**Hastings and Rother Credit Union**
**Credit Committee Report for the year ended 30th September 2022**

The purpose of this document is to provide a review of the year-end accounts as at the 30th September 2022.

During the financial year the credit committee has not undertaken meetings as expected due to insufficient people to attend meetings or having the requisite skills and attributes.

However, HRCU has continued to provide loans to members.

Interest income is for most Credit Unions their primary source of income. This is not currently the case for HRCU. We are currently lending approximately 8.8% of Member balances. The average across Credit Unions is around 48%. We are below the norm but shows that we have potential to lend more but this needs to be done prudently to reduce potential for bad debts. Most of our impairment (bad debt profile) has been related to historic lending.

In terms of the level of interest income our lending interest rate has been 2% per month (24% pa) during the last financial year. Based on our credit union profile we can charge up to 3% per month, which is still competitive and well below “pay day” lenders or loan sharks! Since the financial year-end we have increased our rates to 2.5% and recently to 3% per month (36% pa).

A summary of lending over the last few years shows the following.

| | As at 30th September | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| **Opening Balance** | **45,293** | **43,853** | **40,596** |
| Interest on Loans | 9,063 | 6,386 | 7,454 |
| New loans provided | 35,680 | 30,950 | 29,500 |
| Loans Repaid | -46,183 | -39,760 | -37,806 |
| Loan Derecognised | | -833 | 0 |
| **Closing Balance** | **43,853** | **40,596** | **39,744** |
| Loan Impairment | -12,854 | -10,633 | -13,670 |
| **Balance Sheet Value** | **30,999** | **29,963** | **26,074** |

(as shown in Balance Sheet)

The value of our loan book as shown in the Balance Sheet is after impairment of debt i.e. loans that are considered bad or doubtful (those that we may not recover).

- The trend of lending is decreasing. As mentioned above we have potential to lend more. The trend over the last few years though means our primary income source has been reducing as well. However, over the last 18 months we have been enhancing our systems to enable us to lend more effectively. We have however found that members prefer to use us for saving. The strategy is to develop our lending products.

- The average loan value tends to be less than £1,000.

- Loan Terms: 60% of loans are for a term of up to 12 months. 29% of loans are for a term up to 2 years. 11% of loans are for longer but no more than 3 years.

- Impairment - Bad debts were almost all from historic loans. Our policy is to establish contact with members in arrears to offer support but ultimately, we have a responsibility to our members whose savings are used for loans to recover them and recovery through the courts or Department of Work and Pensions Eligible Loans Deduction Scheme (automatic recovery through benefits) are used as a last resort.

With the change of IT system our loan policy was being reviewed and updated to encompass the changes the new system will bring. It will enable more detailed identity checking and credit checks through TransUnion and Open Banking will help make our lending decisions better informed. Unfortunately, this hasn't progressed as fast as we would have liked in part due to the Credit Committee not meeting. We expect to develop this further although with a proposed merger with another Credit Union we may be able to utilise another CU's loan policies and product for further enhancement to our position.

Loan applications will still be looked at by a member of the team rather than using a fully automated process so that members full circumstances can be looked at to understand why they may have had difficulties in the past. It will also give members an opportunity to improve their credit rating through regular repayment data shared back through TransUnion.