



HM Treasury

Credit Union Common Bond Reform

Call for Evidence Response

March 2026

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Chapter 1

Introduction

1.1 The government is committed to unlocking the full potential of the mutuals sector. As part of delivering against this commitment, the government issued a call for evidence on the potential need to reform the common bond for credit unions in Great Britain. This sought to gather views from interested parties regarding the need for reform of common bond requirements to support the sustainable development of the sector. The call for evidence was issued on 14 November 2024 and ran for 16 weeks, closing on 6 March 2025.

1.2 On 5 November 2025, HM Treasury published the Financial Inclusion Strategy¹. This confirmed the government's intention to bring forward a package of growth-focused reforms to the common bond for credit unions in Great Britain, following an assessment of the call for evidence responses.

1.3 This document is the government's full response to the call for evidence. It also provides detailed next steps which outline the measures the government intends to take to reform the common bond, expanding on the intention announced in November 2025.

1.4 Chapter 1 of this document outlines the background to the consultation. Chapter 2 summarises the responses received in relation to the specific questions outlined in the call for evidence. Chapter 3 details the government's considerations and next steps, followed by Chapter 4, which lists the 15 responses received.

1.5 The call for evidence consisted of 15 open-ended questions, seeking views from interested parties into the definition and requirements of credit union common bonds in Great Britain and the wider impacts that reform of these could have on the growth of the credit union sector.

1.6 We received 15 responses to the call for evidence. These were comprised of 4 trade bodies, 7 credit unions and 4 other interested parties.

1.7 HMT has undertaken a detailed review of the responses. This document summarises the key issues raised, however it is not an exhaustive commentary on every response received. Please note that not all respondents made submissions to every question.

¹ <https://www.gov.uk/government/publications/financial-inclusion-strategy>

Chapter 2

Summary of Responses

2.1 There was a consensus amongst respondents of the importance of maintaining the common bond in Great Britain, citing it as a foundational element of the credit union identity and purpose and something that distinguishes credit unions from other financial institutions. However, respondents noted that reform was needed to help support credit unions to grow, innovate and better serve their members while preserving their foundational principles.

2.2 A summary of the responses received to each question is outlined below.

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.

2.3 The first two questions sought evidence on whether the definitions of the occupation or employer common bond warranted reform. These definitions are ‘following a particular occupation’ or ‘being employed by a particular employer’.²

2.4 The majority of respondents did not propose reforming these definitions in order to support the growth of the sector.

2.5 However, it was noted in a few responses that credit unions with occupation and employer common bonds have the potential to add many different occupations and employers, and that it is not necessarily naturally limiting. Some responses therefore suggested that the government consider implementing safeguards to prevent the development of bonds with wide selections of occupations within their bonds.

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

2.6 The definition of an association common bond comprises ‘being a member of a bona fide organisation or being otherwise associated

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

with other members of the society' for another reason beside forming a credit union.³

2.7 The majority of respondents did not suggest making any changes to the definition of the association common bond.

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

2.8 The definition of a locality common bond comprises 'residing or being employed in a particular locality'.⁴ This may cover individuals and businesses as members, depending on the rules set out by the credit union.

2.9 Respondents did not propose making changes to the definition of the locality common bond. However, many called for amendments to the 3 million potential membership cap. These will be outlined in the response to question 5.

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

2.10 As outlined in the call for evidence, 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 3 million or fewer members and require 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'.⁵

2.11 In 2017, HM Treasury updated the limit on the number of potential members of a locality common bond from 2 million to 3 million.⁶ This increase was a result of the increasing population of Great Britain's largest cities, and was aimed at helping the sector expand, whilst ensuring the characteristics of the mutual model remained.

2.12 Among responses to this call for evidence, there was a strong consensus for removing or adjusting the 3 million potential member cap on locality common bonds, which was cited as a barrier to growth, conducting mergers between credit unions, and effective service delivery, especially in densely populated areas.

2.13 Responses noted that the locality membership cap creates a disparity within the sector and a competitive advantage for credit

³ <https://www.legislation.gov.uk/ukpga/1979/34> Section 1A (2)(d)

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

⁵ <https://www.legislation.gov.uk/uksi/2017/1144/article/2/made>

⁶ <https://www.legislation.gov.uk/uksi/2017/1144/made>

unions without a geographical element, as they do not face these same constraints.

2.14 Responses shared varied views as to how this cap should be reformed. Whilst some responses suggested reforming the wording from 'potential' to 'actual' membership caps, others suggested providing a more dynamic cap that adjusts with demographic changes, and others suggested removing the cap entirely.

2.15 To create a level playing field within the sector, some responses suggested applying a cap across all common bonds. This was suggested to limit perceived competitive imbalance between locality and non-locality bonds and prevent the development of bonds with wide selections of occupations or employers.

2.16 Responses noted that they would not want any changes to the common bond to result in the removal of their current regulatory and tax exemptions. Specifically, it was noted that credit unions benefit from exemptions from the Consumer Credit Act regulations, the Capital Requirements Directives and corporation tax on the income generated from their core activities, including taking deposits from and providing loans to their members. Some responses suggested that proportionate regulation should be based on a credit unions' actual size, rather than that of potential membership size.

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

2.17 The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011⁷ came into effect in January 2012. This Order allowed for credit unions to expand their membership criteria by combining different types of common bonds, thereby enabling them to serve a broader range of individuals.

2.18 The majority of responses did not propose making any change to the use of other or mixed common bonds. It was noted that allowing diverse or mixed common bonds has been instrumental for the credit union sector, enabling them to foster a more inclusive membership base.

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

2.19 Currently, if a 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

⁷ <https://www.legislation.gov.uk/ukSI/2011/2687/contents/made>

bond' is also treated as falling within that common bond, and is eligible to join.⁸ This is referred to as the same household requirement.

2.20 There was a consensus amongst responses that the same household requirement was outdated and in need of modernisation to reflect contemporary family dynamics.

2.21 It was specifically noted that the requirement posed limitations for children who do not live at the same address as a parent or grandparent that is a credit union member, therefore making them ineligible to join and access that credit unions' services and products.

2.22 Some responses also noted that these requirements restrict joint financial activities, such as applying for a joint loan or a joint mortgage for members who are buying a property with someone they do not currently live with.

2.23 It was noted that reform in this area would allow for more family members to access credit union services, enabling credit unions to promote financial stability and education within the wider family network.

2.24 It was also suggested that reform would eliminate the necessity for credit unions to decline joint loan or mortgage applications from individuals who do not meet the existing household criteria, helping to support the growth and inclusivity of credit unions through enhancing their service offerings.

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

2.25 Following the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011⁹, credit unions were permitted to accept corporate bodies, such as businesses and associations, as members. This change was part of a broader effort to modernise the credit union sector and enhance its abilities to serve a wider range of members.

2.26 Responses generally did not make any case to update the requirements in relations to bodies corporate, partnerships, or unincorporated associations.

2.27 One response called for corporate membership to be carefully regulated to ensure that credit unions remain member-focused, and do not become overly commercialised institutions.

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

⁹ <https://www.legislation.gov.uk/uksi/2011/2687/contents/made>

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

2.28 The provisions of the common bond are set out in the credit union's rules, with a formal process required to make and register any changes to these rules.

2.29 The responses noted that the current process for amending a credit union's common bond is generally suitable, however it could potentially benefit from certain refinements to enhance clarity and flexibility.

2.30 For example, one response noted that the requirement to provide two signed copies of amendments of credit union rules to the Financial Conduct Authority (FCA) was unnecessary and outdated, suggesting a copy of the new rulebook and documentation to evidence the change should be sufficient.

2.31 One response also queried the necessity of requiring a statutory declaration, signed by a solicitor, to witness a credit union's rule change.

2.32 A few responses suggested that the decision to add or remove a named employer in an employer common bond could be delegated to the board of the credit union.

2.33 Several responses also noted that the FCA's application of the process could be made more effective through the FCA providing clearer rules and guidelines to amending a common bond and ensuring better consistency in their approach.

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.

2.34 There was a consensus amongst responses that changes to the common bond that would help enable credit unions to grow and expand their reach would have a positive impact on competition in the savings market.

2.35 Respondents noted that if changes to the common bond legislation enabled credit unions to expand and grow, this would increase competition in the lower-value loans market, particularly with other financial institutions. This could have a positive effect, resulting in more competitive savings rates, and providing consumers with more alternatives to traditional banking institutions.

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.

2.36 As outlined in the response to question 5, responses argued that reform of the current population cap of a potential of 3 million

members for locality common bonds is needed to help support transfers of engagement.¹⁰

2.37 Responses noted that the locality common bond cap restricts expansion opportunities like mergers, and shared examples of credit unions which had to limit their common bonds when merging due to this cap. Responses noted that this process can leave areas without a credit union, limiting some individuals' ability to access credit union products and affordable credit.

2.38 It was noted that larger credit unions are generally more efficient, with lower administrative costs and higher income from lending, as compared to smaller credit unions. Responses also noted that these credit unions are generally less reliant on grant funding and have lower rates of bad debt. Therefore, it was argued that amending the population cap limit and allowing for greater numbers of transfers of engagement will help to create a more robust and sustainable sector, which would be better positioned to serve their members and promote financial inclusion and education within communities throughout the country.

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.

2.39 Respondents did not note any concerns with the current common bond legislation and the ability for new credit unions to start up.

2.40 One response suggested the government should focus on ensuring existing credit unions are supported to grow and expand their common bonds, to expand the growth and reach of the credit union sector, as opposed to assisting the establishment of new credit unions.

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

2.41 As outlined in the summary to question 5, responses outlined that they would not want any changes to the common bond to result in the removal of current regulatory and tax exemptions for credit unions.

2.42 Respondents noted the importance of credit unions being subject to proportionate and effective regulation. As also raised in response to question 9, some called for a more clear and consistent

¹⁰ Transfers of engagements is the term used in the credit union sector when referring to mergers between credit unions. Details on transfers of engagements are set out in Section 21 of the Credit Unions Act 1979: <https://www.legislation.gov.uk/ukpga/1979/34>

regulatory interpretation from the FCA regarding common bond approvals.

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

2.43 Many of the responses suggested amending the rules for non-qualifying members, to help credit unions attract new members and ensure greater equity between existing members.

2.44 A non-qualifying member is a member of a credit union who joined as a direct or indirect qualifying member but has since ceased to be so.¹¹

2.45 The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 abolished the previous cap that restricted non-qualifying members to 10% of a credit union's total membership.¹² This change aimed to reduce unnecessary burden on credit unions, recognising that people are increasingly likely to change occupation, employer and locality. As a result, credit unions now have the flexibility to determine their own limits for non-qualifying members.

2.46 Non-qualifying members cannot introduce family members to a credit union, while qualifying members can.

2.47 A few responses proposed amending the rules for non-qualifying members, so that they have equal access to services and can introduce family members to a credit union. It was argued that this would help credit unions attract new members and ensure equality between existing members.

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

2.48 One response suggested the government should consider amendments to allow organisations that work on a national basis to partner with a credit union and refer potential members, which could be capped at a certain number as needed. This would enable organisations to set up reciprocal credit union partnerships.

2.49 Responses also raised some issues beyond the scope of this call for evidence. These included calls for the government to consider introducing a public awareness campaign on credit unions and financial inclusion, as well as support for credit unions to build relationships with banks, so that they can set up referral agreements for consumers who may benefit from a credit union's products and services. There were also calls for the government to ensure that

¹¹ [Credit Unions Act 1979](#), sections 5(5) and 21(4)

¹² <https://www.legislation.gov.uk/uksi/2011/2687/contents/made>

mutuals legislation keeps pace with any changes made to update the Companies Act 2006.

2.50 A couple of responses noted that changes to the credit union common bond will not have a significant impact on growing the size of the credit union sector. Instead, this should be considered alongside a broader range of issues, such as Basel capital liquidity ratios and fintech innovations.

2.51 Given these issues are outside the scope of this call for evidence, the government will look to review these issues at a later date.

Chapter 3

Government Response and Next Steps

3.1 The responses have been used to assist government decision-making as to the potential for reform of the common bond requirements for credit unions in Great Britain to help support the sustainable development of the credit union sector.

3.2 On 5 November 2025, HM Treasury published the Financial Inclusion Strategy¹³. This confirmed the government's intention to bring forward a package of growth-focused reforms to the common bond, following a review of the call for evidence responses.

3.3 The Strategy stated that these reforms will address the challenges that the locality bond membership cap can present to credit unions looking to expand and merge, broaden eligibility requirements for non-qualifying members, and provide legal certainty on the changes credit unions can make to their common bonds.

3.4 This section outlines these reforms that the government will undertake in greater detail.

Removal of barriers

3.5 In response to views provided on the potential membership cap on the locality bond and its impact on credit union expansion and mergers, **the government will make the necessary amendments in legislation to increase the potential membership cap from 3 million to 10 million**. This will significantly expand the potential size of locality-based credit unions and reduce uncertainty regarding mergers.

3.6 Additionally, to further expand the potential membership base for locality-based credit unions, **the government will make the necessary amendments in legislation to permit students to join these credit unions** – in addition to those who reside and work in the geographical area, as is already the case.

3.7 In response to views provided on the same household requirement and the restrictions it places on membership by referral, **the government will make the necessary amendments in legislation to allow the admission of relatives into a credit union regardless of whether they live in the same household as the qualifying member by which they are eligible, as well as allowing individuals who live in**

¹³ <https://www.gov.uk/government/publications/financial-inclusion-strategy>

the same household as the qualifying member. This will mean the law better reflects modern family dynamics and broadens the membership base for credit unions.

Providing regulatory and legislative certainty

3.8 In response to views shared on non-qualifying members, **the government will make the necessary amendments in legislation to allow members of occupation and employer bonds to remain as fully qualifying members upon retirement, allowing them to introduce new members.** This will also allow retirees to join a credit union after their retirement has begun, i.e. when not currently in employment with a permitted occupation or employer. This will also apply to locality bonds where members are eligible on the basis of employment within the locality.

3.9 Some responses suggested that the government should consider implementing safeguards to prevent the development of bonds with wide selections of occupations within their bonds. This was considered. However, to ensure there are no unnecessary barriers to a credit union's growth, the government has decided not to pursue this.

3.10 Additionally, the government considered the select responses suggesting that the decision to add or remove individual employers from common bonds should be delegated to the board. The government wishes to safeguard members' democratic control over the credit union's common bond, and decided not to progress with this change.

3.11 The government funded the Law Commission to conduct a review of the Co-operative and Community Benefit Societies Act 2014, which is considering ways to update and modernise this legislation to ensure it is fit for purpose and that regulation is proportionate and effective. The consultation, which closed on 10 December 2024, proposed amending the requirement to submit two signed copies of rule amendments to the FCA to only sending one copy if sent electronically. The Law Commission will publish its final report later this year.

3.12 The government acknowledges that some responses suggested regulatory changes for consideration. The government will continue to work with the FCA and Prudential Regulation Authority (PRA) to support clearer and effective regulation in the sector. At Mansion House 2024¹⁴, the government requested a report from the FCA and PRA on the mutuals landscape. This Mutuals Landscape Report¹⁵ was published on 5 December 2025. In this report, the FCA and PRA announced plans to undertake a holistic review of the regulatory framework for credit unions, as well as plans to provide tailored content for credit unions on their websites to enhance accessibility and engagement with credit

¹⁴ <https://www.gov.uk/government/collections/mansion-house-2024>

¹⁵ [Mutuals landscape report | Bank of England](#)

unions. Additionally, the FCA confirmed in its Mutuals Registering Authority Report¹⁶ that it would remove the requirement for statutory declarations to be made by mutuals where these are not required in legislation, following a consultation¹⁷ on this matter.

Wider government work to support credit unions

3.13 The government will take forward the above reforms to legislation when parliamentary time allows.

3.14 These reforms complement other work being done by the government and the regulators to support the credit union sector. For example, the PRA will be publishing a policy statement on Credit Union Service Organisations (CUSOs)¹⁸. Additionally, the government announced a £30 million Credit Union Transformation Fund for England, led by Fair4All Finance as part of the Financial Inclusion Strategy and will continue to engage with the sector through the Mutual and Co-operative Sector Business Council and other fora to continue to support the sector's growth.

3.15 The government has noted the out-of-scope issues raised in responses to this call for evidence and will keep these under review.

¹⁶ <https://www.fca.org.uk/publication/corporate/mutuals-registering-authority-report.pdf>

¹⁷ [CP25/24: Quarterly consultation paper No. 49 | FCA](#)

¹⁸ [CP13/25 – Credit Union Service Organisations | Bank of England](#)

Chapter 4

Individual responses

Summary of views requested

4.1 The call for evidence sought 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.

Respondents

- 4.2 There were 15 responses to the call for evidence in total.
- 4.3 These were comprised of 4 trade bodies, 7 credit unions and 4 other interested parties.

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