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the following is on behalf of: Blackburn Seafield & District Credit Union
and West Lothian Credit Union Forum

Credit Union Debts in Protected Trust Deeds - Answers to Consultation Questions

Q1a YES

1b reports from another Credit Union that it has seen a large increase in PTDs in the last 6 months. The PTD means another loan written off to bad debt so less money to pay a dividend to the members. No or little dividend results in Credit Unions being less attractive to more affluent members in the community resulting slower growth of the credit union.
Credit Unions provide lower interest rate loans to every member irrespective of the members income bracket. Many lenders only offer people on lower incomes loans at higher rates of interest. PTDs could eventually close credit unions and the only option to people with lower incomes would be higher interest rate loans ,which could lead to more PTDs.

1c YES

Q2a YES

2b Small businesses

2c small businesses

Q3a No, it may actually help them – there are people who run up debts then use PTDs or bankruptcy to clear their debts. When clear of the PTD or bankruptcy they start all over again. Making them pay some of the original debt may discourage this practice.

3b I know several people who have admitted to doing this.

Q4a Option 2

4b Credit Unions are affected by PTDs. Option 1 will not change the amount of money recovered, trustees are paid first with little or nothing left to pay any of the creditors. With Option 2 Credit unions would receive more money back rather than nothing.

4c Credit Union's should receive money from PTDs from day 1
- reduce the payment to the trustees and give something to the Credit Unions.

This would encourage the debtor to take more responsibility , get in the habit of repayment and give them the feel good factor for repaying some of their debt.

PTDs are being actively encouraged by large companies- look at the amount of media advertising. How much money do these companies make from PTDs? What proportion of the money collected is paid to the Trustees and what reaches the creditors?

How many debtors have used PTDs or bankruptcy more than once and will the proposed changes make it easier to do this?

If Credit Unions do get protected status there could be a backlash from other creditors i.e. they could encourage debtors to get a loan from a Credit Union to pay their debt before taking out a PTD.

What proportion of debtors in PTDs pay little or nothing due to not working or earning a low wage?

What is being done to prevent people from getting into the situation where they need a PTD?

Is there any plans to attach financial education to PTDs?

Y [REDACTED]

[REDACTED]

[REDACTED] Blackburn Seafield & District Credit Union

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