



Highland Communities Credit Union

Firm Ref:213955

Annual Report

2015-16

HCCU is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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Highland Communities Credit Union Limited.

Highland Communities Credit Union Limited (HCCU) was formed in 2015 by the merger of Lochaber Credit Union Ltd and Inverness Credit Union Ltd.

HCCU is a financial co-operative, owned by and run by our members. Membership is open to all those who live or work in the Highland Council area. Our aims and objectives are outlined in our rulebook:

The objects of the credit union shall be:

1. The promotion of thrift among its members by the accumulation of their savings;
2. Creation of sources of credit for the benefit of its members at a fair and reasonable rate of interest;
3. Use and control of members' savings for their mutual benefit; and
4. Training and education of members in the wise use of money and in the management of their financial affairs.

In order to fulfil these objectives, HCCU encourages members to save, and offers loans at a reasonable rate of interest. In addition to this, we offer life insurance on members' savings and loans, at no cost to the member.

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Board of Directors

HCCU is run by its Board of Directors, who are elected by the membership at our AGM. The Board then elects Officers from amongst its membership. During the 2015/16 Financial Year, the Directors were as follows:

Andrew Carr	Chairman
Gordon Hands	Secretary
Stephen Kelly	Treasurer
Blair Allan	
John Anthony	
Sheila Houston	
Shirley Patterson	

Credit Committee

Members of the Credit Committee are also elected by the membership at the AGM. During the 2015/16 Financial Year, the Credit Committee was as follows:

John Anthony
Andrew Carr
Marion Carr
Isobel MacEachen

Supervisory Committee

The Supervisory Committee is elected by the membership at the AGM to provide an internal audit function. Unfortunately, HCCU does not currently have a Supervisory Committee. The Board are actively trying to remedy this by recruiting new members for the committee and/or recruiting new board members to allow a change of roles which would include Supervisory Committee.

Despite having no formal supervisory function, HCCU would like to stress that the HCCU is compliant with all the financial and reporting requirements laid out by regulators.

If you are interested in finding out more about a role on the Supervisory Committee, please contact us.

Chairman's Report

This Report from Highland Communities Credit Union (HCCU) covers the period of the 1st of October 2015 to the 30th of September 2016. This was the first full year since the merger of Inverness and Lochaber Credit Unions, and it has turned out to be a very positive year for HCCU.

In the same way that credit unions are a means by which members can pool their financial resources to help themselves and each other, the pooling of Inverness and Lochaber Credit Unions' resources has strengthened HCCU and thus our membership.

This position of relative strength in the 2015-16 year allowed us to reduce interest rates on larger loans to ensure that we remain competitive with other lenders – our rate for loans of £5,000 and over is now 0.75% per month on a decreasing balance (9.6% APR). We hope that this will encourage our existing members to take a higher value loan from HCCU when, for example, purchasing a car.

At the other end of the spectrum, we agreed to offer a limited number of “instant loans” which allow a member to borrow up to £250 immediately upon joining – on the condition that they save at the same time as repaying their loan. This was to encourage potential members to join HCCU rather than taking costly loans from payday or doorstep lenders. We have seen a fairly limited uptake of these loans, but they have generally been successful: most have been repaid without issue, and some members have gone on to take higher value loans (based on their savings) at lower rates of interest.

These loans are not the only method by which we are trying to engage with the wider community to encourage membership of HCCU. The 2015-16 financial year saw the half way point of our project with Lochaber Housing Association. LHA provided funding to HCCU to develop a system to assist its tenants with changes to the benefits system, and also to promote HCCU more generally. HCCU used this funding to purchase a new computer package which would allow us more easily to deal with benefits payments, and to ring fence funds such as rent for members. We also employed a part time project worker to promote the service, and the wider services of HCCU. Delays in the roll out of Universal Credit in Lochaber meant that there was little interest in the service from LHA tenants. However, it may be the case that as the benefits changes come into effect later this year, we see a need to provide the service to tenants.

Having an additional employee did, however, help with the promotion of HCCU. Our project worker, Marion Carr, spoke to numerous groups, including tenants groups, Housing Associations, other community groups and employers. This has attracted new members, encouraged lapsed members to start using their account again, and has provided HCCU with its first employer offering payroll deductions.

HCCU has also increased the presence that it has in schools, where pupils run their own collection points. This has been valuable for both HCCU in terms of raising awareness of credit unions, and also

our partner schools by helping pupils to develop skills, and part of our future plans is to roll this service out to schools in Inverness.

We recognise that there will be challenges ahead of us. Whilst our Board of Directors is strong in terms of skills and knowledge, we need to recruit new Directors to provide fresh ideas and to allow us to undertake succession planning. By doing so, we can ensure that when current Directors feel it is time to step back, we have knowledgeable and capable Directors in place to continue to develop HCCU. We also need to ensure that we have adequate staffing levels in terms of paid employees and volunteers to allow us to manage the day to day workload, whilst working with what are still fairly limited financial resources. Additional staffing levels would also help us to improve the marketing of our services to ensure that people are aware who we are and what services we offer our members.

We also see the other opportunities ahead of us: New partnerships with other organisations would allow us to grow our membership and develop our services; working with schools would develop awareness in the younger generations, as well as feeding back to parents and grandparents; improved IT systems would allow us to work better; increasing staffing levels would allow us to improve our systems and services, and would help us to increase awareness of HCCU, particularly in Inverness, where we believe there is considerable potential for expanding our services.

The Board of HCCU is grateful for the support we have received from members and partner organisations, and in particular from all the volunteers and staff who have helped us to get to where we are. We look forward to forming new partnerships and encouraging new volunteers to come forward to enable us to make the most of the opportunities ahead.

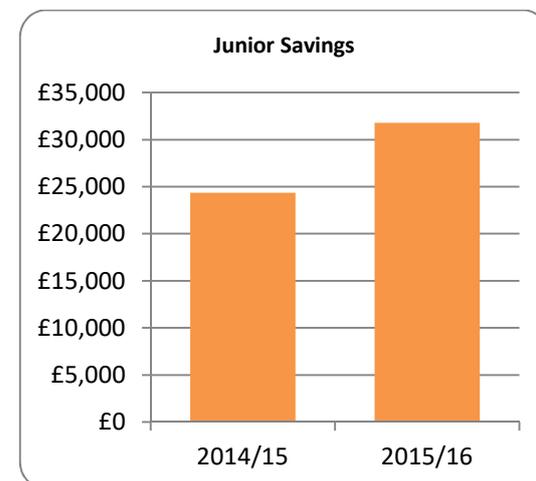
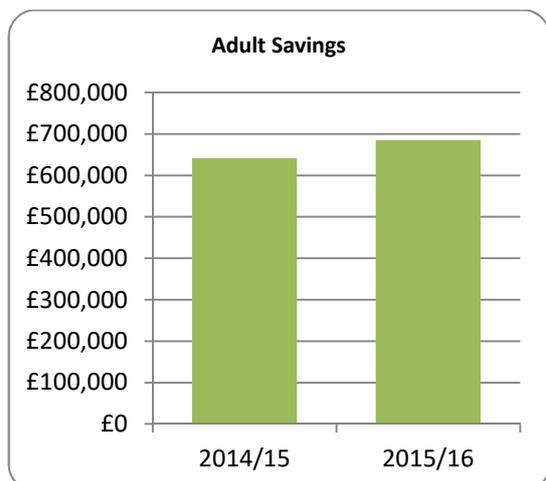
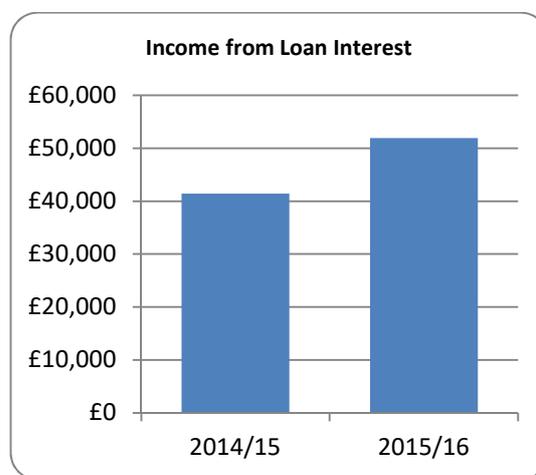
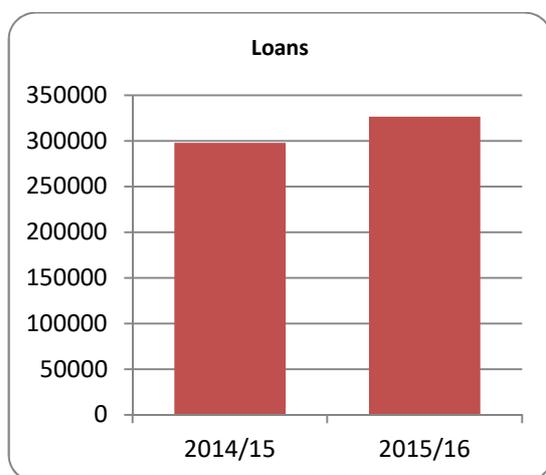
Andrew Carr

Performance

Our full financial statements, audited by Lindley Adams Limited are available on request. Some of the key figures are highlighted below in graphic form.

Over the year, the amount of money out on loan to members increased from £299,419 to £326,611 – an increase of 9.6%.

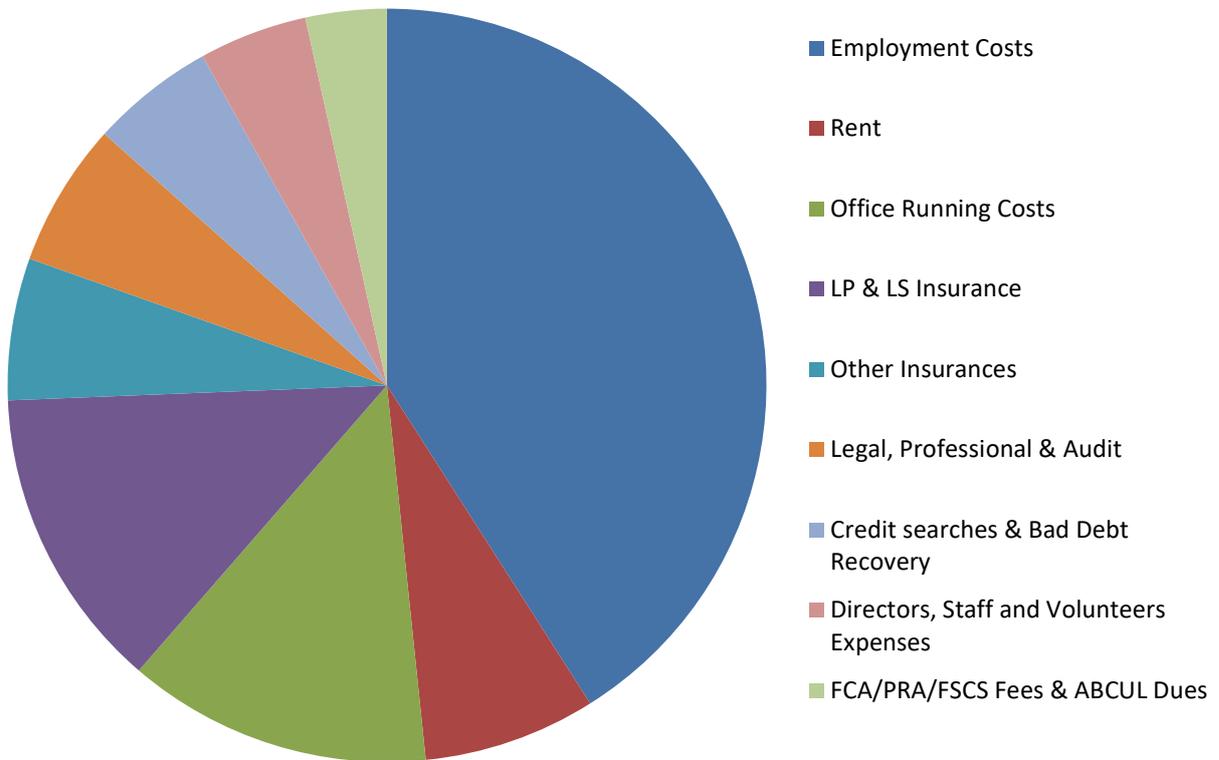
Income from loans made to members **increased by 25%** in the year, from £41,405 to £51,892.



Savings held by our adult members **grew 6.8%**, from £641,188 to £684,932

At the same time, junior savings **grew over 30%**, from £24,368 to £31,769.

Expenses



- Our total administrative and operating expenses (excluding depreciation and bad debt expenses) were £42,684.
- Our biggest single expense was wages.
- The second biggest was the life insurance that we pay on members’ savings and loans.
- We hold contents insurance for our office equipment, and fidelity bond insurance to cover us for potential fraud by staff and volunteers.
- We pay an annual fee to the Financial Conduct Authority and Prudential Regulation Authority, as well as an annual levy to fund the Financial Services Compensation Scheme. We also pay dues to our trade association, The Association of British Credit Unions Limited.

Capital & Liquidity Ratios

	Actual	PRA Requirement
Liquidity	100%	10%
Capital Ratio	10.61%	3%

Credit Committee Report

HCCU offers loans of up to £10,000 to members. There are no set up fees, early repayment fees or hidden charges. Loans must be for a “provident and productive purpose”.

In 2015-16, HCCU granted 219 new loans, up from 203 the previous year.

- HCCU offers “instant loans” of up to £250 at a rate of 2% per month (26.6% APR). Members can access these without the requirement to have saved.
- HCCU offers larger loans secured fully or in part against savings. Members can borrow up to three times the value of their savings, to a maximum of £10,000.
 - For “unsecured loans”, the member must agree to keep one third of the original loan balance in their savings as security. Interest is charged at 1.5% per month (19.6% APR) on loans up to £5,000, and 0.75% per month (9.6% APR) for loans of £5,000 - £10,000.
 - For “secured” loans, the member must keep a value of savings equal to the outstanding loan balance. Interest is charged at 1% per month (12.7% APR) on loans of up to £5,000, and 0.75% per month (9.6% APR) on loans of £5,000 - £10,000.

HCCU is a responsible lender. We encourage members to borrow amounts that they can afford to repay. We also look at the purpose of a loan – if a loan is for a holiday, we would be looking for the member to have repaid it within one year (to ensure that they are not still repaying the loan when they are next looking for a holiday).

HCCU runs a credit check on members before granting a loan. However, we believe that a members’ track record of saving and repaying loans with HCCU is more important than a good credit score.

Credit Control

HCCU recognises that members will, from time to time, face difficulties in repaying a loan. However, non-payment of loans affects the finances of HCCU and therefore its members. HCCU tries where possible to have members who are in difficulty engage with HCCU staff to come to an arrangement regarding repayments. Where this is not possible, HCCU has a credit control policy which includes taking members to court for non-payment. This is a last resort, and is only used where the member fails to engage with HCCU.

HCCU maintains provisions in line with the regulatory requirements to cover non-repayment of loans.

Loan Protection and Life Savings Insurance

HCCU provides Loan Protection and Life Savings Insurance (LP/LS) at no direct cost to the member.

Life Savings Insurance covers all deposits made by members from the age of 16 to the age of 80.

- All deposits made before a member's 65th Birthday are covered at 100%. This means that in the event that a member dies, their next of kin will receive the members' savings plus a like amount in insurance.
- All deposits made from a member's 65th Birthday to their 80th Birthday are covered at 25%. This means that in the event that a member dies, their next of kin will receive the member's savings, plus a quarter of that value in insurance.
- Note that it is the age of the member at the date of deposit which is important. If a member dies at the age of 70, their next of kin will receive the full savings, plus 100% of anything saved up to the age of 65, plus 25% of anything saved from 65-70.
- If a member dies of a pre-existing condition, the insurers will base their payment on the balance 6 months prior to death.

Loan Protection Insurance covers members' loan balances up to the age of 70. In most cases, any outstanding loan balance will be fully repaid by the insurers. As with the Life Savings Insurance, if a member dies of a pre-existing condition, the insurers will base their payment on the loan balance 6 months prior to death.

For further information on the LP/LS, please contact us.

Protecting your money

HCCU is covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors are covered by the scheme. Your eligible deposits are protected up to \$85,000 by the FSCS. For further information on the scheme visit www.fscs.org.uk or call 0800 678 1100.

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