of Complaints and Eligible Complainants**

A complaint is any expression of dissatisfaction, whether written or oral, about the service that the Credit Union has provided, or failed to provide that has resulted in a financial loss, material inconvenience, or the potential for such a loss or inconvenience to occur.

#### **Complaints Can Only Be Made By Eligible Complainants; An eligible complainant is:-**

1. a Credit Union member or junior saver, or potential or former member or a junior saver.
2. a nominated beneficiary or personal representative of 1 above.
3. a business with a turnover of less than 1 million.

The Credit Union asserts its right to make appropriate business decisions about any area of our operations; including admission of new members and individual eligibility for Credit as reference in the membership and loan policies of the Credit Union.

Complaints will be handled fairly, consistency and promptly.

#### **Receiving A Complaint**

A complaint can be received at any place the Credit Union conducts business. A complaint can be received by any officer or volunteer of the Credit Union.

A complaint may be made in writing or orally to an officer or volunteer of the Credit Union. A complaint can be made in person, by letter, by telephone, or by e - mail.

The officer or volunteer receiving the complaint shall record the following information;

- 1 Name of complainant
- 2 Address and contact details of complainant
- 3 Membership number of complainant (if a member)
- 4 Location of incident
- 5 Date and time of complaint received
- 6 Substance of complaint
- 7 Type of complaint (financial loss, inconvenience, distress, behavioural, etc)
- 8 Name of person receiving the complaint
- 9 Action taken when receiving the complaint (apology offered, provide a copy of the internal complaints handling procedure, other information provided.)

- 10 Date complaint passed to the Complaints Officer responsible for dealing with complaints.

### **Investigating Complaints**

The Complaints Officer will be responsible for actioning and investigating the complaint.

If the Complaints Officer is the subject of the complaint, the Chief Executive may delegate a suitable individual, not involved with the complaint, to action and investigate the complaint as soon as the complaint is received.

In this Credit Union, the Complaints Officer is;

(1)...Amanda Wilcock..... (2).....

The first named person will take the lead on responding to and investigating complaints. The second person will assume responsibility if the first named person is the subject of the complaint or unavailable.

A thorough investigation will be undertaken upon the receipt of a complaint.

Appropriate actions will be taken to identify any remedy any recurring or systematic problems as well as any specific problem identified by a complaint.

### **Responding To A Complaint**

The Credit Union aims to resolve the complaint to the Complainant's satisfaction as speedily as possible.

#### **Within A Day**

This Credit Union aims to resolve complaints satisfactorily by the close of business on the next business day after the day on which the complaint was received. Complaints satisfactorily resolved and completed within this time period will be recorded as satisfactorily completed but will not be included within the annual report to the FSA. The records of such are not required to be kept for 3 years.

#### **Within 7 Days**

If the complaint can not be resolved quickly, an acknowledgement will be sent to the complainant within 7 days of the complaint.

The acknowledgement will include the following information;

- ◆ The name or job title of the person handling the complaint.
- ◆ The Credit Union internal complaint handling procedure.

#### **Within 8 weeks**

If still unresolved within 8 weeks of receiving a complaint, the Credit Union will send the Complainant:

A final response, or

- ◆ A response that explains the delay and advises the complainant when a final response can be expected. The complainant will be asked whether they are willing to extend the time for investigation to be completed. The complainant will be advised that if dissatisfied with the delay he/she can refer the complainant to the Financial Ombudsman Service. A copy of the FOS explanatory leaflet will be included in the response.

## **Final Response**

It is the Credit Unions intention to provide the complainant with a satisfactory final response within 8 weeks of receipt of the complaint

A final response will include:

- ◆ A summary of the complaint
- ◆ A summary of the investigation into the complaint
- ◆ The Credit Unions views on the issues raised by the complaint
- ◆ Details of any redress or offer made to settle the complaint
- ◆ whether the Credit Union acknowledges it has been a fault in any way
- ◆ The complainant's right to refer the complaint to the Financial Ombudsman Service if remaining unsatisfied with the final response from the Credit Union.
- ◆ A copy of the Financial Ombudsman Service explanatory leaflet.

## **Redress To Complainants**

The Credit Union will seek to improve its services to all members as a result of complaints.

## **Records And Reporting**

The Credit Union will keep all records of complaints taking more than the following business day to resolve, for a period of 3 years. The Credit Union will make an annual report to the FSA on the amount and type of complaints handled by the Credit Union.

## **Financial Ombudsman Service**

If a complainant remains dissatisfied at the completion of the Credit Union's internal complaint - handling procedure and a receipt of a final response from the Credit Union, the complaint may be referred to the Financial Ombudsman Service within six months of receiving the Credit Union's final response letter.

The Credit Union will co-operate with any investigation undertaken by the Financial Ombudsman Service. The Financial Ombudsman Service provides a free service to members and customers. They can be contacted at:

Financial Ombudsman Service

South Quay Plaza

183 March Wall      Phone: 0845 - 080 - 1800

London      E-mail ; [enquiries@financial-ombudsman.org.uk](mailto:enquiries@financial-ombudsman.org.uk)

E14 9SR      Website ; [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

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**Registration No: 235C**

**Firm Reference No: 213400**

**MCU Business Plan**

**2015/16 - 2017/18**

**Approved by the Board on**

Manchester Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

It is also covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service. MCU belongs to the Association of British Credit Unions Ltd (ABCUL).

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This document describes the current business and development plan for Manchester Credit Union. It envisages the transformation of the credit union over the next three years into a strong, financial institution with modernised delivery channels that will enable it to reach out to a more socially and economically diverse membership.

The overall aim is to achieve financial sustainability<sup>1</sup> by the end of 2015/16, and to consolidate MCU's position as a provider of ethical and affordable financial services to everyone within the expanded common bond.

This Business plan outlines the key objectives for the next 12 months, which will focus on expanding payroll deduction services and establishing a presence in Manchester city centre.

The financial modelling carried out within the Business Plan is based on the existing common bond area with a particular focus on developing the new website and facilities for on-line and remote applications for membership, loans and other products and services.

**The primary objective of this business plan is to reach sufficient economies of scale and to generate sufficient income to make a small surplus by 2015/16, alongside continuing to provide a high standard of service to a broadening customer base.**

This document will be reviewed and revised annually as part of the Board level strategic review process.

## Summary

MCU has a proven track record of delivering projects for third party partners, and most recently was the main delivery partner for the Department of Work and Pensions Growth Fund across much of the city region. This has meant that MCU traditionally had a predominantly low-income and financially excluded membership base and a low value average loan granted of only £599 (up from £526 in 2013/14).

It is estimated that MCU has saved these members in excess of £20million in interest since it began offering these small loans through the Growth Fund in 2007 (in comparison with doorstep and other high cost lenders).

This business remains at the heart of MCU's social and economic mission, and we are working hard to lower the cost of lending to this part of the membership, by streamlining the lending process, making better decisions and thereby reducing arrears.

However, the focus for this business plan is to recruit more Tier 2 members who are economically active, save higher amounts, and require larger loans over longer periods. Investment in new technology and improved online functionality will enable MCU to achieve this.

Resources have been realigned in order to concentrate on attracting more payroll partners and Tier 2 members, whilst continuing to serve the traditional membership base in a more cost effective way.

Due to high levels of Growth Fund write offs, MCU made a deficit in 2012/13 and 2013/14, however, a small surplus is forecast for 2014/15, mainly as a result of reducing costs and as a consequence economies of scale.

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<sup>1</sup> Sustainability in this context is defined as the credit union being able to offer a range of highly competitive products and services to its members, pay a competitive dividend (or interest) on savings and generate sufficient income to cover all its operating costs and to ensure its capital adequacy remains at a level of at least 10 per cent.

## **Credit Union Expansion Project (CUEP)**

Following the DWP Feasibility study into the Modernisation and Expansion of the Credit Union sector last year, Cornerstone Mutual Services Ltd. (a subsidiary of ABCUL) was awarded the contract to deliver the Credit Union Expansion Project (CUEP), the main aim of which was to double credit union membership in Britain to two million by 2015. This has resulted in investment of £35.6million in the development of credit union infrastructure and back office systems.

The CUEP project is significantly behind schedule, and the contract with the DWP has been re-negotiated and extended by a year until March 2016. However, MCU remains one of the CUEP pathfinder credit unions, and receives some income from growth in members, savings and loans.

The Credit Union Expansion Programme has unfortunately not delivered the expected outcomes to date for MCU. In particular the chosen shared IT platform has proved to be far too expensive for MCU and other large credit unions to afford. Consequently MCU is actively working with similar large credit unions looking at ways to collaborate on alternative IT projects.

## **Other partners and external factors**

Welfare Reforms and the roll out of Universal Credit (UC) in 2014 have not had the impact on MCU that was initially envisaged, mainly due to delayed roll out. Housing providers have sought out new and cheaper channels for ensuring rent payments are secured, meaning that the anticipated reliance and impact on credit unions has significantly reduced.

However, the introduction of the bedroom tax and benefit cap has had an effect on many of our members' disposable income, putting loan repayments at risk and increasing delinquency rates.

Whilst MCU continues to maintain relationships with a range of social housing partners, the rent direct and budget accounts that have been made available have not been used in any quantity to date. Remote channels have also made the reliance on satellite collection points less important, thereby helping to reduce operating costs.

## **Local Authorities**

The Credit Union has a close working relationship with a number of local authorities in the area covered by its Common Bond:

**Manchester** – Manchester Credit Union plays a significant role in the Financial Inclusion Strategy of Manchester City Council, and offers payroll deduction facilities for Manchester City Council employees.

MCU has developed partnerships with **High Peak** Borough Council and **Derbyshire** County Council, which offer support to enable MCU to deliver and expand credit union services across the High Peak. Payroll deduction is also offered to staff at both organisations.

The latest extension of the common bond into **Bury** has meant a close working relationship with Six Town Housing (STH), and Bury Council.

**Trafford** – existing links with Trafford Council and Trafford Housing Trust need to be strengthened further in order to develop a strategy for working across the borough. A new base for delivery of credit union services has now been provided in Sale.

**Payroll deduction facilities** are also available for employees across the region in local authorities, housing providers, health authorities and other local companies.

A full list of payroll partners is included at **Appendix 1**

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## **The Common Bond**

At the end of June 2015, MCU had an active membership of 18,353\* and assets of over £5.4 million.

### **Qualifications for membership**

Admission to membership of the Manchester Credit Union is restricted to:

1. Individuals residing in or being employed in the City of Manchester, or the metropolitan boroughs of Rochdale, Tameside, Trafford, Stockport, Bury and the High Peak, as delineated on the attached map in blue.
2. A body corporate, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above localities
3. Individuals employed by the following employers:
  - a. Great Places Housing Association
  - b. Arcon Housing Association
  - c. St Vincent's Housing Association
  - d. Irwell Valley Housing Association
4. Individuals otherwise associated with the employers above by being in receipt of housing or support services from those employers.
5. An individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.

\* active membership was re-calculated for CUEP monitoring which changed the definition of dormant members, which now excludes those dormant accounts with less than £25 savings balance.

## 1. Mission statement

Manchester Credit Union is a member-owned financial co-operative, and aims to become a full service provider of ethical and affordable financial services to a socially, culturally and economically diverse membership by:

- Putting our members' needs at the heart of what we do
- Providing opportunities for improving member's financial capability
- Striving to provide excellent customer service and;
- The development and nurturing of mutually beneficial relationships with a wide range of partners across the MCU common bond.

MCU also has two additional 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

## 2. History

Manchester Credit Union (MCU) came into being in February 2007 when the then East Manchester Credit Union (EMCU) expanded its 'common bond' to cover the whole of the City of Manchester. EMCU traces its origins to the former Beswick and Openshaw Credit Union Ltd (BOCU) which was founded in 1991 by a variety of community partners working in the East Manchester area.

For the first few years growth was minimal, as the credit union saw itself, largely, as a part of the community development movement. It was run entirely by volunteers and operated out of a number of community locations.

In the late 1990s the credit union benefited from the regeneration of East Manchester and obtained funding to enable it to open shop-front premises and employ a manager in 2000. Involvement in the Wired-Up Communities project, Eastserve, enabled EMCU to raise its profile locally and to have early experience of instant lending.

MCU has received transfers of engagement from a number of other credit unions, including Gorton (2006) Wythenshawe (2008), Money Spinner (2011) and Trafford United (2013), and now has an extensive network of outlets across the Greater Manchester City Region.

As one of the largest Growth Fund contractors in the country, MCU has delivered in excess of 50,000 small loans to date totalling almost £20m. This has resulted in Manchester Credit Union becoming one of the largest and fastest growing community credit unions in the country.

## 3. Priorities

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MCU has the following priorities for the next financial year (2015/16), which support the delivery of the three year financial plan:

The plan will be refreshed each year and the actions/financial targets revised.

**The over-arching objectives for 2015/16 are to improve profitability by:**

- Broadening the customer base by attracting more Tier 2 members who are economically active and as a consequence increase the average value of loans granted from £599 to £700.
- Making existing business targeted to Tier 3 members more profitable through improved and more efficient business systems and processes.
- Improving member engagement.

**This will be achieved by:**

- Presence in areas more easily accessible to a broader customer base including a Manchester City Centre location.
- Streamlining of loan processing to include more automation, in particular less reliance on bank statements and other paperwork.
- Improved website and automated processes
- Investment in new technology to enable remote access and on-line functionality
- Improved Payroll Plus offer and marketing
- Using Engage suite of products to move away from unprofitable CUCA business and re-focus resources on attracting new Payroll Plus partners.
- Exploring options to centralise the loan function.
- Improving member service standards to attract and retain new and existing members
- Improving loan decision making and collection rates
- Developing the members forum and a network of community and workplace champions.

**Key Performance Indicators will be tracked and reported using a newly developed Balanced Scorecard system.**

The work plan and financial projections that underpin the delivery of the MCU business plan and objectives will be reviewed by the board and updated on a regular basis.

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## 4. Products and Services

For the life of this business plan, MCU will focus on growing the core business of savings and loans.

MCU also plans to pilot small business lending through the Start Up Loans Company.

## 5. Staff

Manchester Credit Union is committed to investing in staff training and development because its people and their performance will be the cornerstones of what will make the organisation successful. All staff are actively encouraged to seek out opportunities for personal development.

Staff are also encouraged to attend national and regional conferences and training events. One staff member has already completed the DEUK programme, developed by the Credit Union Foundation, and another is taking part this year.

For details of the current staffing structure, please see **Appendix 2**

## 6. Volunteers

MCU does not currently rely on volunteers to run branches or satellite collection points, however it does recognise that the role of volunteers is vital in promoting the MCU brand and the services it offers to members.

A network of community and workplace champions is in the process of being developed as an important part of the marketing strategy (see objectives above).

## 7. Governance – the MCU Board

The work of the credit union is overseen by a voluntary Board of Directors, elected by the members at the Annual General Meeting.

The board of directors is accountable to the members for the achievement of the purpose of the credit union. The role of the board is to lead, to direct and to control the credit union so that it achieves its objectives.

It is responsible for overseeing the production of statutory audited accounts. It is also responsible for ensuring a statutory annual return and quarterly management reports are made to the Prudential Regulation Authority.

Details of the Board Members can be found at **Appendix 3**.

A full Register of Board Members' Interests is maintained at the credit union head office and is available for examination.

MCU is committed to both strengthening the current board and developing existing board members through a programme of training, personal development and by committing to an annual strategic board away day.

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## 8. Governance – the role of the membership

Manchester Credit Union holds an Annual General meeting where members can have their say about how the credit union is run, and elect members onto the board.

MCU has developed a members' forum which will enable members to take an active role in the development of credit union services. This will meet on a quarterly basis.

## 9. Governance – oversight and protection

Members' savings are assured by the Financial Services Compensation Scheme up to a maximum of £75,000 and savings are covered by the Life Savings policy, currently provided by CUNA Mutual Insurance Limited, which is owned by credit unions.

In addition, MCU maintains a Fidelity Bond which covers members against all other risks, including fraud.

MCU has a well-defined process of external audit and currently employs Hallidays LLP to carry out this work. MCU also has an exemplary track record in reporting and monitoring to funding agencies.

In addition to the external audit, MCU has appointed a firm of internal auditors (T.I.A.A) whose work is overseen by the Finance and Governance committee. The internal audit work will replace the role of the Supervisory Committee, and at the 2015 AGM the membership agreed to change the rules to take account of this.

An internal audit strategy has been produced and an annual schedule of work is completed on a rolling basis

MCU has also developed a comprehensive Risk Register which is reviewed on a quarterly basis as part of the overall Governance and Assurance Framework, and overseen by the Finance and Governance Committee.

## 10. The Financial Plan

### **Performance in 2014/15**

The credit union's financial year runs from 1<sup>st</sup> October to 30<sup>th</sup> September. MCU will make a small surplus in 2014/15 and has a net loan growth of 5%.

Loan interest income for the year was forecast at £827,842, however, due to a larger percentage of loan refusals as a result of using ALD, only £795,000 will be collected.

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## **Financial Plan 2014/17**

The attached financial tables for the next three years show different scenarios, with the key variables being:

- Growth in lending and;
- Rate of return on loans.

### **Risks:**

- Given the nature of MCU's existing membership base, to date there has been a very high number of small loans granted, which has meant high transaction costs. Although larger loans are increasing gradually, there is still some work to do to improve this. In 2014/15 average loans increased from £526 to £599.
- The Credit Union Current Account (CUCA) was expected by this stage to be self-financing, however, it has continued to make a loss due to the difficulties of marketing this product to the membership as a whole. The financially excluded nature of a large proportion of members who are using it means that transaction costs are much higher than income collected. In addition, the Co-operative bank who provide these accounts are closing the service in September 2016. An exit strategy is being formulated (see details of ENGAGE suite of accounts). Until these accounts are closed, MCU will continue to make a loss on this service
- If current levels of bad debt write off continue, and delinquency continues to increase, this would mean that MCU is unable to meet income targets as per the financial tables.

### **Assumptions:**

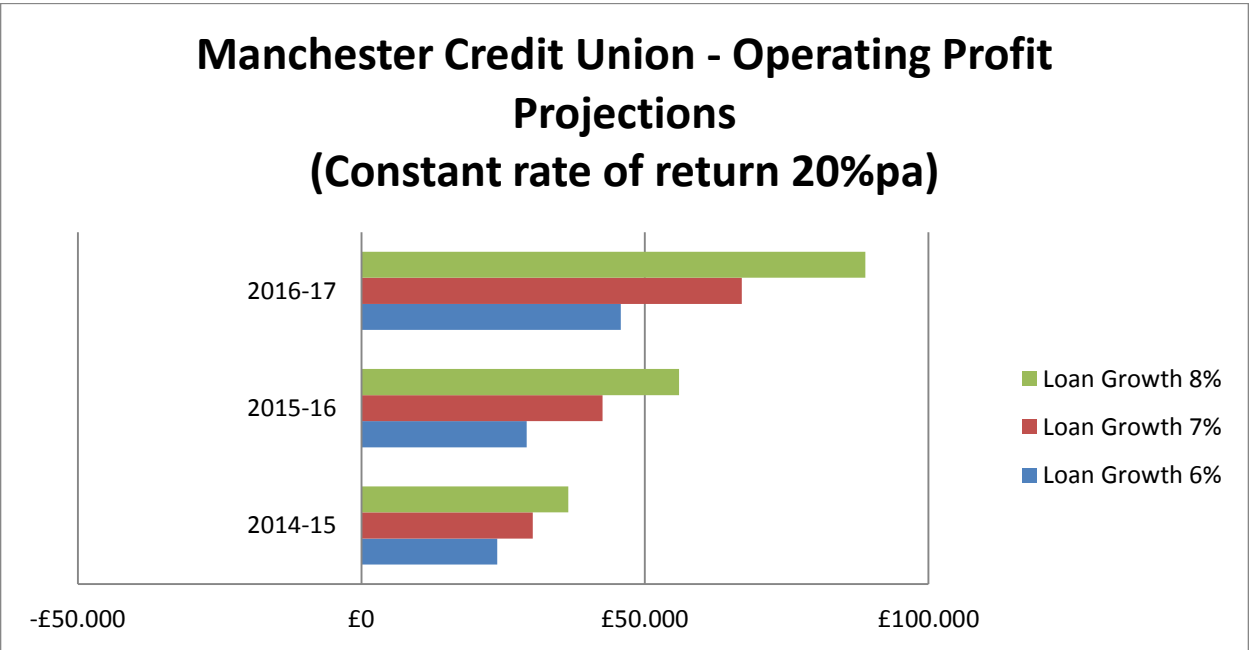
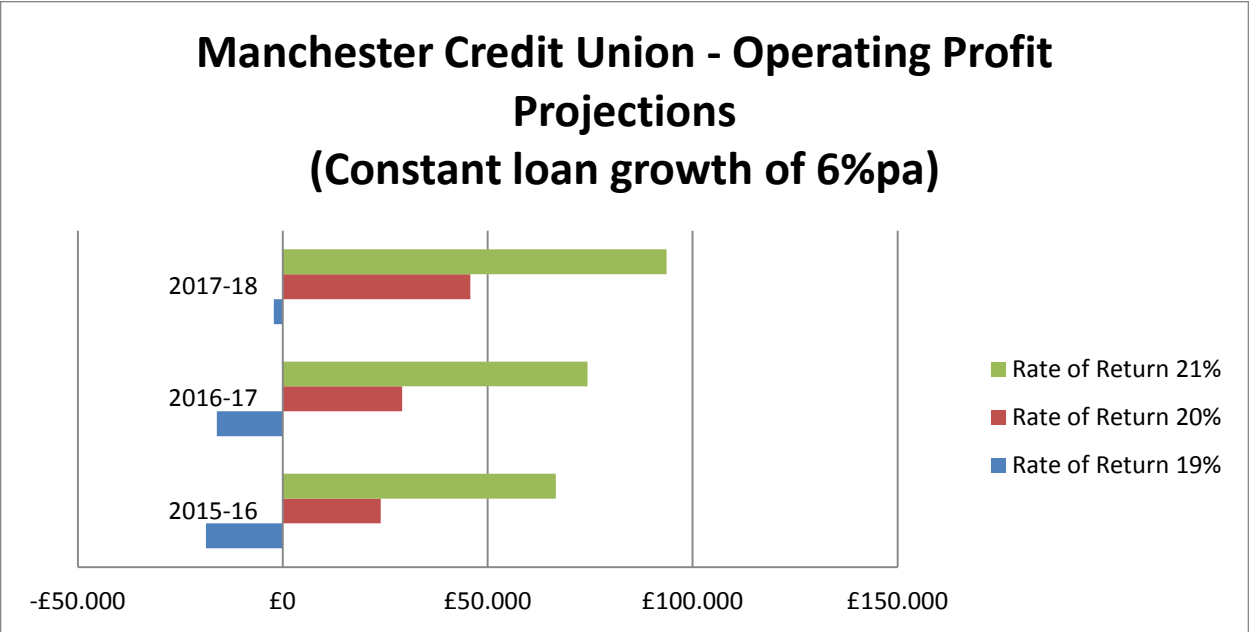
MCU has launched a new website in 2014/15 and is in the process of implementing a new marketing strategy. Further developments to the website to make it smartphone compatible are planned for 2015/16.

Lending growth remains slower than expected in difficult market conditions, although it is hoped that the move to new Manchester city centre premises will help boost lending. We have assumed conservative loan growth of between 6% and 8% over the coming three years.

The current bad debt write off rate of 5% has been maintained for the life of this business plan

Sensitivity analysis

The graphs below show the impact of the key variable of different rates of return and growth in lending:



Financial tables - See Appendix 4



MANCHESTER  
CITY COUNCIL

# Manchester- A Financially Inclusive City

23/6/15- Romanian Credit Union Visit

# What does a Financially Inclusive City Look Like?

- **Household incomes continue to rise year on year** *(through employment/ongoing skills development)*
- **Residents are equipped to choose the right financial products** *(have the information/confidence to make informed decisions)*
- **Residents know where to access more affordable financial products** *(any age and whether in/out of work)*
- **Residents access the financial/debt advice/support they need** *(whether online/self-help to face to face):*

## How do we deliver a Financially Inclusive City?

- Manchester City Council (MCC) Officers on the Board of Manchester Credit Union;
- MCC helping to raise the profile with residents throughout the City, as well as staff (Communication activities, staff sign-up days);
- Making links with City Council partners to promote Credit Unions and getting more people to join- both public sector (Housing- Social Landlords) and private sector (businesses)
- Provided space in City Council offices for Credit Union delivery (particularly new City Centre location for Manchester Credit Union);
- Commissioned MCU/SMCU to deliver short-term loans to those in need.
- Worked with partners on the delivery of Financial Inclusion Conferences in the City (2 to date)- how do we continue to change/respond to a changing market?

## Priorities Moving Forward

- Support more residents in to work- increase incomes;
- Maintain close working with Credit Unions throughout the City;
- Continue to raise the profile of the Credit Union movement in the City- residents, businesses (employees), partners- more people to join;
- Embed what a Credit Union is/the offer in the minds of frontline officers (public sector) so they can promote the Credit Union movement to service users;
- Deliver the third Financial Inclusion conference in the City- so we are adapting & responding to a changing Financial Market (Credit Unions, Post Office, Housing Associations, Advice Agencies+);
- Continue to restrict the advertising of high cost credit on City Council property e.g. advertising hoardings, Library computers;



## **Equality & Diversity Policy**

Manchester Credit Union believes that every person has a right to be treated with honesty, dignity, respect and trust. We are committed to creating an environment where members, staff, volunteers and board members are not subject to any unlawful discrimination, or to bullying or harassment.

The Equality and Diversity Policy covers all aspects of Manchester Credit Union's role as an employer, credit union service provider and partner, and aims to eliminate discrimination and promote equality and diversity in all aspects of our activities.

Our policy covers all aspects of equalities, which includes eliminating discrimination, promoting equality and promoting good relations on the grounds of: -

- Race;
- Colour;
- National origin;
- Ethnic origin;
- Nationality;
- Religion or belief;
- Gender;
- Gender re-assignment status;
- Being married or in a civil partnership;
- Pregnancy or maternity leave;
- Sexual orientation;
- Disability;
- Age;
- Being HIV positive or with Aids.

This list is not exhaustive and we will aim to eliminate any practices that cause any person to be treated unfairly.

The policy has been developed to take account of:

- Equal Pay Act 1970 (as amended 1984);
- Sex Discrimination Act 1975 (as amended 1986);
- Sex Discrimination (Gender re-assignment) Regulations 1999;
- Race Relations Act 1976 (as amended 2000);
- Disability Discrimination Act 1995/2005;
- Human Rights Act 1998;
- Employment Equality (Sexual Orientation) Regulations 2003;
- Employment Equality (Religion or Belief) Regulations 2003;
- Employment Equality (Age) Regulations 2006;
- Equality Act 2006;
- Equality Act (Sexual Orientation) Regulations 2007;



- Commission for Racial Equality's (CRE) Statutory Code of Practice on Racial Equality in Employment (2005);
- Data Protection Act (1998).

We will not tolerate harassment or intimidation of any individual/group and we will take any complaint of discrimination very seriously. We will maintain grievance and disciplinary procedures to deal effectively with all complaints of bullying or harassment.

**Our Equality and Diversity Policy and Strategy aims to ensure equality through the following functions: -**

- The recruitment of board members;
- The recruitment and employment of staff and volunteers;
- The provision of credit union and related services to members and potential members;
- The appointment of consultants and contractors.

**The policy aims to make sure that none of the following groups of people receive less favourable treatment than another: -**

- All board members;
- All staff and volunteers;
- People working on our behalf such as contractors, suppliers and consultants;
- All members and potential members.

**As an Employer:**

Manchester Credit Union will promote equality diversity and fair treatment for all by:

- Embedding equality and diversity across all areas of the organisation;
- Providing a safe and accessible working environment where employees are treated with dignity and respect;
- Adopting a Zero Tolerance approach to all forms of bullying or harassment;
- Ensuring that all Manchester Credit Union employees, volunteers and board members undergo regular Equality and Diversity training, and that it is delivered in a way that is appropriate to their role;
- Ensuring that our recruitment practices are fair and accessible to everyone;
- Promoting opportunities for employment, training and development to local people and under-represented groups, thereby creating a workforce that reflects our diverse communities;
- Monitoring employee satisfaction and taking action to address any concerns.

All employees have a responsibility to help create and maintain a work environment free of bullying and harassment, by being aware of how their own behaviour may affect others, and by making it clear when the behaviour of others is unacceptable.

Any unsolicited or unwelcome action, speech, or behaviour that humiliates, intimidates or undermines an individual employee will be considered unsuitable, even if this effect was not intended by the person responsible for the conduct.

Staff members should therefore recognise that each individual has his or her own boundaries on what constitutes acceptable behaviour. Unsuitable behaviour may relate to race, ethnicity, age, disability, gender, religion, sexual orientation or any other personal characteristic.

Disciplinary procedures may be used in the case of a breach of our policy. This will apply to individuals who condone, incite or contribute to such behaviour.

If any member of staff feels that they are subject to bullying or harassment, it may be possible to resolve the problem through an informal discussion with the person responsible for the conduct (particularly if they are unaware of the effect of their behaviour.)

If an informal approach does not resolve matters, or if you think the situation is too serious to be dealt with informally, you can make a formal complaint by using the MCU grievance procedure. All complaints will be investigated promptly and sensitively, maintaining confidentiality to the maximum extent possible.

If appropriate, disciplinary proceedings may be brought against the person responsible for any bullying or harassment. Manchester Credit Union will take appropriate action to ensure that anyone who reports or makes a complaint about bullying or harassment in good faith is not subject to victimisation.

**As a Credit Union service provider:**

Manchester Credit Union will promote equality diversity and fair treatment for all members and potential members by:

- Embedding equality and diversity across all areas of Manchester Credit Union;
- Communicating in a way that is clear, accessible and easy to read or understand;
- Regularly reviewing our performance via regular member surveys, to ensure satisfaction with our services, and taking action to address any concerns;
- Ensuring that our services and the offices we use are, as far as reasonably possible, accessible to all;
- Promoting our commitment to equality and diversity through internal and external communications;
- Ensuring good governance of Manchester Credit Union;
- Sharing best practice with other Credit Unions to continually improve our approach and quality of service;

**Responsibility**

Manchester Credit Union's board of directors will hold overall responsibility for the management and implementation of this policy.

The Senior Management Team (SMT) are directly responsible for ensuring that the services delivered by their teams are in accordance with this policy, and that all employees and volunteers are provided with the necessary training, support and direction to fulfil its aims.

Senior and line managers are also responsible for ensuring that all Manchester Credit Union employees and volunteers are treated with dignity and respect in the workplace. This includes when working with colleagues, partners, members and other members of the public.

Whilst the Board and SMT will take a lead role, MCU believes it is everyone's responsibility to promote equality. We therefore expect all MCU employees and volunteers to assume responsibility to promote equality and help to tackle all forms of discrimination in the workplace and local community.

Every Manchester Credit Union board member, employee and volunteer will be responsible for their own behaviour in accordance with this policy. They should also be actively involved in challenging inappropriate behaviour where it occurs.