


CONSULTATION QUESTIONNAIRE (Page One)
Credit Union Debts in Protected Trust Deeds

The deadline for responses is **25 June 2007**

Your details

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| Name | <i>June Nightingale</i> |
| Job title (if applicable) | <i>Chief Executive</i> |
| Organisation (if applicable) | <i>Glasgow Credit Union</i> |
| Address | <i>95 Morrison Street Glasgow</i> |
| Postcode | <i>G5 3PE</i> |
| e-mail address |  |

For the purpose of analysing responses, it would be helpful if you would also indicate the capacity in which you are completing this questionnaire, please tick as appropriate.

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|-------------------------|-------------------------------------|------------------------------|--------------------------|
| Advice Sector | <input type="checkbox"/> | Legal Body | <input type="checkbox"/> |
| Business | <input checked="" type="checkbox"/> | Professional Body | <input type="checkbox"/> |
| Individual | <input type="checkbox"/> | Statutory Body | <input type="checkbox"/> |
| Insolvency Practitioner | <input type="checkbox"/> | Other (Please Specify) _____ | <input type="checkbox"/> |

Questions for Consultation

1a Do you think that cancelling debt in a Protected Trust Deed has a particularly harsh impact on Credit Unions?

Yes

1b If yes, what evidence do you have to support your comments?

[INSERT SPECIFIC DETAILS OF HOW PTDS HAVE AFFECTED YOUR CREDIT UNION]

Credit Unions are a very necessary part of the Financial Sector. They are 'not for profit' organisations and are member focused. One of the main aims of credit unions is to tackle financial exclusion and in this area it involves lending of small loans to members and also educating members in managing their finances. Unlike the larger financial organisations there is not a clear cut answer on giving a member a loan. Therefore credit unions will spend time with members to assess their ability to repay a loan and also give help on how to budget. Responsible lending is at the heart of credit unions and ability to repay is paramount. Loan applications can be very time consuming and eats into any income made from a loan. The Scottish and UK Governments have recognised the role of credit unions and have invested in them to help provide

affordable credit to those on low incomes and those using high cost doorstep lenders. If credit unions are not given special protection against Trust Deeds then there is the danger that many would need to change their practices in order to absorb the costs of Trust Deeds and would then not be able to fulfil their potential to serve those that most need their services forcing many back into the hands of unscrupulous lenders.

We changed our common bond to 'live or work' within the Glasgow Postcode area last year and feel we are now in a position to make more of an impact in tackling financial exclusion within some of the most deprived areas in Scotland. At our financial year end of September 2006 we saw a rise in the number of trust deeds of 44% to the previous year. This is a very worrying trend as we go forward and we need to take this into account. In order to be able to meet our aims in the area of tackling financial exclusion we must be able to continue to be able to afford the extra time and resources that are needed to serve our members needs. Credit unions must be viable to succeed and if special protection was given to credit unions in protected trust deeds this would enable them to continue their work in offering affordable credit especially to the financially excluded and being successful in tackling high cost doorstep lenders and others that prey on the most vulnerable in our society.

1c Do you think that Protected Trust Deeds should give special protection to Credit Unions?

Yes, because of the nature of credit unions in helping people to manage their finances and giving them the opportunity to have access to affordable credit as well as encouraging all members to save. Credit unions have helped many people to get out of the hands on money lenders and into main stream finance.

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Credit Union Debts in Protected Trust Deeds

2a Do you think that cancelling debt in a Protected Trust Deed has a particularly harsh impact on any other creditor?

No,

2b If yes, what other creditors are affected?

N/A

2c Do you think that Protected Trust Deeds should give special protection to any other type of creditor and which ones?

The case for the Student Loan Company seems fair.

3a Do you think that introducing special protection for credit unions (or another type of creditor) would unduly harm the interests of the rest of the creditors?

No

3b If yes, what evidence do you have to support your comments?

N/A

4a Which of the following options do you think would be the most appropriate?

X Option 2 (Debts not Cancelled) - Debts due to Credit Unions should not be cancelled by Protected Trust Deeds.

4b Why do you think this option is most appropriate?

It would allow the credit union to renegotiate with the member to see if the debt or part of the debt could be repaid. As ethical lenders, we would be flexible in rescheduling repayments. It would allow the member to continue with the credit union and to have the benefits of membership.

4c Do you have any other comments on these options that we should consider?

Trust Deeds are becoming more common and this is due in part by the aggressive advertising of insolvency practitioners and others. Television and the press are full of adverts on how to 'get rid of your debt'. Many of these firms are unregulated and take a fee just to introduce someone to an insolvency practitioner. It would be more beneficial if the Debt Arrangement Scheme was compulsory for debtors in the first instance and debtors could get impartial advice. If it was practical they would be able to come to an arrangement to repay their debt knowing the money was going toward the debt rather than the

majority of the money they would pay into a Trust Deed going on administration of that Trust Deed. Credit Unions believe in responsible lending and we feel that DAS would give debtors a better chance of taking responsibility for their debt and being able to borrow responsibly in the future.