

## **CLEATOR MOOR CREDIT UNION – LOAN GUARANTEE SCHEME**

**EXECUTIVE MEMBER:** Cllr E Woodburn

**LEAD OFFICER:** Michael Tichford

**REPORT AUTHOR:** Michael Tichford

**Summary:** The Cleator Moor Credit Union is seeking to expand its work in the community through the development of a loan guarantee scheme, to assist in reducing the reliance of the most vulnerable in the community on very high interest rate loans. Support has been requested in the form of a grant to cover office costs for one year.

<b>Recommendation:</b>	That the Executive agrees to support Cleator Moor Credit Union in the development of a loan guarantee scheme by providing a grant of £2,000 to cover the cost of renting an office in which the project can be based for one year, to be drawn from the Employment Support Fund.
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**Impact on delivering the Corporate Plan:** This type of project can assist in tackling disadvantage through releasing some of the least well off people in the community from very high interest loans.

**Impact on other statutory objectives (e.g. crime & disorder, LA21):** No direct impacts whilst scheme is developed.

**Financial and human resource implications:** £2,000 grant from Employment Support Fund.

**Project & Risk Management:** There is a risk that the loan guarantee scheme will not proceed. This is considered to be an acceptable risk.

### **Key Decision Status**

- **Financial:** N/A  
- **Ward:** N/A

**Other Ward Implications:** None

### **1. INTRODUCTION**

- 1.1 Many members will be familiar with the work of credit unions. They are mutual co-operative, not for profit financial institutions that encourage savings amongst their members to provide a pool of funds to make low cost loans to other members. Membership is limited to people sharing a 'common bond' of residence, employment or association. The Cleator Moor and Millom Credit Unions operate on a community common bond with a population of 15,000 people and have around 500 members.
- 1.2 The Cleator Moor Credit Union wishes to initiate a project to develop a loan guarantee scheme and has requested financial assistance from the Council. The request is to be given rent-free

office accommodation for the project in the Council's offices in Cleator Moor for the period of one year.

## **2. ARGUMENT**

- 2.1 Many people on low incomes find themselves unable to attain credit from high street lenders because of poor credit rating, low income, no bank account or a variety of other reasons. The result is that the only option open to such people to attain goods and services for them and their families is to take out loans from non high street lenders. It is not unusual for these institutions to charge 160% interest per annum on loans, plunging many families into long-term debt.
- 2.2 Loan guarantee (or debt redemption) schemes involve the credit union making a loan to individuals to redeem debt at low credit union interest rates, guaranteed by the fund. The borrower becomes a member of the credit union and the loan can be immediate.
- 2.3 The Cleator Moor Credit Union is seeking to set up a loan guarantee scheme to address clear need in the community it serves. The project is outside the existing resources of the Credit Union who have requested support from the Council in the form of rent-free office accommodation in Cleator Moor for a development worker for the period of one year.

## **3. CONCLUSION**

- 3.1 The Credit Union is well established and the principle of loan guarantee schemes is supported by many agencies in the field as a way of addressing debt problems in disadvantaged communities.
- 3.2 The Council's policy is not to give premises rent-free in such circumstances but to make a grant to the organisation seeking support. There is not a specific budget designated for such projects, however, the Executive has in the past supported using the Employment Support Fund for community initiatives. There are sufficient resources within the Fund.

### **List of Appendices**

None

### **List of Background Documents:**

#### **List of Consultees:**

Head of Legal  
Head of Finance and Business Development