

17 September 2014

Competitions & Markets Authority
Victoria House
37 Southampton Row
London
WC1B 4AD

Dear Sir/Madam

The Enquiry into Banking

Preamble

There is unfair competition in the savings and loans market between credit unions as authorised deposit takers and fully authorised clearing banks.

Status

Credit unions are mutually owned, co-operatively run, managed professionally, savings and loans firms, they are authorised deposit takers, like banks.

Banks are not owned by their depositors but by block shareholders investing purely for their profit; set up originally by people of faith, but recent events showing that they are all now largely run by faithless people.

Argument

There is no valid reason why competent credit unions, subject to the will of their owner-members (another key difference) and competent management should not be allowed to compete fairly with banks, creating full competition in the savings and loans sector.

Situation

1. A small consortia of banks control the entry to others entering the full clearing bank system.
2. For the past 34 years, Government Departments, overruling the legal status, function and purpose of credit unions, to deliver (inexpensively for them) social welfare programmes from which there has been no real meaningful quantifiable return on capital.
3. This has lead the majority of the consuming public, that has heard of credit unions, to say “they are worthy for others but not for me!” In the USA, regardless of political leaning, leading figures in public life are credit union owner-members, among an estimated number of 100 million.
4. Credit unions cannot offer tax breaks to their depositors, which are available to other institutions.

5. Credit unions are unable to offer wealth accumulation for financial and inheritance tax products, available to competitors.
6. This has meant largely that credit unions only have an investment appeal to the marginalised or others who recognise their values and are not solely determined by price and return.

Way forward

1. The creation of a low risk full clearing bank for credit unions and the social economy. This new bank would have as its customers, credit unions and other third party fund holding bodies in the social economy.

The actual customers of those firms would remain as that and not become those of the “new” full clearing bank.

This “new” bank would be able to provide full non speculative banking services to its customer group.

2. Owner-members investing directly medium and long term in credit unions are given the same tax breaks readily available with other financial instruments.

If adopted, this would stop the current investor “apartheid” at a stroke, creating fair competition with banks.

Conclusions

1. A “new” non speculative bank for the social economy only, in which clearing banks and PLCs are prohibited from holding shares.
2. Extension of the existing tax breaks directly to credit unions, available already to other investment schemes, and to the owner-members of credit unions for medium/long term investment.

This last idea was put to a Treasury Minister over two years ago.

It is hoped these few brief remarks will assist the Authority with its deliberations.

Yours in credit union

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