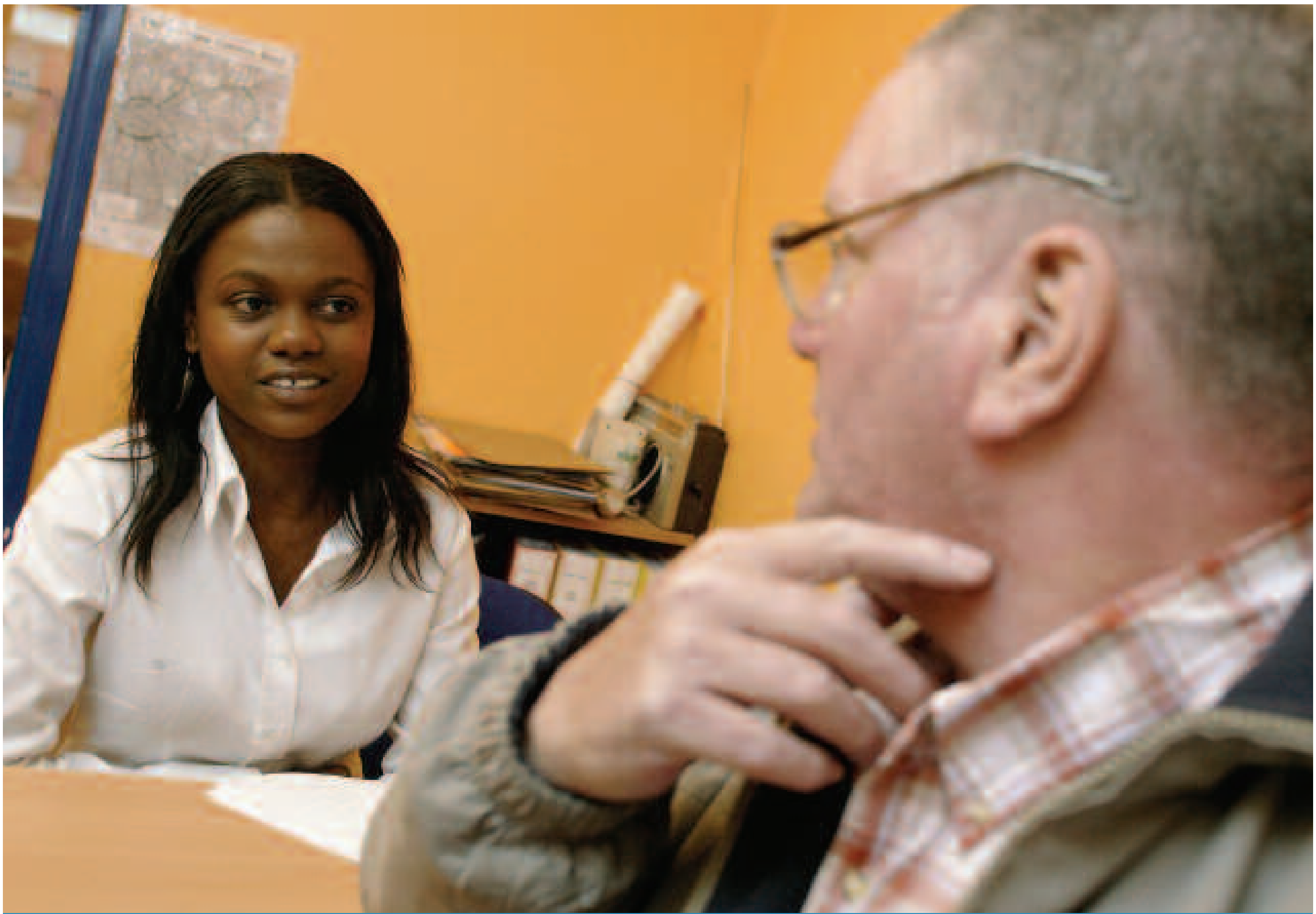
ABCUL Credit Unions



# Membership Counts

## Who uses credit unions?

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April 2006

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Esmée Fairbairn Foundation


ISBN 0-9506281-9-0
ISBN 978-0-9506281-9-6
Membership Counts
Who uses credit unions?
FIRST EDITION
Written by Sharon Collard and
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Published by ABCUL

This research was commissioned by ABCUL with funding provided by the Esmée Fairbairn Foundation. We would like to thank the credit unions and credit union members who took part in the survey.

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## Foreword

The Financial Inclusion Taskforce has been given the job of recommending action, and monitoring progress, on three Government objectives: increasing access to face-to-face money advice, to banking and to affordable credit. Credit unions have an enormously important role to play in expanding the provision of affordable credit at the same time as encouraging members to save and helping people to manage their finances better.

We can see from this research how credit unions are reaching a wide range of people with their services. Credit union members are more likely than the general population to have a relatively low income, rent their home and manage without a bank account.

The research shows how members value the affordable rates at which they can borrow from their credit union and the convenient ways in which they can save. I am particularly encouraged by the number of people for whom higher cost loans are now a thing of the past, now that they have an alternative source of affordable credit. I am looking forward to credit unions making good use of the £36 million from the Growth Fund which has been provided to help increase the availability of affordable credit in our communities.

Over the past few years, ABCUL and its member credit unions have shown impressive drive in developing services to better meet the needs of everyone in their communities. Quality credit unions providing a range of services in-house, and through valuable local partnerships, are making sure their communities' needs are met.

Thanks to their hard work, their members will soon be able to use ATM machines and other transaction services. This will in itself add much value to credit union membership and bring many people who are currently excluded into the mainstream banking system.

I hope credit unions will take the opportunities available to them at the moment both in terms of funding and in learning from research such as this, and that they will carry on striving to bring more affordable credit and other quality financial services to more people in Britain.

*Brian Pomeroy*
*Chair*
*Financial Inclusion Taskforce*


"Because credit unions are uniquely placed with their knowledge, experience and tools, to provide inclusive finance to their communities, this is an ideal time for them to make the most of the Government's £36 million growth fund for third sector lenders."

*Mary Henderson*
*ABCUL President*

## Contents

# 1 Introduction

The credit union movement in Britain is in a period of transition. Following the introduction of the new FSA regulatory regime, the number of registered credit unions has fallen from 686 in 2002 to 567 in 2005, largely as a result of mergers (Table 1.1). At the same time, credit union membership has been increasing steadily. By the end of June 2005 there were just under half a million adult credit union members in Britain, compared with less than 300,000 in 1999 (Table 1.1). Even so, this still only equates to around one per cent of the adult British population.

**Table 1.1 Registered credit unions in Britain, 1997-2005**

| | Number of credit unions | Number of members |
|---|---|---|
| 1997 | 596 | 224,674 |
| 1998 | 630 | 255,596 |
| 1999 | 666 | 295,826 |
| 2000 | 687 | 325,058 |
| 2001 | 698 | 365,934 |
| 2002 | 686 | 406,564 |
| 2003 | 665 | 458,451 |
| 2004 | 597 | 484,424 |
| 2005 | 567 | 492,173* |

Source: www.fsa.org.uk

* Taken from unaudited Quarterly Returns for the period to 30 June 2005

Seven in ten registered credit unions belong to the Association of British Credit Unions Limited (ABCUL), making it by far the largest trade association. ABCUL has been instrumental in developing credit unions that are viable financial institutions, and is now looking to better meet the needs of its membership through 'quality' credit union services such as capacity-based lending, transactional banking, insurance and money advice.

To date, there has been surprisingly little research in the UK on the types of people who use credit unions. ABCUL commissioned this survey of its members to provide an overview of the personal and financial circumstances of members of different types of credit union, including their use of the credit union for saving and borrowing as well as use of other sources of credit and savings products. Given the government's current focus on promoting financial inclusion, it was particularly interested to know the extent to which credit unions are used by people who are financially excluded.

The overall aim of the survey was to compare the membership of four different credit union models:

- Traditional community-based
- Originally employee-based, now live/work
- Live/work
- 'New model' credit unions targeted at people who are likely to be financially excluded



It was not, therefore, a representative survey of all credit union members.

A postal survey of members from 17 credit unions was carried out, comprising an initial mail-out to 3,339 members, usually followed by two reminders. A total of 1,473 completed questionnaires were returned, giving a response rate of 44 per cent. The composition of the sample is given in Table 1.2. Full details of the survey, including the postal questionnaire, are given in the technical appendix. The data from the questionnaires was supplemented by information (mostly demographic) provided by the participating credit unions.

**Table 1.2 Composition of the sample**

| | Column percentages | |
|---|---|---|
| | Number | Per cent |
| Formerly employee-based, now live/work | 560 | 38 |
| Live/work | 150 | 10 |
| Traditional community-based | 509 | 35 |
| New model targeted at financially excluded | 254 | 17 |
| ***Weighted base*** | ***1,473*** | ***100*** |

Nearly eight in ten members (76%) who took part in the survey belonged to credit unions that operated capacity-based lending. The remainder (24%) belonged to credit unions that had a share-based lending policy[1].

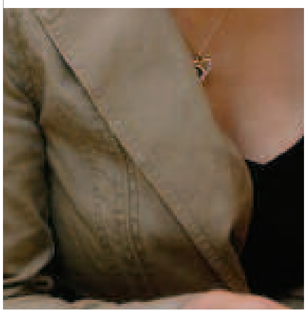
Section 2 of this report provides an overview of the personal and financial circumstances of the credit union members who took part in the survey, including their household income and whether or not they had access to transactional banking services.

Section 3 focuses on saving. It starts by looking at patterns of saving with a credit union and then moves on to explore what other types of savings credit union members had. It rounds off with an overview of people's approaches to saving.

Section 4 focuses on borrowing, starting with patterns of borrowing from a credit union. This is followed by a detailed look at the other sources of credit that credit union members had access to, and had used in the past 12 months. It also looks at changes in the use of home credit since joining a credit union.

The final section draws together the main findings from the survey, looking in particular at the differences in membership across the four types of credit union.

[1]Credit unions have traditionally offered share-based lending, where access to loans is based on the amount of savings that a member has with the credit union.
In recent years, some (generally larger) credit unions have moved to capacity-based lending, where loan applications are decided solely on the applicants' ability to repay.

# 2 What types of people use credit unions?

Relatively little research has been carried out into the types of people who use credit unions in the UK. The work of Berthoud and Hinton (1989) examined the membership of both community-based and employee-based credit unions in the UK. Other research has focused predominantly on membership of community-based credit unions (Whyley et al, 2000; Feloy and Payne 1999; McArthur, McGregor and Stewart 1993).

Regardless of the type of credit union to which people belonged, these earlier research studies indicate that credit union members seemed to share a number of common characteristics – they were mostly women, they tended to be middle-aged, and a relatively high proportion of them were in paid employment.

The findings from this survey mirror this general picture, but also show that there are important differences between the members of different types of credit union, in terms of both their personal and household circumstances and their financial situation. In particular, they highlight the fact that members of community-based credit unions and new model credit unions are more likely to have low household incomes, to be social housing tenants, and to be unbanked – all of which are indicators of financial exclusion.

## 2.1 Personal and household characteristics

As in earlier studies, most credit union members (67%) in this survey were women. Men were, however, over-represented among the members of new model credit unions. So we see that 43% of new model credit union members were male, compared to 33% overall (Table 2.1).

And, like previous studies, credit union members in this survey tended to be middle-aged. The average age was 47 and, overall, half of members (53%) were in their 40s and 50s. This rose to six in ten (61%) among members of former employee-based credit unions (Table 2.1). Only one in ten members (9%) were under 30, although new model credit unions had a rather higher proportion of members aged under 30 than was the case overall. In contrast, live/work credit unions have a far higher than average proportion of members aged 60 or over (Table 2.1).

About half of the credit union members who took part in the survey either lived as a couple with no dependent children (32% of respondents) or as a two-parent family (22%). Overall, lone parents made up 14 per cent of the total number of respondents, and this rose to 18 per cent among the members of community-based credit unions (Table 2.1). By way of comparison, lone parent families make up less than ten per cent of all UK households[2].

Two in ten respondents (20%) lived on their own, and a further one in ten (10%) had some other arrangement – typically they were single people either living with their adult children or with other adults. Members of new model credit unions were over-represented among both these types of household (Table 2.1).

[2]Family Resources Survey, 2004-05.

**Table 2.1 Personal and household characteristics**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based* | New model | *All respondents* |
| **Gender** | | | | | |
| Male | 31 | 29 | 32 | 43 | *33* |
| Female | 69 | 70 | 68 | 57 | *67* |
| **Age** | | | | | |
| Under 30 | 6 | 7 | 12 | 14 | *9* |
| 30s | 19 | 15 | 20 | 24 | *20* |
| 40s | 36 | 23 | 24 | 25 | *29* |
| 50s | 25 | 25 | 25 | 22 | *24* |
| 60 or over | 14 | 31 | 19 | 16 | *18* |
| *Average age* | *47* | *52* | *47* | *45* | *47* |
| **Household type** | | | | | |
| Couple, no dependent children | 34 | 37 | 29 | 27 | *32* |
| Two-parent family | 27 | 21 | 19 | 20 | *22* |
| Lone parent family | 13 | 12 | 18 | 13 | *14* |
| Lives alone | 17 | 22 | 20 | 26 | *20* |
| Other arrangement | 7 | 7 | 12 | 13 | *10* |
| Not stated | 2 | 1 | 3 | 2 | *2* |
| **Ethnic background** | | | | | |
| White | 70 | 91 | 97 | 59 | *79* |
| Mixed | 3 | 1 | 1 | 4 | *2* |
| Asian/Asian British | 4 | 0 | 0 | 6 | *3* |
| Black/Black British | 22 | 7 | 1 | 27 | *14* |
| Can't say | 2 | 1 | 2 | 4 | *2* |
| **Tenure** | | | | | |
| Owns home outright | 11 | 17 | 12 | 8 | *11* |
| Owns home with mortgage | 50 | 38 | 31 | 20 | *37* |
| Rented from private landlord | 5 | 9 | 6 | 15 | *7* |
| Rented from LA or HA | 28 | 30 | 44 | 43 | *36* |
| Other arrangement | 6 | 6 | 8 | 12 | *8* |
| Not stated/don't know | 1 | 1 | 0 | 2 | *1* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

* Information about gender and age was not available from one of the community-based credit unions

In terms of ethnic background, eight in ten members (79%) described themselves as white, and this rose to nine in ten (97%) among members of community-based credit unions (Table 2.1).

Former employee-based credit unions and new model credit unions had the largest proportions of non-white members. Around three in ten members (27%) of the new model credit unions that took part in the survey described themselves as Black or Black British (predominantly Black African), and this was true of around two in ten members (22%) of former employee-based credit unions (predominantly Black Caribbean) (Table 2.1). While this may partly be a function of the sorts of credit unions that took part in the survey, it is also the case that credit unions have a long history of use among African Caribbean communities (Herbert and Kempson, 1996). A previous survey of credit union members in Birmingham found that African Caribbean people were over-represented among credit union members, while Asians were under-represented (Feloy and Payne, 1999).

## 2.2 Patterns of employment

Previous studies indicate that a relatively high proportion of credit union members are in paid work. In one study of community-based credit unions, almost half of members were in work, and most of them worked full-time (McArthur, McGregor and Stewart 1993). A survey of credit union members in Birmingham found that, while part-time workers were over-represented compared to the population of Birmingham as a whole, unemployed people were under-represented (Feloy and Payne, 1999).

A similar picture emerges from this survey. Around six in ten credit union members (62%) were employed or self-employed, most of them full-time (48%) (Table 2.2), and this broadly mirrors the situation among the UK adult population as a whole. As we might expect, members of former employee-based credit unions were more likely to be in paid employment, and to work full-time than was the case overall. In contrast, full-time workers were under-represented among members of community-based credit unions. So around a third of community-based credit union members (35%) were in full-time work, compared with half (48%) of credit union members overall (Table 2.2). In addition, members of community-based credit unions were more likely to be unable to work because of ill-health or a disability than was the case overall (Table 2.2). By way of comparison, 7% of adults in the UK are unable to work (either temporarily or permanently) because of ill-health or disability[3].

It is also notable that members of new model credit unions were twice as likely to be unemployed and looking for work than was the case among members generally (10% of new model credit union members, compared with just 4% of members overall, Table 2.2). Across UK adults as a whole, this figure is 2%[4].

[3]Family Resources Survey, 2004-05.
[4]Family Resources Survey, 2004-05.

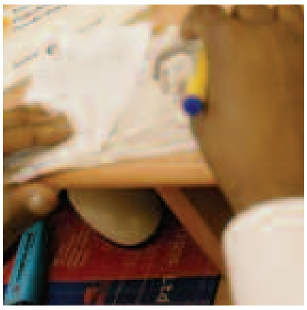


Table 2.2 Patterns of employment

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| **Employment status** | | | | | |
| Employed/self-employed full-time | 65 | 38 | 35 | 43 | *48* |
| Employed/self-employed part-time | 16 | 17 | 12 | 12 | *14* |
| Unemployed and looking for work | 2 | 2 | 5 | 10 | *4* |
| Unable to work - ill-health/disability | 7 | 11 | 18 | 13 | *12* |
| Looking after home/family | 3 | 6 | 9 | 6 | *5* |
| In full or part-time study | 1 | 5 | 2 | 6 | *3* |
| Other situation | 5 | 19 | 14 | 8 | *10* |
| Not stated | 2 | 3 | 5 | 2 | *4* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

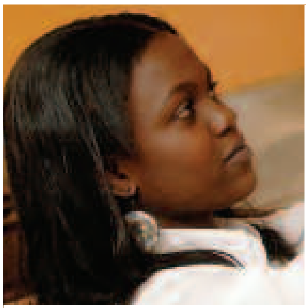
Around one in ten credit union members (10%) indicated that they had some '*other situation*' when it came to employment, and this group is likely to be largely made up of people who are retired from paid work (Table 2.2).

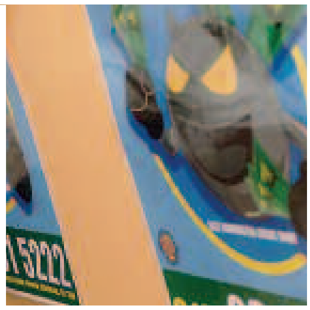
It is also instructive to examine employment at a household level. This shows that six in ten credit union members who took part in the survey (57%) lived in households where there was at least one full-time worker. Again, this was much higher among members of former employee-based credit unions (76%). In contrast, one in five members (22%) lived in a household where there was no-one in paid employment, and this was a more common situation among members of community-based credit unions (31%) and new model credit unions (32%) (Figure 1).

## 2.3 Household income

Credit union members who took part in the survey tended to have fairly modest incomes, with around six in ten (65%) reporting net household incomes of less than £400 per week (Table 2.3). By way of comparison, the Family Resources Survey 2004-05 indicates that 48% of UK households have a total weekly household income of less than £400 per week.

Household income naturally reflects the rather different patterns of employment found among members of the four types of credit union. As reported above, members of former employee-based credit unions were more likely to be in paid employment than was the case overall, and as a result tended to be rather better off – around half of them (46%) said they had household incomes of £400 or more a week, compared to around three in ten members generally (31%) (Table 2.3).





In contrast, those belonging to new model credit unions were rather worse off compared with the generality of credit union members. Around four in ten (42%) had household incomes of less than £200 per week, compared with a third of members overall (33%). A very similar income pattern was evident among members of community-based credit unions (Table 2.3). By way of comparison, only around two in ten UK households (18%) have a total weekly household income of less than £200 per week[5].

**Table 2.3 Household income**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| **Net household income** | | | | | |
| Up to £199 per week | 18 | 35 | 42 | 42 | *32* |
| £200-£399 per week | 33 | 34 | 35 | 31 | *33* |
| £400 or more per week | 43 | 27 | 20 | 21 | *30* |
| Not stated/don't know | 6 | 6 | 3 | 4 | *5* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

These differences in household income were reflected in other ways, such as tenure. So, while around four in ten members (39%) owned their home with a mortgage overall, this rose to half (50%) of members of former employee-based credit unions. At the other end of the spectrum, members of new model and community-based credit unions were more likely to rent their homes from the local authority or a housing association than was the case generally (Table 2.1).

## 2.4 Use of bank accounts

**Bank account holding**
93% of adults in the UK now have a current account or basic bank account[3]. Among credit union members, this figure is 83%.

The availability of basic bank accounts through the high street banks and larger building societies, along with the move to automatic payment of state benefits and pensions, has resulted in a steady increase in banking inclusion. Latest figures from the Family Resources Survey 2004-05 indicate that 93 per cent of adults in the UK now have a current account or basic bank account[6]. Among credit union members who took part in this survey, however, the figure was generally somewhat lower – 83 per cent (Table 2.4).

Certain groups of respondents were less likely to be 'banked' than others. In particular, credit union members living in low-income households (less than £200 per week) were twice as likely to lack a current or basic bank account than was the case generally – 29 per cent did not have an account, compared with 13 per cent overall.

The penetration of bank accounts was also lower than average among members of new model credit unions (22% of whom did not have an account) and those who belonged to community-based credit unions (17%) (Table 2.4).

[3]Family Resources Survey, 2004-05.
[5]Family Resources Survey, 2004-05.
[6]The Family Resources Survey, 2004-05. indicates that 88% of adults have a current account and 5% have a basic bank account.

**Table 2.4 Bank account holding**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| **Do you have a current or basic bank account?** | | | | | |
| Yes | 91 | 87 | 78 | 71 | *83* |
| No | 7 | 9 | 17 | 22 | *13* |
| Not answered/don't know | 2 | 5 | 5 | 7 | *4* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

Only a relatively small proportion of those with a bank account (17%) were currently overdrawn. Four in ten (42%) of them were overdrawn by less than £500. Three in ten (27%) had overdrafts of between £500 and £1,000, while two in ten (20%) owed £1,000 or more. The amounts by which people were overdrawn generally increased with household income. The use of other sources of credit by credit union members is discussed in detail in section 4.

## 2.5 Credit union membership

As Table 2.5 illustrates, most people who took part in the survey had been credit union members for three or more years. Indeed, a third (33%) had belonged to their credit union for seven or more years, and this rose to half (48%) among members of former employee-based credit unions.

At the other end of the scale, about a quarter of respondents (27%) had joined a credit union in the past two years. Among new model credit unions, however, this rose to half of members (52%) (Table 2.5), reflecting the fact that this type of credit union is a relatively recent development.

**Table 2.5 Length of membership and use of credit union**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| **Length of membership** | | | | | |
| 1-2 years | 20 | 20 | 21 | 52 | *27* |
| 3-4 years | 15 | 31 | 29 | 29 | *23* |
| 5-6 years | 17 | 15 | 19 | 19 | *18* |
| 7 or more years | 48 | 35 | 30 | 0 | *33* |
| **Use of credit union** | | | | | |
| Save only | 34 | 30 | 19 | 46 | *30* |
| Save and borrow | 66 | 70 | 82 | 54 | *70* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

The majority of members (70%) used a credit union to both save and borrow, and this proportion was much higher among members of community-based credit unions (82%) (Table 2.5). As we go on to discuss in the next section, the ability to borrow was an important reason for saving with a credit union. To date, the rest (30%) had only saved with the credit union, and had not taken out a loan. Among members of new model credit unions, this rose to half (46%) (Table 2.5). This may partly be explained by the fact that they were more likely to be newer members and had not yet borrowed from the credit union. We go on to explore saving with a credit union in detail in section 3; borrowing from a credit union is covered in section 4.

# 3 Saving

It is generally recognised that savings provide people with security (actual and psychological), act as a safety-net in the face of unforeseen events and smooth the household budget during times of financial constraint (Kempson et al, 2000). Shifts in welfare provision also mean that individuals are increasingly responsible for their own future security. In the light of this, saving and asset-building has become an increasing focus of government policy, particularly in relation to low-income households, with initiatives such as the Saving Gateway matched saving scheme and the Child Trust Fund.

Credit unions are seen to have an important role to play in promoting saving among low-income households, not least because they encourage small-scale savings (HM Treasury, 1999). Moreover, attracting savings is fundamental to the stability and sustainability of credit unions as financial institutions (see, for example, Jones 1998).

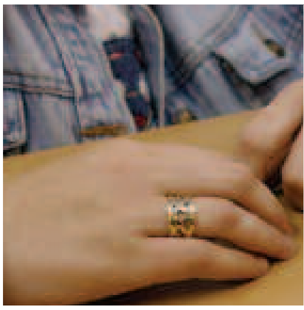
The majority of members who took part in the survey saved regularly into their credit union accounts, either monthly or weekly. The average amount they had saved with the credit union was £261, but this varied widely between the different types of credit union. Most also saved in other ways as well, generally in an ordinary savings account or a tax-efficient Individual Savings Account (ISA). Even so, about a third of credit union members had no other savings apart from the money in their credit union account.

## 3.1 Saving with a credit union

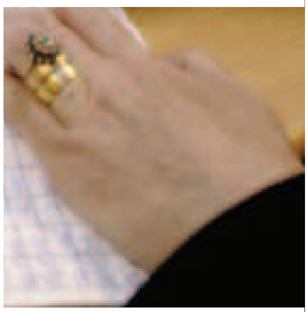
Around three-quarters of the credit union members who took part in the survey saved on a regular basis, generally either monthly (53% of all respondents) or weekly (20%). A few (4%) saved regularly every fortnight, and this was probably linked to the receipt of benefit income. Most of the rest saved intermittently. A small proportion (5%) said they never saved in their credit union account at all (Table 3.1).

Regular monthly saving was more common among members of former employee-based credit unions, three-quarters of whom (77%) saved in this way. Weekly savers were over-represented among members of community-based credit unions (33% of whom saved weekly); those belonging to live/work credit unions (again, 33% of whom saved every week); and people living in households with incomes of less than £200 per week (30%).

Around one in ten respondents (12%) said they saved as and when they could afford to, and this rose to almost a quarter (22%) of members of new model credit unions (Table 3.1).



### 3.1.1 *Total amounts saved with a credit union*



Overall, the average[7] amount that members had saved in their credit union account was £261, but this varied widely across the different types of credit union, reflecting the differences in patterns of employment and household income outlined in the previous section. Consequently, while members of former employee-based credit unions and live/work credit unions had on average almost £400 in their accounts, members of community-based credit unions and new model credit unions had on average less than £200 (Table 3.1).

Looked at another way, we can see that two-thirds of members (65%) had less than £500 saved in their credit union account; the rest (35%) had £500 or more. A third (32%) had less than £100 saved, but among new model credit unions this rose to four in ten members (42%), and among community-based credit unions it was half of members (48%). At the other end of the scale, members of former employee-based credit unions were rather more likely than the generality of members to have £1,000 or more saved (Table 3.1).

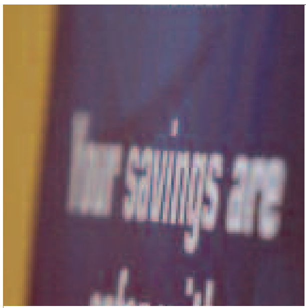
**Table 3.1 Frequency of saving with a credit union and total amount saved**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| **Frequency of saving with CU** | | | | | |
| Weekly | 6 | 33 | 33 | 19 | *20* |
| Fortnightly | 2 | 7 | 7 | 3 | *4* |
| Monthly | 77 | 39 | 37 | 39 | *53* |
| Less often than monthly | 2 | 8 | 4 | 11 | *5* |
| It varies, as and when | 7 | 9 | 14 | 22 | *12* |
| Never | 6 | 3 | 4 | 4 | *5* |
| Not answered/don't know | 1 | 1 | 1 | 2 | *1* |
| **Total amount saved in CU** | | | | | |
| Less than £100 | 17 | 22 | 48 | 42 | *32* |
| £100 or more, less than £500 | 41 | 39 | 24 | 32 | *33* |
| £500 or more, less than £1,000 | 14 | 20 | 18 | 15 | *16* |
| £1,000 or more, less than £2,500 | 20 | 14 | 8 | 8 | *13* |
| £2,500 or more | 9 | 6 | 2 | 4 | *6* |
| *Average (median) amount saved** | *£394* | *£365* | *£113* | *£163* | *£261* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

* The median is the middle value in a distribution, and avoids the influence of extreme values

The regularity with which people saved also impacted on the amounts of money they had saved. As a result, members who saved weekly or monthly had, on average, larger amounts in their credit union accounts than those who saved less often or as and when they could (Table 3.2). It is notable that the small proportion of members who said they never put money into their credit union account nonetheless had an average (median) of £155 saved (Table 3.2). These may be people who had saved in the past but could no longer afford to, or who now saved in other ways instead.

[7] This refers to the median, which is the middle value in a distribution. The median avoids the influence of extreme values, in this case unusually large amounts of credit union savings.



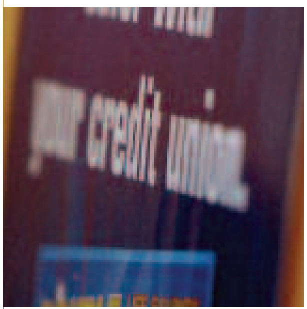




**Table 3.2 Average* amount saved in credit union account by frequency of saving**

| | Average amount saved | *Weighted base* |
|---|---|---|
| **Frequency of saving with CU** | | |
| Weekly | £296 | *297* |
| Fortnightly | £156 | *62* |
| Monthly | £354 | *778* |
| Less often than monthly | £73 | *73* |
| It varies, as and when | £101 | *180* |
| Never | £155 | *68* |
| Not answered/don't know | £199 | *15* |
| *All* | *£261* | *1,473* |

* The median is the middle value in a distribution, and avoids the influence of extreme values

### *3.1.2 Reasons for saving with a credit union*

**Main reasons for saving with a credit union**
- Convenient way to save
- In order to borrow
- Recommended by a friend or relative

The most popular reason that people gave for saving with a credit union was that it offered *'a more convenient way to save'*. Overall, six in ten members (58%)[8] gave this as a reason for saving with a credit union, rising to seven in ten (69%) among members of former employee-based credit unions.

The ability *'to borrow from the credit union'* was the second most common reason, mentioned by four in ten members (39%). It was particularly important among members of community-based credit unions, half of whom identified it as a reason for saving (48%). It is notable that four in ten members (41%) who belonged to a credit union that offered capacity-based lending said they saved in order to borrow. There might be a number of explanations for this - their credit union may only recently have moved to capacity-based lending, for example, or they might simply be unaware of the change in the credit union's lending policy.

The fact that the credit union had been *'recommended by a friend or relative'* was given as a reason by around a third of members (31%). Around two in ten members (16%) said that they saved with a credit union because it paid dividends on savings. This was more important for long-standing credit union members (22% of those who had been members for seven or more years mentioned it), and for those with higher amounts saved with the credit union (mentioned by 23% of those with over £1,000 saved).

Very few people cited the fact that credit unions are ethical, community-based organisations as a reason for saving with one.

[8]Respondents could give multiple responses, so the percentages equal more than 100%.

## 3.2 Other savings

Most credit union members who took part in the survey had money saved in other ways besides their credit union account. There was a strong association with age and income, so the older people were and the higher their household income, the more likely they were to save in other ways as well as with a credit union. The same was true of people who were long-standing credit union members, and who had larger sums of money saved in their credit union account.

The most common type of savings product was an ordinary bank or building society savings account, owned by four in ten (43%) credit union members. Two in ten (19%) had an ISA. Among members of new model credit unions and community-based credit unions, the proportions with these types of account were rather lower (Table 3.3).

Other ways of saving, such as putting money in a Post Office savings account, were much less common. It is worth noting, however, that around one in ten credit union members (13%) either saved cash at home or gave money to friends or relatives to look after (Table 3.3). This type of informal saving is particularly common among low-income households (Whyley et al, 2000, Kempson et al, 2000).

**Table 3.3 Other types of saving**

| | Column percentages[1] | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| Ordinary deposit account | 49 | 51 | 37 | 39 | *43* |
| Individual Savings Account (ISA) | 24 | 22 | 16 | 15 | *19* |
| Post office savings account | 3 | 4 | 5 | 5 | *4* |
| Other savings account | 10 | 9 | 1 | 3 | *6* |
| Cash saved at home | 13 | 14 | 11 | 6 | *11* |
| Cash given to friend or relative | 1 | 3 | 4 | 2 | *2* |
| No money saved | 27 | 26 | 35 | 35 | *31* |
| Not answered/don't know | 7 | 11 | 13 | 13 | *10* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

[1] Respondents could give multiple responses, so the percentages equal more than 100 per cent

Around three in ten respondents (31%) had no other savings apart from the money in their credit union account, and members of community-based credit unions and new model credit unions were slightly more likely to have no other savings than was the case overall (Table 3.3). There was a strong relationship with household income, so that half (46%) of those living in low-income households (£200 or less per week) said that they had no other savings except their credit union account.

### 3.2.1 *Total amounts saved in other ways and frequency of saving*

The general trend seemed to be that people had larger amounts saved in other ways than they did with a credit union[9]. Among members with other savings, half (50%) had more than £500 saved and this rose slightly among members of former employee-based credit unions (57%) and those who belonged to live/work credit unions (56%) (Table 3.4). In contrast, only a third of people (35%) had £500 or more saved in their credit union account (Table 3.5).

Perhaps not surprisingly, those with the highest amounts in their credit union account were also likely to have the most saved in other ways as well. There was a close correlation with levels of household income as well.

**Table 3.4 Frequency of saving in other ways and total amount saved**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All with over savings* |
| **Frequency of saving in other ways** | | | | | |
| Weekly | 8 | 13 | 15 | 16 | *12* |
| Fortnightly | 2 | 1 | 2 | 2 | *2* |
| Monthly | 45 | 41 | 40 | 39 | *42* |
| Less often than monthly | 14 | 12 | 10 | 12 | *13* |
| It varies, as and when | 27 | 26 | 28 | 24 | *27* |
| Never | 6 | 5 | 5 | 5 | *5* |
| Not answered/don’t know | 1 | 1 | 1 | 3 | *1* |
| | | | | | |
| **Total amount saved in other ways** | | | | | |
| Less than £100 | 13 | 11 | 21 | 16 | *16* |
| £100 or more, less than £500 | 20 | 19 | 23 | 22 | *21* |
| £500 or more, less than £1,000 | 14 | 14 | 10 | 17 | *13* |
| £1,000 or more, less than £2,500 | 13 | 10 | 16 | 10 | *13* |
| £2,500 or more | 30 | 32 | 17 | 19 | *24* |
| Not stated/don’t know | 9 | 15 | 14 | 17 | *12* |
| ***Weighted base*** | ***373*** | ***93*** | ***267*** | ***130*** | ***863*** |

Patterns of adding to other savings were similar across all four types of credit union (Table 3.4). Compared with saving with a credit union, however, people were less likely to save regularly and more likely to save as and when they could. As Table 3.4 indicates, half saved regularly in other ways – four in ten (42%) monthly and one in ten (12%) weekly (Table 3.4). Around three in ten (27%) said they saved as and when they could – this was more than double the proportion who saved in this way into their credit union account (12%) (Table 3.5).

[9]Information about the total amount saved in other ways was collected using banded amounts only, so we cannot give the average figure.

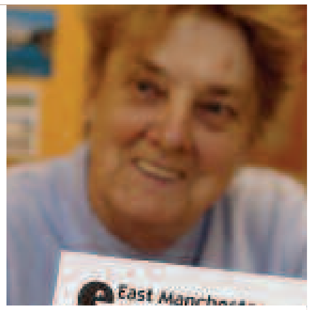



**Table 3.5 Comparison of frequency of saving and total amount saved between credit union accounts and other savings**

| | Column percentages | |
|---|---|---|
| | All respondents | All with other savings |
| **Frequency of saving** | **Into CU account** | **Into other savings** |
| Weekly | 20 | 12 |
| Fortnightly | 4 | 2 |
| Monthly | 53 | 42 |
| Less often than monthly | 5 | 13 |
| It varies, as and when | 12 | 27 |
| Never | 5 | 5 |
| Not answered/don't know | 1 | 1 |
| **Total amount saved** | **In CU account** | **In other savings** |
| Less than £100 | 32 | 16 |
| £100 or more, less than £500 | 33 | 21 |
| £500 or more, less than £1,000 | 16 | 13 |
| £1,000 or more, less than £2,500 | 13 | 13 |
| £2,500 or more | 6 | 24 |
| Not stated/don't know | N/A | 12 |
| ***Weighted base*** | ***1,473*** | ***863*** |

### *3.2.2 Reasons for saving in other ways*

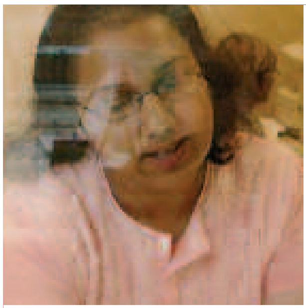
There were a number of reasons why credit union members saved in other ways besides their credit union account[10]. The most common reason, mentioned by half (50%) of those who had other savings, was that they had saved like this prior to joining a credit union. This suggests that these people were already in the 'savings habit' before they became credit union members. Around four in ten (38%) said they liked to have money saved in a number of different ways.

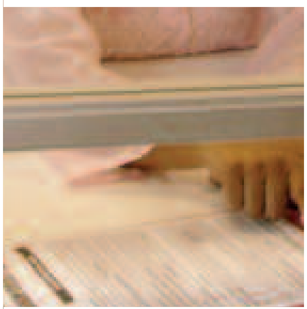
Around a quarter of members (24%) with other savings were saving up with a particular purpose in mind. A similar proportion (23%) was attracted by the higher interest rates offered by other savings products.

Two in ten (19%) chose to save in other ways as a matter of convenience. This rose sharply among members of new model credit unions - a third of them (32%) cited this as a reason for saving in other ways.

**Main reasons for saving in other ways**
- Saved this way before joining credit union
- Like to have money saved in different ways
- Saving up for particular purpose
- Higher interest rates

[10]Respondents could give multiple responses, so the percentages equal more than 100 per cent.



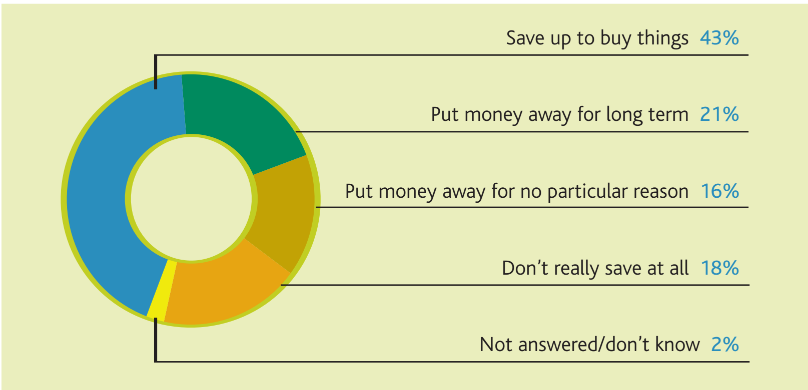


## 3.3 Approaches to saving

As well as asking credit union members about their saving behaviour, the survey also asked about their approaches or attitudes to saving. Similar patterns of motivations to save could be seen across members of the four different types of credit union.

When asked to describe their own approach to saving, the largest group of respondents (43%) said that they mainly saved up to buy things they wanted or needed (Figure 3.1); this was rather higher among members of community-based credit unions (49%) (Table 3.6). Two in ten (21%) tended to put money away for the longer term, and these were generally people on higher incomes and those with larger amounts of money saved in their credit union accounts. A further 16% were saving with no particular reason in mind (Figure 3.1).

**Figure 3.1 Approaches to saving**




It is perhaps surprising that nearly two in ten credit union members (18%) said they didn't really save at all (Figure 3.1) - even though most of them were saving in their credit union account at least occasionally. This might partly be explained by the magnitude of their savings - people with £100 or less in their credit union account were more likely to say that they didn't really save at all than was the case generally (26% compared with 18% overall). They were also less likely than other credit union members to have money saved in other ways.

**Table 3.6 Approaches to saving**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| Save up to buy things | 39 | 43 | 49 | 38 | *43* |
| Put money away for long term | 25 | 23 | 15 | 22 | *21* |
| Put money away for no particular reason | 16 | 19 | 16 | 17 | *16* |
| Don't really save at all | 18 | 12 | 18 | 19 | *18* |
| Not answered/don't know | 2 | 3 | 1 | 4 | *2* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

# 4 Borrowing

Despite the recent credit boom, access to high-street credit is still constrained for people on low and insecure incomes. Consequently, many of them borrow from lenders operating at the lower end of the sub-prime credit market (such as home credit companies) where annual percentage rates typically range from 100 to 400%. Indeed, it is estimated that up to 6.2 million people of working age in the UK could benefit from lower-cost credit (Collard and Kempson, 2005). Credit unions and not-for-profit lenders (such as Moneylines) feature prominently in the government's plans to widen access to more affordable credit (HM Treasury, 2004).

As we saw in the previous section, the ability to borrow was an important reason why people saved with a credit union, and just under half of members who took part in the survey had borrowed from their credit union in the past 12 months. The main attractions of credit union loans were the low rate of interest and the fact that they were quick, easy and convenient to arrange.

Even though the credit union was often the preferred source of borrowing for members, most also used other types of credit as well – and credit cards in particular. Some used high-cost credit such as mail order catalogues and home credit. There was, however, evidence that people had stopped using home credit, or used it less, as a direct result of joining a credit union.

## 4.1 Borrowing from a credit union

Just under half of credit union members (45%) had taken out a loan with their credit union in the past 12 months, and most of them had just had one loan. A small number of members (12%) had taken out two or more loans in that time (Table 4.1). Members of community-based credit unions were much more likely to have borrowed from their credit union in the past year than was the case overall – six in ten of them (61%) had taken out at least one loan (Table 4.1). Patterns of credit union borrowing did not vary a great deal by personal or household circumstances, except that older members (aged 60 or over) were less likely to have borrowed from the credit union than younger members.

**Table 4.1 Number of credit union loans in last 12 months**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| None | 47 | 33 | 29 | 39 | *38* |
| One | 27 | 30 | 43 | 27 | *33* |
| Two | 7 | 14 | 15 | 7 | *11* |
| Three or more | 2 | 5 | 3 | 1 | *1* |
| Not answered/don't know | 17 | 18 | 8 | 26 | *16* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

Four in ten respondents (38%) reported that they had not had a loan with their credit union in the past 12 months (Table 4.1). This proportion was higher among members of former employee-based credit unions (47%). Most of those who had not borrowed from their credit union in the past 12 months said they had never borrowed from a credit union.

### *4.1.1 Total amounts borrowed from the credit union in past 12 months*

Respondents who had borrowed money from a credit union in the past 12 months were asked how much *in total* they had taken out in credit union loans over that time. For the most part, they had borrowed fairly small sums of money. Half of them (51%) had borrowed less than £1,000 in total. A quarter (25%) had borrowed less than £500 in total (Table 4.2).

**Table 4.2 Total amount borrowed from credit union in last 12 months**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents who had borrowed in last 12 months* |
| Less than £500 | 15 | 27 | 31 | 27 | *25* |
| £500 or more, less than £1,000 | 25 | 25 | 28 | 25 | *26* |
| £1,000 or more, less than £2,500 | 33 | 29 | 29 | 32 | *31* |
| £2,500 or more, less than £5,000 | 11 | 11 | 8 | 8 | *9* |
| £5,000 or more | 12 | 3 | 1 | 3 | *5* |
| Not answered/ don't know | 4 | 6 | 3 | 6 | *4* |
| ***Weighted base*** | ***205*** | ***72**** | ***313*** | ***88**** | ***678*** |

* Caution: low base

Of the rest, most had borrowed between £1,000 and £2,500 in total in the last 12 months (Table 4.2). Only a small proportion of members (5%) had borrowed a total of £5,000 or more, but this more than doubled among members of former employee-based credit unions (12%) (Table 4.2). As we might expect, there was a strong association between amounts saved and amounts borrowed, so those with smaller sums saved tended to borrow less, and vice versa.

### *4.1.2 Reasons for borrowing from a credit union*

Respondents who had *ever* taken out a loan with a credit union were asked why they borrowed in this way[11]. The reasons varied little across the different types of credit union. Personal and household circumstances also made little difference to the reasons given.

[11]Respondents could give multiple responses, so the percentages equal more than 100 per cent.

Not surprisingly, the most popular reason for borrowing from a credit union was the *'low rate of interest'* that is charged, and this was mentioned by three-quarters of members (77%) who had ever borrowed from a credit union. The fact that it was *'quick, easy and convenient'* to arrange a loan was also important, cited by six in ten credit union borrowers (59%).

Four in ten credit union borrowers (37%) were attracted by the fact that *'you can borrow more than you have in savings'*. This was true of members of credit unions that offered capacity-based lending as well as those who belonged to a credit union with a share-based lending policy. As discussed in section 3.1.2, this could be because the credit union had only recently moved to capacity-based lending, or because they were unaware of the change in the credit union's lending policy.

Whatever the lending policy operated by their credit union, a third of members (32%) valued the fact that *'you can only borrow what you can afford to repay'*.

Other factors were much less important. One in ten people (11%) mentioned the fact that a credit check is not required, while slightly more (17%) had borrowed from a credit union based on the recommendation of a friend or relative. The inability to get a loan from anywhere else was cited by only a handful of people (4%) as a reason for taking out a credit union loan.

**Main reasons for borrowing from a credit union**

- Low interest rates
- Quick, easy and convenient
- Can borrow more than you have saved
- Can only borrow what you can afford to repay

## 4.2 Other sources of credit

In keeping with the findings from earlier studies (Feloy and Payne, 1999; Whyley et al, 2000), the use of other sources of credit was fairly widespread among the credit union members who took part in this survey. The choice of credit open to them largely depended on their income.

### *4.2.1 What sources of credit do people think are available to them?*

Credit union members were asked for their views about the sources of credit that would be available to them if they needed to borrow £500 to buy something sooner rather than later. Perhaps not surprisingly, most mentioned the credit union (82%), and this was by far the most popular response (Table 4.3). A third of respondents (32%) felt this would be the only source of borrowing available to them in this situation.

The other main ways that people thought they would be able to raise £500 included taking out a loan from a bank or building society, mentioned by three in ten respondents (31%) – even though the minimum personal loan from a bank or building society is typically £1,000 or more. Using a credit card was mentioned by a similar number (28%). Around two in ten people (22%) thought they could draw on their overdraft to raise £500. Members of former employee-based credit unions were more likely to think that these three sources of credit were open to them, while the opposite was true among members of new model credit unions (Table 4.3).

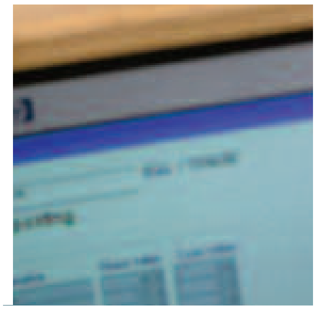


**Table 4.3 Sources of credit that people think are available to them to borrow £500**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| Loan from credit union | 80 | 84 | 87 | 73 | *82* |
| Loan from bank or building society (exc. mortgage) | 37 | 31 | 27 | 23 | *31* |
| Credit card | 36 | 29 | 24 | 20 | *28* |
| Overdraft | 30 | 25 | 16 | 16 | *22* |
| Borrow from friend or relative | 26 | 21 | 24 | 28 | *25* |
| Loan from home credit company | 12 | 15 | 15 | 14 | *14* |
| Loan from finance company | 9 | 9 | 10 | 4 | *9* |
| Social Fund Budgeting Loan | 3 | 7 | 6 | 7 | *5* |
| Not answered/don't know | 4 | 4 | 2 | 3 | *3* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

A loan from a home credit company was seen as a potential way of borrowing money by one in ten people (14%). Notably, this proportion did not vary greatly across the different types of credit union (Table 4.3).

Alongside commercial credit sources, borrowing from friends and family was also seen as a possible way of raising money, mentioned by a quarter of credit union members (25%) (Table 4.3). Again, this did not vary much by type of credit union or people's circumstances.

But even though credit union members generally felt they had a choice when it came to borrowing £500, most (67%) said they would prefer to borrow it from their credit union. Other forms of credit trailed a long way behind this – the next most popular response was to borrow from friends or family, mentioned by fewer than one in ten people (7%), followed by a bank/building society loan or an overdraft, both of which were mentioned by five per cent of respondents.

### *4.2.2 Use of other sources of credit in the past 12 months*

**Other credit use**
Six in ten credit union members had used some type of credit (other than a credit union) in the past 12 months – most commonly a credit card.

Credit union loans aside, six in ten people (56%) had used some other form of credit in the past 12 months[12]. Other credit use was, however, much less common among members of new model credit unions – four in ten (42%) had not used any other form of credit in the last year, compared with three in ten people (32%) overall (Table 4.4).

In keeping with earlier research (Feloy and Payne, 1999), the three main sources of credit used by credit union members were credit cards, mail order catalogues and hire purchase.

Credit cards are the most common type of credit among UK households (Kempson, 2002), and this was also the case among the credit union members who took part in the survey. Three in ten respondents (30%) overall had used a credit card in the past 12 months. Credit card use was higher among members of former employee-based credit unions (39%), and

[12] This excludes borrowing from family or friends but includes Social Fund loans.

lower among members of new model credit unions (23%) and community-based credit unions (25%) (Table 4.4). Use of credit cards increased sharply with household income, so that half of people (48%) with household incomes of £400 or more a week had used a card in the past year, compared with only one in ten (13%) of those with household incomes of less than £200 per week.

Two in ten people (17%) had bought goods in instalments from a mail order catalogue in the last 12 months, and this was somewhat higher among members of community-based credit unions (21%). Around one in ten people (11%) had bought goods on hire purchase or credit agreement (Table 4.4).

A similar number (10%) had taken out a loan with a bank or building society (Table 4.4) and this was more common among members of former employee-based credit unions.

**Table 4.4 Other sources of credit used in the past 12 months**

| | Column percentages[1] | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| Credit card | 39 | 29 | 25 | 23 | *30* |
| Goods bought from mail order catalogue | 16 | 19 | 21 | 10 | *17* |
| Goods bought on HP/credit agreement | 12 | 8 | 12 | 9 | *11* |
| Loan from bank or building society (exc. mortgage) | 14 | 7 | 9 | 8 | *10* |
| Store card | 9 | 10 | 4 | 7 | *7* |
| Loan from home credit company | 2 | 2 | 9 | 4 | *5* |
| Social Fund Budgeting Loan | 1 | 5 | 6 | 6 | *4* |
| Loan from finance company | 3 | 2 | 2 | 2 | *2* |
| Student loan | 1 | 2 | 1 | 1 | *1* |
| Other type of loan | 3 | 2 | 0 | 1 | *1* |
| None of these types of credit | 28 | 36 | 32 | 42 | *32* |
| Not answered/don't know | 9 | 11 | 11 | 10 | *10* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

[1]Respondents could give multiple responses in relation to the types of credit they had used, so the percentages equal more than 100 per cent.

Although 14 per cent of people felt that home credit was a potential source of credit for them to use, only a small number (5%) had actually borrowed from a home credit company in the last 12 months (Table 4.4). It was, however, rather more prevalent among members of community-based credit unions, nine per cent of whom had borrowed in this way in the last year. Not surprisingly, a much higher proportion of people (22%) said that they had *ever* used home credit. As we discuss in section 4.2.5, some had stopped using home credit once they joined a credit union.

Other sources of credit were only mentioned by a few people. Social Fund Budgeting Loans had been used by four per cent of credit members in the last year (Table 4.4), but this rose to 10 per cent of people living in households with incomes of less than £200 per week, who would be more likely to be eligible to apply.

### *4.2.3 Total amounts borrowed from other sources of credit in the past 12 months*

As with credit union borrowing, respondents who had used other sources of credit in the past 12 months were asked how much *in total* they had borrowed. Similar to the picture we saw with credit union borrowing, around half (56%) of people who had taken out some other type of loan or bought goods on credit in the last year had borrowed less than £1,000 in total (Table 4.5).

A much higher number, however, had borrowed less than £500 in total than had done so from a credit union – four in ten (43%) compared with a quarter (25%) of credit union borrowers (Table 4.6). This was mostly accounted for by people who had bought goods on credit from a mail order catalogue.

**Table 4.5 Total amount borrowed in the last 12 months in the form of personal loans and goods bought on credit**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents who had a loan or bought goods on credit in last 12 months* |
| **Total amount borrowed in form of personal loans and goods on credit in past 12 months** | | | | | |
| Less than £500 | 35 | 45 | 49 | 49 | *43* |
| £500 or more, less than £1,000 | 8 | 17 | 15 | 18 | *13* |
| £1,000 or more, less than £2,500 | 16 | 11 | 8 | 8 | *11* |
| £2,500 or more, less than £5,000 | 11 | 9 | 6 | 8 | *9* |
| £5,000 or more | 19 | 11 | 10 | 11 | *14* |
| Not answered/ don't know | 11 | 6 | 12 | 8 | *10* |
| ***Weighted base*** | ***237*** | ***53**** | ***233*** | ***91**** | ***614*** |

* Caution: low base

The other main difference was that three times as many people had borrowed a total of £5,000 or more over the last 12 months from other sources of credit than they had from a credit union (14% compared with 5% from a credit union) (Table 4.6). This higher level of borrowing mainly comprised larger bank and building society loans.


**Table 4.6 Comparison of total amounts borrowed in the last 12 months by those who had taken out a credit union loan and those who had borrowed from other sources (excluding money owed on credit and store cards)**

| | Column percentages | |
|---|---|---|
| | All respondents who had borrowed from CU in last 12 months | All respondents who had taken out a loan or bought goods on credit in last 12 months |
| **Total amount borrowed in past 12 months** | **From CU** | **From other sources** |
| Less than £500 | 25 | 43 |
| £500 or more, less than £1000 | 26 | 13 |
| £1,000 or more, less than £2,500 | 31 | 11 |
| £2,500 or more, less than £5,000 | 9 | 9 |
| £5,000 or more | 5 | *14* |
| Not answered/don't know | 4 | *10* |
| ***Weighted base*** | ***678*** | ***614*** |

Respondents were also asked about the amounts they currently owed on credit and store cards. The majority of those who had used a credit or store card in the past 12 months were carrying a balance on their card or cards. Half (50%) owed less than £1,000 and in fact most owed less than £500 (Table 4.7).

Three in ten card users (29%) owed between £1,000 and £5,000, while a small proportion (9%) owed £5,000 or more. Around one in ten (7%) currently owed nothing on their card or cards (Table 4.7).

**Table 4.7 Total amount currently owed on credit and store cards**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents who used credit or store cards in last 12 months* |
| **Total amount currently owed on credit/store cards** | | | | | |
| Nothing | 7 | 8 | 8 | 8 | *7* |
| Less than £500 | 31 | 38 | 26 | 39 | *32* |
| £500 or more, less than £1,000 | 19 | 18 | 15 | 16 | *18* |
| £1,000 or more, less than £2,500 | 14 | 14 | 30 | 22 | *19* |
| £2,500 or more, less than £5,000 | 13 | 6 | 11 | 3 | *10* |
| £5,000 or more | 11 | 8 | 7 | 8 | *9* |
| Not answered/don't know | 7 | 8 | 4 | 5 | *6* |
| ***Weighted base*** | ***245*** | ***50**** | ***138*** | ***64**** | ***497*** |

* Caution: low base



### *4.2.4 Reasons for using other sources of credit*

**Main reasons for using other sources of credit**
- Used lender before
- Offered credit by lender
- Could not borrow from credit union
- Quick and easy

Given that credit union members have access to a relatively low-cost source of credit, it is perhaps surprising that they borrow in other ways as well. In the context of the UK credit market, however, they are not unusual – the average UK household has access to 3.1 credit facilities and owes money on 2.1. current credit commitments (Kempson, 2002).

Among credit union members who had used other credit in the past 12 months, there were a range of reasons for choosing to borrow in these ways rather than from a credit union, and these did not vary greatly either by type of credit union or by personal and household circumstances.

The most common reason given (cited by 25% of credit users) was familiarity – they had used this source of credit before. This is in keeping with previous research, which indicated that low-income borrowers in particular tend to stick with 'tried and tested' credit providers, even if cheaper alternatives may be available to them (Kempson and Collard, 2005).

Around two in ten members (19%) said they had simply taken up an offer of credit from a lender, in the form of a personal loan, credit or store card. It is certainly the case that commercial lenders, and credit card companies in particular, have become more aggressive in their lending practices as the credit market has become more competitive.

Credit union members may also borrow in other ways because they have credit needs that cannot be met by the credit union. This was the case for around two in ten members (18%), who already had a loan from their credit union and, as they could not borrow any more, had turned to another lender to meet their borrowing needs. Some people (17%) had used other sources of credit because they could get the money they needed quickly and easily.

### *4.2.5 Changes in use of home credit as a result of joining a credit union*

The findings outlined above indicate that it is common for credit union members to use other sources of credit alongside a credit union. But do credit unions encourage people to stop using high-cost forms of credit, and home credit companies in particular?

As mentioned above (section 4.2.2), around a quarter (22%) of credit union members had used a home credit company at some time. Four in ten (41%) of this group (equal to 10% of respondents overall) said they had stopped using home credit as a direct result of joining a credit union. A further two in ten (16%) said they had used home credit less since becoming a credit union member (Table 4.8).

**Table 4.8 Changes in use of home credit since joining a credit union**

| | Column percentages |
|---|---|
| | All who had ever used home credit |
| **Has your use of home credit changed since joining a credit union?** | |
| Stopped using home credit as direct result of joining a credit union | 41 |
| Use home credit less as direct result of joining a credit union | 16 |
| Stopped using home credit or use less for some other reason | 18 |
| Use of home credit has not changed since joining credit union | 12 |
| Not answered/don't know | 13 |
| ***Weighted base*** | ***376*** |

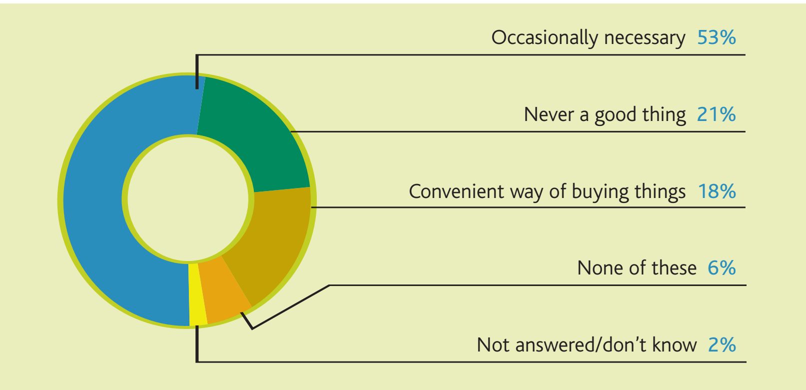
In other words, six in ten respondents (57%) who had ever used home credit[13] had stopped using it or used it less as a *direct result* of becoming a credit union member. A further two in ten respondents (18%) who had borrowed from home credit companies also reported that they had stopped using home credit or used it less, but for some reason other than joining a credit union. One in ten (12%) continued to use home credit as they had done before becoming a credit union member (Table 4.8)[14].

## 4.3 Approaches to borrowing

As with saving, people were asked to describe their overall approach to borrowing. The largest group (53% of respondents) regarded borrowing as something that was *'occasionally necessary'* to buy essential or expensive things (Figure 4.1). This varied little across the different types of credit union (Table 4.9). It was, however, a view less commonly held by older people.

A fifth of respondents (21%) thought that borrowing was *'never a good thing'*, and liked to save up for the things they wanted or needed (Figure 4.1). This view was more prevalent among older people.

**Figure 4.1 Approaches to borrowing**




[13]Equivalent to 15% of all respondents.
[14]The numbers were too small to analyse these changes by the different types of credit union.

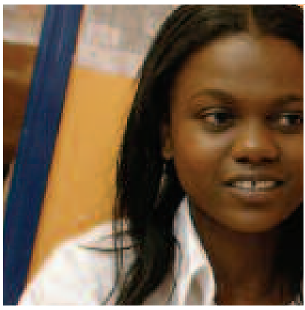
Nearly as many people (18%) saw credit as *'a convenient way of buying what they wanted or needed'* without having to wait or save up (Figure 4.1). This was a rather more common view among members of community-based credit unions (23%) (Table 4.9).

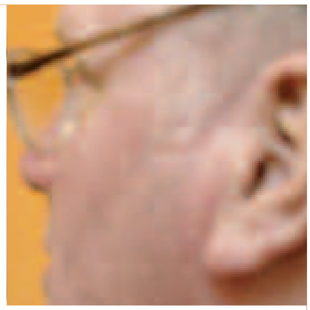
**Table 4.9 Approaches to borrowing**

| | Column percentages | | | | |
|---|---|---|---|---|---|
| | Formerly employee | Live/work | Community based | New model | *All respondents* |
| Occasionally necessary | 53 | 57 | 52 | 52 | *53* |
| Never a good thing | 23 | 18 | 19 | 23 | *21* |
| Convenient way of buying things | 16 | 17 | 23 | 13 | *18* |
| None of these | 6 | 5 | 5 | 8 | *6* |
| Not answered/don't know | 2 | 3 | 2 | 4 | *2* |
| ***Weighted base*** | ***560*** | ***150*** | ***509*** | ***254*** | ***1,473*** |

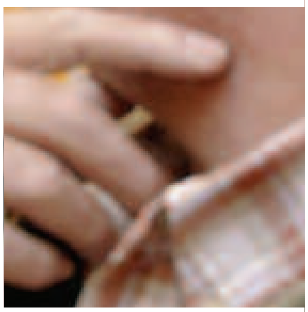
As we might expect, people's attitudes to borrowing was reflected in their use of credit. So, for example, half of people (52%) who thought that credit was *'never a good thing'* had never had a credit union loan. And the same proportion (52%) had not used any other form of credit in the past 12 months.

By way of comparison, most people (68%) who thought that credit was *'a convenient way of buying what they wanted or needed'* had used some form of credit (excluding a loan from a credit union) in the past 12 months.





# 5 Summary



The final section of the report brings together the key findings of the survey, to provide an overview of the main differences between the members of the four models of credit union. From this, we see that different types of credit unions seem to serve rather different groups of people. Put simply, community-based credit unions and new model credit unions tend to serve those who are likely to be financially excluded. Former employee-based credit unions and live/work credit unions, on the other hand, tend to have members who are, in comparison, rather better off and have greater access to the mainstream financial services market.

These differences may partly be a function of the particular credit unions that took part in the survey, but the findings are nonetheless an important step forward in identifying the people who are currently served by these types of credit unions and, by extension, those who are not.

## 5.1 Membership across the different types of credit union

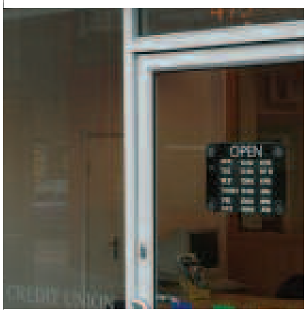
The most striking differences in membership were found between community-based credit unions, new model credit unions and former employee-based credit unions. The membership of live/work credit unions was largely unremarkable by comparison, and seemed to represent a 'middle ground' of members. The overview presented here therefore concentrates on the first three types of credit union.

There were a number of common characteristics among members of community-based credit unions and new model credit unions – they tended to have low household incomes, to rent their homes from a social landlord, and were less likely to have a current account or basic bank account than was the case overall. In other words, they were the types of people who were likely to be financially excluded.

But here the similarities ended. First, there were significant differences in the make-up of the memberships of these two types of credit unions. Members of community-based credit unions were more likely to be lone parents, and to be white. Among the membership of new model credit unions we saw that men, younger people, and people with a non-white ethnic background (mainly Black African) were over-represented. Members of new model credit unions were also more likely to live alone or with other adults than was the case generally.

Second, there were differences in the way that members used the credit union. Members of community-based credit unions tended to be weekly savers, who saved in order to borrow. As a result, they were more likely to have taken out a loan with a credit union in the last 12 months than was the case generally. They also had above-average use of mail order catalogues and home credit.

In contrast, members of new model credit unions tended to save as and when they could and were less likely to have borrowed from the credit union. This may partly be explained by the fact that they tended to have joined a credit union relatively recently. It could also be that they were more interested in saving than borrowing. At first glance, this seems to be given some support by the fact that they had below-average use of other types of credit. An alternative explanation for their low levels of credit use could, of course, be that they are unable to access credit products.


The membership of former employee-based credit unions, on the other hand, was quite different to that of community-based credit unions and new model credit unions. Although by no means wealthy, members of former employee-based credit unions were certainly better off than their counterparts in community-based and new model credit unions. They were more likely to live in households with at least one full-time worker and, as a consequence, had higher household incomes. They also tended to be home-owners rather than tenants.

In keeping with this, members of former employee-based credit unions typically had larger sums of money saved in their credit union account. They were more likely than their poorer counterparts to have money saved in other ways as well. The sources of credit they used also reflected their higher incomes – with above-average use of both credit cards and personal loans in the past 12 months. They were less likely, however, to have taken out a credit union loan within the past 12 months than was the case among the generality of credit union members.

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# Technical Appendix

This survey was commissioned by the Association of British Credit Unions Limited (ABCUL). The primary aim of the survey was to provide an overview of the personal and financial circumstances of credit union members, including their use of other sources of credit and savings products. A further objective was to look at differences between the following four types of credit union:

- Traditional community-based
- Originally employee-based, now live/work
- Live/work
- 'New model' credit unions targeted at people who are likely to be financially excluded

Given the focus of the research on the above types of credit unions, the survey was not representative of all credit union members.

## Sample design

Having decided the types of credit union to include in the survey, a purposive sample of credit unions was selected to represent each type, as follows:

| CU Name | Type |
|---|---|
| ACTS | Live/work |
| Dalmuir | Traditional |
| Drumchapel | Traditional |
| East Manchester | Traditional |
| Enterprise | Traditional |
| Hartlepool (Moneywise) | Traditional |
| Leeds | Were employee-based |
| Llandudno | Live/work |
| Newcred | New model |
| Riverside (Speke) | Traditional |
| South Tyneside | Live/work |
| Southwark | Were employee-based |
| Streetcred | New model |
| Tower Hamlets | New model |
| Walsave | Were employee-based |
| Wearside | New model |
| Wythenshawe | Traditional |

In selecting individual credit unions, their location and length of time in operation was also taken into account into order to arrive at a good mix within each type.

The second stage of sampling required the random selection of members from each credit union. In setting a target number of members for each credit union the distribution of members between the four types was taken into account. Were a proportionate sample to have been selected, based on the number of members in each type of credit union, then some


of the smaller types of credit unions would have had insufficient numbers to enable reliable analysis. Thus disproportionate sampling was employed across the four types of credit union to set the target number of members to be sampled in each.

Having set the target for each credit union, detailed written instructions were provided, which explained the selection process to achieve the required number of members for the survey. All members within a credit union were first sorted by the date of joining the credit union and then by surname in the case of those with the same joining date. Each credit union was provided with their own 'sampling fraction' (or 'n' in the table below) which was used to select members systematically from the sorted list. This procedure ensured a random selection of members, with each having an equal probability of selection.

Having received the sample, any members aged 16 or under were removed, as it was felt that the survey would be intrusive for younger members. The issues covered in the questionnaire were also less relevant to them.

The table below shows the number of members ultimately sampled by each credit union:

| CU Name | Members | Target sample | Value of 'n' | Number sampled |
|---|---|---|---|---|
| ACTS | 1,500 | 65 | 23 | 72 |
| Dalmuir | 6,219 | 266 | 23 | 266 |
| Drumchapel | 2,781 | 119 | 23 | 87 |
| East Manchester | 1,549 | 66 | 23 | 63 |
| Enterprise | 1,703 | 73 | 23 | 72 |
| Hartlepool (Moneywise) | 1,700 | 74 | 23 | 77 |
| Leeds | 12,623 | 484 | 26 | 469 |
| Llandudno | 1,759 | 377 | 5 | 378 |
| Newcred | 2,675 | 181 | 15 | 199 |
| Riverside (Speke) | 3,739 | 160 | 23 | 153 |
| South Tyneside | 2,700 | 540 | 5 | 488 |
| Southwark | 5,643 | 216 | 26 | 215 |
| Streetcred | 2,442 | 165 | 15 | 199 |
| Tower Hamlets | 3,385 | 229 | 15 | 270 |
| Walsave | 4,000 | 154 | 26 | 137 |
| Wearside | 1,600 | 107 | 15 | 88 |
| Wythenshawe | 2,531 | 108 | 23 | 106 |
| **Total** | **58,549** | **3,386** | | **3,339** |

## Questionnaire development

The self-completion questionnaire used in the survey was devised in consultation with ABCUL, to be sent out to sampled members by post. An early version of the questionnaire was tested with members of Purdown Credit Union in Bristol. Refinements were made and a final version agreed, a copy of which can be found annexed to this report.


## Survey administration and timing

Accompanying the questionnaire was a letter explaining why the survey was being conducted and how the data collected would be processed and used. A copy of the letter is also annexed to this report. The letter was printed on the relevant credit union letterhead and personalised to each sampled member. A reply paid envelope was also enclosed so as to avoid sampled members incurring any cost in participating.

Members that had not responded after a two week period were sent a reminder letter and questionnaire and a second reminder was sent a further two weeks later.

The exception to this approach was Dalmuir Credit Union, which handled its own mailing and did not carry out any reminder mailings.

As the samples from the various credit unions came in over a two and a half month period, the questionnaires were sent out in batches between November 2005 and February 2006.

## Response rate

A total of 1,473 questionnaires were received by the close date for the survey. A further 14 questionnaires arrived after the close date, making a total of 1,487. In addition, 94 questionnaires were returned by the Royal Mail as ‘undeliverable’, mainly because the sampled member had moved.

The total number of members selected was 3,339, producing a ‘gross’ response rate of 44%. Excluding those that were not delivered (as they could not be completed) results in an ‘effective’ response rate of 45%.

## Data processing and analysis

Returned questionnaires were checked for full and accurate completion and any written in answers were coded as required. Data was then entered on to an SPSS database to enable subsequent production of tables, summarising replies to every question in overall terms and by key demographic and behavioural groupings.

Prior to producing the tables a check was made on the profile of the responding members compared with that of all the sampled members, to see whether or not those that had responded were any different. The variables compared were those that had been provided for each sampled member by the participating credit unions, namely: gender, age group, duration of account and amount saved. This comparison showed that responders were slightly more likely to older and longer-term members, with slightly greater savings; although the differences were not felt sufficient to require corrective weights.

However, the data was weighted to take account of different response rates between credit unions and the differential sampling by type of credit union as explained above. The table below shows the derivation of these weights:

| CU Name | Members | Sample | Achieved | Rate | Expected | Weight |
|---|---|---|---|---|---|---|
| Leeds | 12,623 | 469 | 249 | 53.09 | 318 | 1.2754 |
| Enterprise | 1,703 | 72 | 41 | 56.94 | 43 | 1.0450 |
| East Manchester | 1,549 | 63 | 29 | 46.03 | 39 | 1.3438 |
| Drumchapel | 2,781 | 87 | 33 | 37.93 | 70 | 2.1202 |
| Streetcred | 2,442 | 199 | 86 | 43.22 | 61 | 0.7144 |
| Wythenshawe | 2,531 | 106 | 36 | 33.96 | 64 | 1.7688 |
| Llandudno | 1,759 | 378 | 241 | 63.76 | 44 | 0.1836 |
| Newcred | 2,675 | 199 | 51 | 25.63 | 67 | 1.3196 |
| Southwark | 5,643 | 215 | 83 | 38.60 | 142 | 1.7105 |
| South Tyneside | 2,700 | 488 | 211 | 43.24 | 68 | 0.3219 |
| Walsave | 4,000 | 137 | 80 | 58.39 | 101 | 1.2579 |
| Wearside | 1,600 | 88 | 50 | 56.82 | 40 | 0.8051 |
| Hartlepool (Moneywise) | 1,700 | 77 | 41 | 53.25 | 43 | 1.0432 |
| ACTS | 1,500 | 72 | 29 | 40.28 | 38 | 1.3013 |
| Riverside (Speke) | 3,739 | 153 | 59 | 38.56 | 94 | 1.5944 |
| Tower Hamlets | 3,385 | 270 | 65 | 24.07 | 85 | 1.3102 |
| Dalmuir (own mailing) | 6,219 | 266 | 89 | 33.46 | 156 | 1.7580 |
| **Total** | **58,549** | **3,339** | **1,473** | **44.12** | **1,473** | **1.0000** |

| Summary by group | | | | | | |
|---|---|---|---|---|---|---|
| 1 - new start | 10,102 | 756 | 252 | 33.33 | 254 | 1.009 |
| 2 - traditional community | 20,222 | 824 | 328 | 39.81 | 509 | 1.551 |
| 3 - were employee | 22,266 | 821 | 412 | 50.18 | 560 | 1.360 |
| 4 - live or work | 5,959 | 938 | 481 | 51.28 | 150 | 0.312 |
| **Total** | **58,549** | **3,339** | **1,473** | **44.12** | **1,473** | **1.000** |

ABCUL Credit Unions

The Research Partnership
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## Credit Union 2005 member survey

Thank you for taking the time to complete this questionnaire – your replies will help Credit Unions improve the products and services for their members.

The questionnaire should take about 10 minutes to complete – most questions can be answered by simply ticking the relevant box or boxes.

The completed questionnaire should be returned to The Research Partnership in the envelope provided – no stamp is needed.

Remember, everyone sending back a completed questionnaire will be entered into a prize draw – there are ten prizes, each of £50 worth of High Street Vouchers.

If you have any questions about the survey or questionnaire please get in touch with the survey helpline at The Research Partnership on 08707 448801 or creditunion@researchpartnership.org.uk

If you do contact us then it would help to quote your reference number [ref number].

Thanks again

*The Research Partnership*
*13 Oldway Park*
*Wellington*
*Somerset*
*TA21 8EB*

## YOUR CREDIT UNION ACCOUNT

Q1 About how often do you add money to your credit union savings?
Please tick one only

- Weekly or more often ☐
- Fortnightly ☐
- Monthly ☐
- Every three months ☐
- Once a year ☐
- Less often than once a year ☐
- It varies – as and when I have any spare cash ☐
- Never ☐

Q2 Why do you choose to save with this credit union?
Please tick all that apply

- In order to borrow money from the credit union ☐
- More convenient way to save ☐
- Recommended by friend or relative ☐
- Pays dividends on savings ☐
- Other – please write in below ☐

………………………………………………………………………………………………

Q3 How many loans have you taken out with this credit union in the last 12 months?
Please tick one only

- Have not taken out any loans in the past 12 months ☐ ➡GO TO Q5
- One ☐
- Two ☐
- Three ☐
- Four or more ☐

Q4 Thinking about the loan(s) you took out in the last 12 months with this credit union how much in total did you borrow? Please tick one only

- Less than £250 ☐
- £250 or more, but less than £500 ☐
- £500 or more, but less than £1000 ☐
- £1000 or more, but less than £2500 ☐
- £2500 or more, but less than £5000 ☐
- £5000 or more ☐
- Can’t say ☐

ALL PLEASE ANSWER

Q5 Why do you choose to borrow from this credit union?
Please tick all that apply

- Have never borrowed from this credit union ☐
- No credit check required ☐
- Low rate of interest on loans ☐
- Can borrow more than you have in savings ☐
- Can only borrow what you can afford to repay ☐
- Could not get a loan from anywhere else ☐
- Quick/easy/convenient to arrange ☐
- Recommended by friend or relative ☐
- Other – please write in below ☐

…………………………………………………………………………………………………………

ANY OTHER SAVINGS

This section of the questionnaire is about any other savings you may have, apart from money saved in your credit union account

Q6 Do you currently have money saved in any of the following ways?
Please tick all that apply

- Post Office savings account ☐
- Bank or building society deposit account ☐
- Individual Savings Account (ISA) ☐
- Cash saved at home (eg in jars or envelopes) ☐
- Cash given to a friend or relative to look after ☐
- Other savings account (eg TESSAs) ☐
- No money saved in any of these ways ☐ ➡GO TO Q10

Q7 About how much in total do you have saved up in these ways?
Please tick one only

- Less than £50 ☐
- £50 or more, but less than £100 ☐
- £100 or more, but less than £250 ☐
- £250 or more, but less than £500 ☐
- £500 or more, but less than £1000 ☐
- £1000 or more, but less than £2500 ☐
- £2500 or more, but less than £5000 ☐
- £5000 or more ☐
- Can't say ☐

Q8 And about how often do you add money to these savings?
Please tick one only

- Weekly or more often ☐
- Fortnightly ☐
- Monthly ☐
- Every three months ☐
- Every six months ☐
- Once a year ☐
- Less often than once a year ☐
- It varies – as and when I have any spare cash ☐
- Never ☐

Q9 Why do you choose to save in these ways as well as in your credit union account?
Please tick all that apply

- Higher rate of interest ☐
- More convenient to use ☐
- Saving up for a particular purpose ☐
- Saved in this way before joining the credit union ☐
- Like to have money saved in different ways ☐
- Other – please write in below ☐

...............................................................................................................

ALL PLEASE ANSWER

Q10 Which one of the following best describes your own approach to savings?
Please tick one only

- I don't really save at all ☐
- I tend to put money away, but for no particular reason ☐
- I save up to buy the things I want or need ☐
- I tend to put money away for the long term ☐

BORROWING MONEY

This section of the questionnaire is about any other borrowings you may have, apart from any loans with your credit union

Q11 Do you have a current bank account with a bank or building society – any account with a cash machine card, debit card or cheque book?
Please do not include Post Office Card Accounts.

- Yes ☐
- No ☐ ➡GO TO Q13

Q12 Are you currently overdrawn?

- Yes – please write in amount overdrawn: £ ............... ☐
- No ☐

ALL PLEASE ANSWER

Q13 Which, if any, of the following types of credit have you taken out in the last 12 months? Please tick all that apply

- Loan from bank, building society (excluding mortgage) ☐
- Loan from company that collects payments from your home, e.g. Provident ☐
- Loan from a finance company, e.g. Ocean Finance ☐
- Goods bought in instalments from mail order catalogue ☐
- Goods bought on hire purchase or on credit ☐
- Social Fund Budgeting Loan ☐
- Student loan ☐
- Other type of loan ☐
- None of these types of credit ☐ ➡GO TO Q15

Q14 How much in total did you borrow from these sources in the last 12 months?
Please tick one only

- Less than £250 ☐
- £250 or more, but less than £500 ☐
- £500 or more, but less than £1000 ☐
- £1000 or more, but less than £2500 ☐
- £2500 or more, but less than £5000 ☐
- £5000 or more ☐
- Can't say ☐

ALL PLEASE ANSWER

Q15 Which, if any, of these types of card have you used in the last 12 months?
Please tick all that apply

- Credit card (that you do not settle in full each month) ☐
- Store card (that you do not settle in full each month) ☐
- Neither of the above ☐ ➡GO TO Q17

Q16 About how much in total do you currently owe on these cards?
Please tick one only

- Nothing at the moment ☐
- £1 or more, but less than £250 ☐
- £250 or more, but less than £500 ☐
- £500 or more, but less than £1000 ☐
- £1000 or more, but less than £2500 ☐
- £2500 or more, but less than £5000 ☐
- £5000 or more ☐
- Can't say ☐

ALL PLEASE ANSWER

Q17 **Thinking about all the loans and other types of credit you have used in the past 12 months, why did you choose to borrow in these ways rather than from the credit union?** Please tick all that apply

- Have not used any other type of credit ☐
- Already had loan from credit union, couldn't borrow any more ☐
- Needed more money than the credit union would lend ☐
- Lower rate of interest/no interest ☐
- Had used in the past ☐
- Could get money quickly and easily ☐
- Was offered loan/credit card/store card by company ☐
- Other – please write in below ☐

……………………………………………………………………………………………

Q18 **Imagine you needed to borrow £500 for something you wanted to buy sooner rather than later. In which of the following ways do you think you would be able to get £500?** Please tick all that apply

- Loan from bank, building society (excluding mortgage) ☐
- Credit union ☐
- Loan from company that collects payments from your home, e.g. Provident ☐
- Loan from a finance company, e.g. Ocean Finance ☐
- Overdraft ☐
- Credit card ☐
- Social Fund Budgeting Loan ☐
- Borrow from friend or relative ☐
- Other source – write in below ☐

……………………………………………………………………………………………

Q19 **And of those that might lend you the £500, which one would be your preferred way of raising the money?** Please tick one only

- Loan from bank, building society (excluding mortgage) ☐
- Credit union ☐
- Loan from company that collects payments from your home, e.g. Provident ☐
- Loan from a finance company, e.g. Ocean Finance ☐
- Overdraft ☐
- Credit card ☐
- Social Fund Budgeting Loan ☐
- Borrow from friend or relative ☐
- Other source – write in below ☐

……………………………………………………………………………………………

Q20 **Which of the following statements best describes your use of companies - like Provident, Greenwoods and Shopacheck - that collect loan payments from your home?** Please tick <u>one</u> only

- I have never used them ☐
- I stopped using them as a <u>direct result</u> of joining the credit union ☐
- I use them less as a <u>direct result</u> of joining the credit union ☐
- I stopped using them or use them less for some other reason ☐
- My use of them has not changed since I joined the credit union ☐

Q21 **Which <u>one</u> of the following best describes your own approach to borrowing money?** Please tick <u>one</u> only

- Never a good thing, I like to save up or pay cash ☐
- Occasionally necessary, for expensive but essential things ☐
- A convenient way of buying things, without having to wait or save ☐
- None of these ☐

## ABOUT YOURSELF AND YOUR HOUSEHOLD

**This section of the questionnaire is about you and your household – as with the rest of the questionnaire, all the answers you give will be treated in confidence**

Q22 **Who normally shares your accommodation with you?**
Please tick <u>all</u> that apply

- No-one else ☐
- Wife, husband or partner you live with as a couple ☐
- Children aged under 16 ☐
- Children aged 16-18 who are at school or college ☐
- Other adult children ☐
- Other adults who share meals or living room with you ☐

Q23 **Which <u>one</u> of the following best describes your current situation (and that of your partner, if any)?** Please tick <u>one</u> box only for you (and your partner)

| | You | Partner |
|---|---|---|
| Employed/self-employed full time (30+ hours per week) | ☐ | ☐ |
| Employed/self-employed part-time (less than 30 hours per week) | ☐ | ☐ |
| Unemployed and looking for work | ☐ | ☐ |
| In full-time or part-time study | ☐ | ☐ |
| Looking after the home/caring for family | ☐ | ☐ |
| Unable to work because of ill-health or disability | ☐ | ☐ |
| Other situation | ☐ | ☐ |

Q24 Roughly how much income do you (and your partner) have in total?
Please include take home pay from paid work or self-employment, social security benefits including Child Benefit, tax credits or any other regular income.
Please tick one box only

| Per week: | | Per month: |
|---|---|---|
| Less than £100 | ☐ | Less than £430 |
| £100 - £199 | ☐ | £430 - £859 |
| £200 - £299 | ☐ | £860 - £1299 |
| £300 - £399 | ☐ | £1300 - £1719 |
| £400 - £499 | ☐ | £1720 - £2149 |
| £500 - £999 | ☐ | £2150 - £4299 |
| £1000 or more | ☐ | £4300 or more |

Q25 Which one of the following best describes your housing situation?
Please tick one box only

- Own your home outright ☐
- Own your home with a mortgage ☐
- Rent your home from a private landlord ☐
- Rent your home from a local authority or housing association ☐
- Live with your parents ☐
- Some other arrangement ☐

Q26 And, finally, which one of the following best describes you?
Please tick one box only

- White – British ☐
- White – Irish ☐
- White – other White background ☐
- Mixed – White and Black Caribbean ☐
- Mixed – White and Black African ☐
- Mixed – White and Asian ☐
- Mixed - other Mixed background ☐
- Asian or Asian British – Indian ☐
- Asian or Asian British - Pakistani ☐
- Asian or Asian British - Bangladeshi ☐
- Asian or Asian British - other Asian background ☐
- Black or Black British - Caribbean ☐
- Black or Black British - African ☐
- Black or Black British - other Black background ☐
- Chinese ☐
- Can't say ☐

*Thank you for completing the questionnaire*

*Please now return it in the reply-paid envelope provided – no stamp is needed*

# Credit Union 2005 member survey
# Final accompanying letter

The following letter was printed on the relevant Credit Union letterhead, and addressed personally to the member.

Dear <member>

## Survey of Credit Union membership

[Credit Union name] is one of 17 taking part in a national survey of credit union members. This survey is being undertaken on behalf of its members by ABCUL, the credit union trade association. The Association will use the results of the survey to help credit unions improve the products and services for their members.

You have been selected at random from our members to take part in this survey. I would be grateful if you could complete the enclosed questionnaire and return it in the reply paid envelope to The Research Partnership (no stamp is needed). The Research Partnership is an independent research company that ABCUL have asked to carry out the survey on its behalf.

Answering the questions should take about 10 minutes and all completed questionnaires will be entered into a prize draw. The ten lucky winners will each receive £50 worth of shopping vouchers, which can be used at a wide range of shops including Boots, WH Smith, Argos and BhS.

### *What will happen to the information I provide?*
Your answers to the survey will be treated in the **strictest confidence**. The Research Partnership is registered with the Information Commissioner and has a legal obligation to maintain confidentiality. No-one outside of The Research Partnership will ever see your individual replies and your contact details will not be used for any other purpose. A report will be written based on the views of everyone who takes part in the survey as a whole, from which no particular individuals could ever be identified.

I hope you feel able to help us with this important research project and thank you in anticipation of your support. If you have any questions then please contact xxx on xxxx <can either be a contact in each credit union, or our survey helpline>.

Yours sincerely

<digital signature to be inserted>

Chief Executive/Senior person from relevant credit union

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ISBN 0-9506281-9-0