

## 8. AFFORDABLE CREDIT UPDATE

The Panel considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing an update on the first year of trading by Conduit Scotland and the two local credit unions, Blackburn, Seafield and District Credit Union and West Lothian Credit Union.

The Panel were advised that the Financial Conduct Authority (FCA) along with economists and policymakers had voiced increased concern about household debt and that financial exclusion from mainstream sources of credit was an increasing problem for households that, in turn, had led to many seeking alternative high cost lenders such as home collected credit, pawn shops and pay day lenders.

A CDFI (Community Development Finance Initiative) was a social enterprise which offered affordable loans and budgeting advice and supported people to engage with other financial services, such as savings with institutions like credit unions, income maximisation and debt management.

Falkirk, Fife and West Lothian Councils had formed a consortium to improve access to affordable loans through a preferred provider, Conduit Scotland. Conduit Scotland operated four shops across the three local authority areas with the West Lothian shop operating in Bathgate.

Conduit Scotland had commenced lending in August 2017 and had since lent £589,518 to 1,179 individuals. The average loan value was £500 and 55% of customers had previously used a high cost lender. In West Lothian, 362 loans totalling £177,679 were agreed.

By working with Conduit customers had saved £281,404 compared to high cost loans. Importantly 9 out of 10 customers felt they had got the help they needed.

The report continued by providing an update in relation to West Lothian Credit Union and Blackburn, Seafield and District Credit Union in that they had received £66,920 of funding from West Lothian Council through time limited funding. This funding was to support the development of an online presence through new websites, mobile apps, online loan application and electronic signature processes.

Most of this work had either been completed or was progressing with roll out expected over the coming months. Jointly the two local credit unions had over 7,000 members with 654 new members in the last year. The credit unions had loaned £1.65m and had combined member savings of £4.17m. West Lothian Credit Union had also reported that 57% of members were accessing online, demonstrating that new technology in a short space of time had increased access, attracted new members and made it easier for members to get a loan.

The report concluded that Conduit Scotland had filled a gap within West Lothian for small amounts of credit to low income, vulnerable households

whilst referring significant numbers onto further support.

The Panel was asked to note the contents of the report and in particular :-

1. £589,518 had been loaned to 1,179 financially excluded individuals through the CDFI;
2. The utilisation of new technology to support widening access to affordable credit; and
3. The valuable contribution Blackburn, Seafield and District Credit Union along with West Lothian Credit Union were making to improve financial inclusion options for low income families.

#### Decision

To note the contents of the report