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Credit Union Debts in Protected Trust Deeds

While the financial impact on the viability of Credit Unions, by the cancellation of their debts in trust deeds, is indeed severe, the existing legislation on bankruptcy poses another, far more serious threat to their future. I refer to the effect on the morale of volunteers without whom the credit union sector would not exist.

These volunteers give freely of their time and energy for no pay, to provide a service to people in need. Many volunteers are themselves on low incomes and in many cases are less financially secure than those whose debt is being cancelled. These volunteers would never dream of renegeing on their own responsibility to the credit union, and become ever more disillusioned and de-motivated with each Trust Deed that comes before them.

In permitting Credit Union debts to be included in Trust Deeds, legislators are sanctioning the transfer of funds from the savings of responsible, low income members to the loans of those members who choose not to honour their debt to their fellow members. Including Credit Union debts in this process is completely unnecessary, since credit unions are prepared to renegotiate the terms of members' loans throughout the lifetime of the loan.


Bankruptcy Legislation is intended to protect individuals from irresponsible lenders. Credit Unions were also founded to protect individuals from irresponsible lenders. It will be a paradoxical if an unintended consequence of this Act was to contribute to the demise of Credit Unions.

I am a founder member of Johnstone Credit Union, The Scottish League of Credit Unions and Strathclyde Credit Union Development Agency. I began my work in the credit union movement before the 1979 Credit Union Act was passed, since then several pieces of legislation have been passed, many of which have increased the burden on volunteers. If the government now assists credit union members to avoid their responsibilities and thereby misappropriate the funds of those who have helped them, it is time to reassess the value of continuing.

The threat to the future of credit unions by the granting of trust deeds cannot be overstated. The legislation as it now stands is encouraging ever-increasing numbers of people to avoid their responsibility by the

granting of Trust Deeds. If it is not stopped, Credit Union volunteers will simply walk away. We did not come into the movement to engage in the transfer of wealth from the responsible to the irresponsible.

Tom Kelly
Johnstone Credit Union.



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