# **WRITTEN STATEMENT**

# **BY**

# **THE WELSH GOVERNMENT**

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| **TITLE**  | **Additional funding for Credit Unions this winter** |
| **DATE**  | **20 November 2024** |
| **BY**  | **Jane Hutt MS, Minister for Social Justice, Trefnydd and Chief Whip** |

This statement updates Members about additional support provided to credit unions this winter to underpin their position as the leading ethical and responsible lenders in Wales.

Credit unions continue to be a lifeline to many households struggling to manage budgets and I am committed to doing all I can to support them do this.

Whilst credit isn’t the right answer for everyone, for many people access to a small, short-term loan can help meet unexpected costs, smooth income and start to build financial resilience. The challenge is that people on the lowest incomes are more likely to pay more for their credit, and to have more uneven credit histories so it’s becoming harder to access.

We know that one in three people struggle to borrow from mainstream banks. We also know that people in financially vulnerable circumstances who are excluded from mainstream finance can turn to unaffordable and illegal credit options.

I want to change this. I am aiming to increase access to affordable credit through credit unions, to fill this gap in ethical provision.

For people in debt and whose credit rating is not strong, the choices they have for borrowing are often very limited. Households who are declined lending are five times more likely to have a loan with either an illegal lender, a doorstep lender, a payday lender or a pawn shop.

There are many reasons why people find themselves in financially vulnerable circumstances and are declined credit. I want to make sure that the right financial products and services are in place for when people need it most.

Credit unions are key to this, designing ethical and responsible products better calibrated to the needs of financially vulnerable people and therefore expanding financial inclusion throughout the Welsh population.

The run up to Christmas is always the busiest time of the year for credit unions with many people looking to borrow money affordably. I am therefore providing £408,719 of additional funding to credit unions in November so they can continue to confidently lend to people who need more support.

We invested £1.2m in credit unions in 2022 so they have the confidence to expand their lending to people who have poor credit histories. This funding has been recycled successfully supporting more people to access affordable credit. To date, more than 3,600 people have accessed loans for the first time from a credit union, and this continues to grow. The additional £408,719 will boost their lending further this winter, to new and now crucially to existing credit union members.

Credit unions are committed to promoting good financial habits. They handle loan applicants with sensitivity and always with affordability in mind. This is why I am committed to supporting them.

With most people now sourcing finance online, it’s vital that credit unions are fully digitalised. We have provided £637k of transformation capital to credit unions since the pandemic to build new tech platforms and other fin tech advancements. I am pleased to say that credit unions have risen to this challenge and are now matching the digital offerings of banks.

Through the Responsible Lenders meetings I chair, I have asked advice service providers and others to work together with their local credit unions to best support the vulnerable clients they serve. This includes providing information on credit union~~s~~ provision, so people know their options for accessing responsible credit.

I continue to push for these relationships to grow with sectors working together, supporting people who are financially vulnerable but who are also likely to continue to need to borrow. It is vitally important that they do so affordably and ethically, ensuring they are protected from illegal money lenders.