

Cash-hungry turn to credit groups

By Kevin Leonard and Carl Yapp
BBC News

Credit unions in Wales have seen a big surge in demand for loans amid the economic downturn, with many people refused help by the banks.

Many of the community-based organisations offering savings and loans and other financial help say membership has jumped in recent months.

Those contacted by BBC Wales say hundreds of people have joined since the credit crunch began to bite.

The total membership of credit unions has trebled over the past decade.

There are 30 credit unions in Wales, with more than 45,000 members, offering a range of financial services depending on their size.

Any area or organisation can form a credit union but they have to operate within their own communities - known as the "common bond".

The Robert Owen Montgomeryshire Credit Union in Newtown, Powys, has 2,000 members, with 160 joining in the last four months, and has seen an 8% rise in loan applications.

Manager Rina Clarke said: "We've had a lot of people coming to us because they've been refused credit from the banks.

"We've had an increase in personal and business applications, and this has led to an increase in membership. Every week we have several new members.

"They are not guaranteed a loan, but we look at the applications differently to the banks and base decisions on income and expenditure.

"People have an in-depth interview and have to save with us for a period beforehand.

"We also offer financial advice and hold people's hands really, and try to educate them in some financial literacy."

Delyth Shearing, manager of **Merthyr Tydfil Borough Credit Union**, said she and her colleagues had been "extremely busy" for about 18 months.

Since last July, membership has increased by 187, which is up on the same period in 2007.

"We've seen an increase in people slow to repay their loans," said Ms Shearing.

"There's also been an increase in people seeking advice about coping with debt, those wanting advice about dealing with rent arrears, and a rise in inquiries for larger loans to consolidate debt.

"The sort of people we are dealing with have suffered redundancy, a cut in working hours or a change to the benefits they receive."

David Collins, who manages **Wrexham and Borough Credit Union**, said: "We have 350 members and 60 of those have joined since December. That figure could be related to Christmas, but in the last three months there's been a sharp rise in loan applications," he said.

"People want somewhere safe to put their money and credit unions are ideal. We're not linked to the Bank of England, we're not affected by stock market fluctuations - we're totally independent."

Dave Williams of Llandudno and District Credit Union, which covers Conwy county, said although the organisation was growing anyway, the credit crunch had led to more people getting in touch about loans.

"Unfortunately people have perhaps built up a not very favourable credit history," he said.

"All of a sudden, bang, those people who were perhaps a bit rash in the past found all of a sudden nobody wants to know about them.

"Banks are restricting people's overdrafts and not allowing them any more money."

He said the credit union would soon be the first in Wales to offer current accounts to people who would not otherwise have one.

Mark Lyonett, chief executive of the Association of British Credit Unions, said: "Certainly the credit crunch has made more people come to talk to credit unions about their borrowing and saving needs," he said.

Savers and borrowers

"But credit unions have been growing for the last 10 years and this is an added impetus to growth."

Katija Dew of the Wales Co-operative Centre, which supports credit unions, has found they are attracting savers as well as borrowers.

She said: "There are a lot more people wanting to borrow from credit unions but there's a move to more people saving as well.

"People are realising they can't rely on credit quite as much as they have done in the past."

Credit unions work as low-risk savings and loans providers, frequently for less well-off customers, but Ms Dew said they attracted people from all sectors of society.

"Some people do invest in a credit union purely as part of their ethical outlook to support something they feel is local and doing good," she said.

Brian Capon of the British Bankers' Association said there was plenty of room in the market for both banks and credit unions, and they complemented one another.

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