



HM Treasury

Credit union common bond reform

Call for Evidence

November 2024

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Call for Evidence



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Chapter 1

Executive Summary

- 1.1 The government is committed to unlocking the full potential of the mutuals sector. Credit unions are one part of the mutuals sector as member-owned and democratically controlled financial institutions. In Great Britain, credit unions primarily provide loans and savings products to their members.
- 1.2 Under the Credit Unions Act 1979, the members of credit unions must have specific common bonds between them, as provided in the credit unions' rules. Common bonds are the links and common communities between members.
- 1.3 The government understands that there are parts of the common bond which may merit review in order to help credit unions grow sustainably and ensure this aspect of the legislative framework for credit unions is fit for the 21st Century.
- 1.4 This Call for Evidence therefore seeks evidence on the possible need to change the common bond requirements in Great Britain. It asks for suggestions for change that the government should consider, as well as the expected impacts of implementing these changes.
- 1.5 This Call for Evidence only seeks views on the common bond for credit unions in England, Wales, and Scotland. This is because responsibility for credit unions in Northern Ireland is a devolved matter for the Northern Ireland Executive.
- 1.6 Chapter two provides a further overview of credit unions and the common bond in Great Britain and outlines the scope of this Call for Evidence.
- 1.7 Chapter three details the definition and requirements of credit union common bonds in Great Britain and asks for views.
- 1.8 Chapter four seeks evidence on the wider impacts of the common bond on the growth of the credit union sector.
- 1.9 Chapter five sets out the next steps of this Call for Evidence, how to respond, and how HM Treasury will process any personal data.
- 1.10 Annex A provides the wording of the common bond definitions from the Credit Unions Act 1979.
- 1.11 This Call for Evidence will be open for 16 weeks and will close at 11:45pm on 6 March 2025.

Summary of views requested

1.12 The government is seeking views on the questions listed below.

1. Should any changes be made to the definition of the occupation common bond? Please explain.
2. Should any changes be made to the definition of the employer common bond? Please explain.
3. Should any changes be made to the definition of the association common bond? Please explain.
4. Should any changes be made to the locality common bond? Please explain.
5. Should any changes be made to the existing cap on potential members of a locality common bond? Please explain.
6. Should any changes be made to the use of other or mixed common bonds? Please explain.
7. Should any changes be made to the same household requirement? Please explain.
8. Should any changes be made to the membership of bodies corporate, partnerships, or unincorporated associations? Please explain.
9. Do you consider this process for amending the common bond appropriate? Please explain.
10. If the government made changes to the common bond, would you expect these to impact on competition in the savings and personal loans market? Please explain.
11. Are there any considerations you wish to share regarding the common bond and the ability for credit unions to conduct transfers of engagement? Please explain.
12. Is there anything that should be considered regarding the common bond and the ability for new credit unions to start up? Please explain.
13. Are there any regulatory considerations that should be accounted for alongside any changes to the common bond? Please explain.
14. Are there any further reforms to the common bond that should be considered, beyond those described above? Please explain.
15. Is there anything related to the common bond more widely that the government should consider? Please explain.

Chapter 2

Introduction

2.1 Credit unions are member-owned, democratically controlled financial organisations that take deposits from and make loans to their members. There are 232 credit unions in Great Britain, with over 1.5 million members and a combined total income of £72.36 million.¹

2.2 A credit union is defined as a society that is registered as a credit union under the Co-operative and Community Benefit Societies Act 2014, by virtue of section 1 of the Credit Union Act 1979.² In simplified terms, credit unions support their members to save; create sources of credit at fair and reasonable interest rates for members' benefit; use and control member savings for their mutual benefit; and support financial education for members.³

2.3 The term 'credit union', as used in this paper, will refer only to credit unions in Great Britain, as responsibility for credit unions in Northern Ireland is a devolved matter for the Northern Ireland Executive.

2.4 The members of credit unions must have specific common bonds between them, as provided in the credit union's rules. Common bonds are the links and common communities between members, and a credit union must meet the requirements of a common bond in order to be registered and legally operate as a credit union. The common bond is therefore an important feature of the credit union model in Great Britain and this Call for Evidence is based on its retention in principle. The legal definition of common bonds is set out in Annex A.

2.5 However, the government understands that there are parts of the common bond requirement which may merit review in order to help credit unions grow sustainably and ensure this aspect of the legislative framework for credit unions is fit for the 21st Century.

2.6 Any potential reforms to the common bond will need to be carefully considered, as they could create significant changes to the way that credit unions operate in Great Britain. Any potential reforms will also need to be carefully considered against the regulatory environment for credit unions.

2.7 As such, we request that you explain the expected impact(s) on your credit union and/or the wider credit union sector in each response

¹ According to the latest Bank of England credit union quarterly statistics, 31 October 2024
<https://www.bankofengland.co.uk/statistics/credit-union/2024/2024-q2>

² <https://www.legislation.gov.uk/ukpga/1979/34/section/1>

³ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1 (3)

provided. We also welcome views on the impact(s), if any, on the wider savings and loans markets.

Scope

2.8 This Call for Evidence seeks evidence on the case to change the common bond requirement in Great Britain. It asks for suggestions for change that the government should consider, as well as the expected impacts of implementing these changes.

2.9 Responses are encouraged from any individual or business which may be impacted by possible changes to the credit union common bond.

2.10 Responses on impacts of potential changes on wider issues, such as transfers of engagement and amalgamations, are also welcome.

2.11 This Call for Evidence will not deal with credit unions in Northern Ireland. As set out above in paragraph 2.3, responsibility for credit unions in Northern Ireland is devolved to the Northern Irish Executive.

2.12 This Call for Evidence will also not seek to widen the scope of products and services which credit unions may offer, nor amend the rules around existing credit union products and services, given these are separate considerations from the credit union common bond.

Chapter 3

Common bonds

3.1 There are four distinct types of common bond for membership which a credit union in Great Britain may have under the Credit Unions Act 1979. These are occupation, employer, locality, and association.⁴ A credit union may also have a mix of one or more common bonds, or a different common bond not listed, if provided for under the rules of the credit union and approved by the Financial Conduct Authority as the registering authority for credit unions.

3.2 Individuals or businesses which meet the criteria of the common bond, as set out in the credit union's rules, may apply to become members of the credit union. It should be noted that not all credit unions will include business members as part of their rules.

3.3 As noted in Chapter 2, common bonds are an important feature of the credit union model, given that a credit union must have at least one common bond in order to register and operate as a credit union in Great Britain.

3.4 This Call for Evidence seeks views on whether the credit union common bonds should be reformed, how if so, and for evidence to support any provided views.

Occupation and employer common bonds

3.5 Two types of common bond, which, although distinct, are grouped here, are 'following a particular occupation' or 'being employed by a particular employer'.⁵ As an example, a common bond may provide membership for people who are police officers (occupation), or for police officers who work for specific police forces (employer).

3.6 If the credit union's rules provide, businesses may become members by reference to these common bonds: if they employ or otherwise engage individuals who follow an occupation; if they relate to that occupation in another way; if they employ persons who qualify for membership under the common bond; or if they provide services or are otherwise related to that employer.

⁴ <https://www.legislation.gov.uk/ukpga/1979/34/section/1A> Section 1A (2)

⁵ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (2)(a-b)

Question 1: Should any changes be made to the definition of the occupation common bond? Please explain.

Question 2: Should any changes be made to the definition of the employer common bond? Please explain.

Association common bond

3.7 Another type of common bond comprises 'being a member of a bona fide organisation or being otherwise associated with other members of the society' for another reason besides forming a credit union.⁶ As an example, an association common bond may exist for members of a particular trade union.

3.8 A business may be admitted by reference to this common bond if the credit union's rules allow, and if the business is a member of a bona fide organisation or otherwise associated with members of the society for reasons besides forming a credit union.

Question 3: Should any changes be made to the definition of the association common bond? Please explain.

Locality common bond

3.9 Another type of credit union common bond comprises members who are 'residing or being employed in a particular locality'.⁷ This common bond may cover individuals and businesses as members, depending on the rules set out by the credit union. Where the member is a business, it must have a place of business or other significant connection with that locality.

3.10 Locality common bonds have additional requirements placed upon them under legislation. At present, these limit the number of potential members of the credit union to three million or fewer members and require that it be 'reasonably practicable for every potential member to participate in the votes of the society, serve on the society's committee and have access to all the services offered by the society'.⁸ HM Treasury last updated the number of potential members from two million to three million in 2017.⁹

Question 4: Should any changes be made to the locality common bond? Please explain.

⁶ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (2)(d)

⁷ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (2)(c)

⁸ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1B (3)

⁹ <https://www.legislation.gov.uk/uksi/2017/1144/article/2/made>

Question 5: Should any changes be made to the existing cap on potential members of a locality common bond? Please explain.

Other common bonds

3.11 The Financial Conduct Authority may also approve other common bonds besides those stated in legislation. Credit unions may have one or more common bonds, including a mix of common bond types.

Question 6: Should any changes be made to the use of other or mixed common bonds? Please explain.

Same household requirement

3.12 If the credit union's rules provide, an individual 'who is a member of the same household as, and is a relative of, another person who is a member of the credit union and falls directly within a common bond' is also eligible to join that credit union.¹⁰ This is otherwise known as the same household requirement.

3.13 This same household requirement may pose limitations for certain family dynamics, for example, where children may not live with the parent who is a credit union member and therefore may not be eligible to join and access that credit union's products and services.

Question 7: Should any changes be made to the same household requirement? Please explain.

Corporate membership

3.14 If the rules of the credit union provide, and if they fall under the requisite common bond, bodies corporate, partnerships, or unincorporated associations may become members of a credit union.¹¹

Question 8: Should any changes be made to the membership of bodies corporate, partnerships, or unincorporated associations? Please explain.

Amending the common bond

3.15 Common bonds are an important feature of the credit union model. As such, the provisions of the common bond are set out in the credit union's rules, and there is a formal process required to make and register any changes to these rules.

3.16 First, under section 4(2) of the Credit Unions Act 1979, the rules of a credit union may only be amended by 'a resolution passed by not less than two-thirds of the members present at a general meeting called for

¹⁰ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (3)

¹¹ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (4)

the purpose' and after giving appropriate notice for such a resolution as per the rules.¹²

3.17 Secondly, the credit union is required to give the Financial Conduct Authority two copies of any amendment to the rules, signed by the society's secretary and by three members.¹³ This requirement is set out in the Co-operative and Community Benefit Societies Act 2014 and ensures rule changes are recorded on the mutuals public register.

Question 9: Do you consider this process for amending the common bond appropriate? Please explain.

3.18 Separate to this Call for Evidence, the Law Commission of England and Wales has issued a consultation reviewing several aspects of the Co-operative and Community Benefit Societies Act 2014, funded by HM Treasury. This consultation is open from 17 September until 10 December 2024. As this existing consultation covers Section 17 of the Co-operative and Community Benefit Societies Act 2014, which deals with appeals for decisions of the FCA where it refuses to register an amendment to the society's rules, this topic is not being covered in this Call for Evidence.¹⁴

¹² [Credit Unions Act 1979 \(legislation.gov.uk\)](#) Section 4(2)

¹³ [Co-operative and Community Benefit Societies Act 2014 \(legislation.gov.uk\)](#) Section 16 (2)

¹⁴ [Co-operatives and community benefit societies - Law Commission](#) Chapter 7, Further proposed reforms, page 106-108.

Chapter 4

Wider impacts

4.1 This chapter seeks evidence on the wider impacts of the common bond on the growth of the credit union sector.

Competition

4.2 Credit unions primarily offer smaller personal loans and savings products to members, though some may have permissions from the Prudential Regulation Authority and the Financial Conduct Authority to offer wider products and services.

4.3 Making changes to the common bond may impact a credit union's ability to serve a range of members. Changing the common bond may also have impacts on competition in the savings and personal lending market. This may be between individual credit unions, or between credit unions and non-credit union savings and loans providers.

Question 10: If the government made changes to the common bond, would you expect these to impact competition in the savings and personal loans market? Please explain.

Transfers of engagement and start-ups

4.4 There has been some consolidation in the credit union sector in recent years, noting there were 359 credit unions in Great Britain in 2014, compared to 264 in 2019 and 232 as of October 2024.¹⁵ We do not have the data to confirm causes or avenues of consolidation. However, it is evident that the common bond as currently set out in legislation can impact on the ability of a credit union to transfer engagements to another credit union.¹⁶

Question 11: Are there any considerations you wish to share regarding the common bond and the ability for credit unions to conduct transfers of engagement? Please explain.

¹⁵ <https://www.bankofengland.co.uk/statistics/credit-union/2014/2014> ; [Credit union annual statistics - 2019 | Bank of England](https://www.bankofengland.co.uk/statistics/credit-union/2024/2024-q2) ; <https://www.bankofengland.co.uk/statistics/credit-union/2024/2024-q2>

¹⁶ Transfers of engagements is the term used in the credit union sector when referring to mergers between credit unions. Details on transfers of engagements is set out in Section 21 of the Credit Unions Act 1979: <https://www.legislation.gov.uk/ukpga/1979/34>

4.5 It would be helpful to understand views on whether the credit union common bond has an impact on starting new credit unions in Great Britain.

Question 12: Is there anything that should be considered regarding the common bond and the ability for new credit unions to start up? Please explain.

Regulation

4.6 Credit unions have a distinct regulatory regime, which is linked to their distinct objectives and products that they are able to offer. As set out in paragraph 2.6 above, any potential reforms to the common bond requirement will need to be carefully considered against the regulatory environment for credit unions, as these could create significant changes to the way credit unions operate in Great Britain.

4.7 It would be helpful to understand whether there are any regulatory considerations that should be accounted for alongside any changes to the common bond.

Question 13: Are there any regulatory considerations that should be accounted for alongside any changes to the common bond? Please explain.

Further impacts

Question 14: Are there any further reforms to the common bond that should be considered, beyond those described above? Please explain.

Question 15: Is there anything related to the common bond more widely that the government should consider? Please explain.

Chapter 5

Responding to this consultation and next steps

5.1 The government is using this Call for Evidence to seek views and input from a wide range of stakeholders regarding considerations for amending the credit union common bond in Great Britain.

5.2 Following this Call for Evidence, the government will publish a summary of responses and its proposed next steps, which may include a consultation on specific proposals.

When and how to respond to this Call for Evidence

5.3 This Call for Evidence will be open for 16 weeks and will close at 11:45pm on 6 March 2025.

5.4 Responses to this Call for Evidence should be emailed to: creditunions@hmtreasury.gov.uk

5.5 Alternatively, responses can be submitted to:

Common Bond Call for Evidence Response
Banking and Credit Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

5.6 Any queries relating to this Call for Evidence can also be emailed to: creditunions@hmtreasury.gov.uk

HM Treasury Call for Evidence on Credit Union Common Bond Reform – processing of personal data

Privacy notice

5.7 This notice sets out how we will use your personal data provided to us within the Call for Evidence on credit union common bond reform. This notice also explains your relevant rights under the UK General Data Protection Regulation (UK GDPR). For the purposes of the UK GDPR, HM Treasury is the data controller for any personal data you provide.

Data subjects

5.8 The personal data relates to individuals who provide responses to HM Treasury for this Call for Evidence.

Personal data

5.9 In relation to the data subjects, below are some categories of personal data that we will collect:

- Name
- Postal address
- Email address
- Telephone number

5.10 There are some survey questions where you can leave a free-text answer. To help us protect your anonymity, please do not enter any information which might identify you or others.

How we use your personal data

5.11 These personal data are used for the purpose of receiving and, where necessary, replying to responses provided to the Call for Evidence.

Our lawful basis for processing your personal data

5.12 The processing of personal data is necessary for us to comply with public task as our lawful basis for processing, to ensure we meet Article 6(1)(c) of the UK GDPR.

Who will have access to your data

5.13 Your personal data will only be made available to staff within HM Treasury, who have a business need to see it for the purposes of reviewing responses to the Call for Evidence and responding to queries.

5.14 As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this personal data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold your personal data for

5.15 The personal data provided in the Call for Evidence will be kept in an identifiable form for no longer than is necessary for the purposes for which the personal data is collected.

Contact us

5.16 For more information on how we use your personal data, please contact: creditunions@hmtreasury.gov.uk

Your data protection rights

5.17 You have the right to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

5.18 A full list of your data protection rights appears on the ICO website [here](#).

How to submit a data subject access request (DSAR)

5.19 To request access to your personal data that HM Treasury holds, please email: dsar@hmtreasury.gov.uk

Complaints

5.20 If you have concerns about our use of your personal data, please contact Treasury's Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk

5.21 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via this website: <https://ico.org.uk/make-a-complaint>.

Annex A

Definition of the common bond

The Credit Unions Act 1979 sets out the definition of a credit union in Sections 1A and 1B.¹⁷ These are copied out below.

1A. Common bonds appropriate to a credit union

(1) Under the rules of the society admission to membership must be restricted to persons who fall within one or more common bonds appropriate to a credit union (whether or not any other qualifications for admission to membership are required under the rules).

(2) The common bonds appropriate to a credit union are—

- (a) following a particular occupation;
- (b) being employed by a particular employer;
- (c) residing or being employed in a particular locality;
- (d) being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a credit union;
- (e) any other common bond for the time being approved by the FCA.

(3) If the rules of a credit union so provide, a person who is a member of the same household as, and is a relative of, another person who is a member of the credit union and falls directly within a common bond is treated as also falling within that common bond.

(4) For the purposes of this section, a body corporate or a person applying for membership in his capacity as a partner in a partnership or an officer or member of the governing body of an unincorporated association—

¹⁷ <https://www.legislation.gov.uk/ukpga/1979/34/contents>

(a) falls within the common bond specified in paragraph (a) of subsection (2) if the principal business of the body corporate, partnership or unincorporated association—

(i) requires it to employ or otherwise engage persons who follow that occupation, or

(ii) relates to that occupation in some other way;

(b) falls within the common bond specified in paragraph (b) of that subsection if the body corporate, partnership or unincorporated association—

(i) employs the persons who qualify for membership under that common bond, or

(ii) provides services, or is otherwise related, to that employer;

(c) falls within the common bond specified in paragraph (c) of that subsection if the body corporate, partnership or unincorporated association has a place of business in, or other significant connection with, that locality; and

(d) falls within the common bond specified in paragraph (d) of that subsection if the body corporate, partnership or unincorporated association is a member of a bona fide organisation or otherwise associated with other members of the society for the purpose specified in that paragraph.

(5) The FCA may accept as sufficient evidence that the requirement of this section is met a statutory declaration to that effect given by three members and the secretary of the society.

1B. Further requirements where common bond relates to locality

(1) The requirements of this section must be met where—

(a) the rules of a society provide for one or more common bonds involving a connection with a locality, or

(b) the rules of a society provide for one or more common bonds of such other description as may be specified.

(2) The requirements are—

(a) that the conditions in subsection (3) are met, or

(b) that extraordinary circumstances exist justifying registration of the society as a credit union.

(3) The conditions are—

(a) that the number of potential members of the society does not exceed two million or such higher figure as may be specified; and

(b) that it is reasonably practicable for every potential member to participate in votes of the society, serve on the society's committee and have access to all the services offered by the society.

(4) The FCA may accept as sufficient evidence that the conditions in subsection (3) are met a statutory declaration to that effect given by three members and the secretary of the society.

(5) In this section "specified" means specified by order made by the Treasury.

HM Treasury contacts

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