

THE ROLE OF CREDIT UNIONS IN COMMUNITY ENTERPRISE INITIATIVES IN THE REPUBLIC OF IRELAND

Legislative Framework

Two mechanisms enable credit unions in the Republic of Ireland to involve themselves in community enterprise initiatives – the inclusion of bodies in their membership and the proviso for establishing a Special Fund.

Social finance

The Credit Union Act 1997, Section 17(7) states ‘...a body (whether incorporated or unincorporated), the majority of the members of which are, and continue to be, eligible for membership of a credit union may itself be admitted to, and retain membership of, that credit union, with the same rights and obligations as a natural person’.ⁱ

The inclusion of bodies within the legislative framework enables credit unions to lend to them as they would a *natural person*. Such lending often falls under the banner of social finance, defined as:

“...personal loans to people in debt or on low income, those starting their own business or moving from welfare to work. 20% of these funds are lent to community development and community enterprise projects throughout Ireland.”

Research conducted in 2005 found that credit unions were the largest social finance provider in the Republic of Ireland, with €700m worth of loans on that basis.

Special Fund for social, cultural etc. purposes

Credit unions in the Republic of Ireland may establish a special fund ‘to be used... for such social, cultural or charitable purposes (including community development)’ under section 44 of the Credit Union Act 1997. The act holds that such a fund may only be established following a resolution passed by ‘a majority of its members present and voting at a general meeting’.ⁱⁱ

According to the Act, moneys paid into the special fund, may **only** be sourced **out of the annual operating surplus of the credit union**. In addition, no money may be paid into the fund unless the directors are satisfied:

- that adequate provision has been made out of the surplus in question to cover all current and contingent liabilities and to maintain proper reserves; and
- that the payment of moneys into the special fund will not affect the financial stability of the credit union.ⁱⁱⁱ

The act holds that the level of money used to establish a special fund must not exceed 2.5% per cent of the credit unions accumulated reserves in the during the financial year of establishment. This 2.5% excludes the statutory reserve, which is defined as an allocation of surplus funds *not less than ten per cent* in each financial year.^{iv}

Examples of Community Initiatives

The following credit unions have been cited by the Irish League of Credit Unions as examples of institutions at the forefront of developing community and social finance projects.

St Columba's Credit Union

In 2006 St. Columba's Credit Union, Galway saw the completion of a public private initiative, in conjunction with Galway City Council, Enterprise Ireland and the Western Health Board^v, which set up the Ballybane Village Centre. The Project won (for Galway City Council) the Chambers of Commerce of Ireland Award for Excellence in Community Development and also the Taoiseach's Award for Excellence in Local Government. In addition to these awards, the project was selected among 12 projects across the globe to compete for the United Nations Habitat Award 2006. It was the first Irish project to be included in this selection^{vi}.

Ballinasloe Credit Union

During 2008 Ballinasloe Credit Union distributed a total in excess of €80,000 from its special fund to local projects. In its ten years of existence the social fund has averaged around €50,000 per annum. Funding projects in 2008 included, amongst others: Ballinasloe Area Development Company €10,000; St Patrick's national school Kiltormer €2000; St Ronan's National School Taughmaconnell €3000; the purchase of defibrators for Scoil an Choi Naofa and Scoil Ui Chearnaigh Ballinasloe; St Joseph's college €2500; Ard Scoil Mhuire €3000; Clontuskert Heritage group €3000; Ballinasloe Town Library €2200; and Ballinasloe Arts Group €600.

Tipperary Credit Union

Highlighted by the ILCU as a "progressive" credit union involved in developing community and social finance projects, including development loans, student scholarships, express lodgements, direct debits facilities, foreign exchange and rail tickets. The credit union collects €1 from each member annually as a contribution to its Foreign Aid Fund and has been involved in a number of community initiatives including an IT park. In 2007 Tipperary Credit Union celebrated its 40th Anniversary and was awarded a Civic Reception by Tipperary UDC for their services to the community^{vii}. The credit union also provides sponsorship to local events including charity functions, sporting events, and school events. In 2006/07 Tipperary Credit Union distributed €10,535 of its special fund to financially support community projects and charities, these included; the purchase of a defibrator; providing €5,000 of funding to the 'Excel' project; and €3,190 to the Canon Hayes Commemoration Fund. In the same year €100,000 was transferred back into the special fund.^{viii}

Note on Power to Borrow

The Credit Union Act 1997 enables a credit union to borrow money so long as the amount borrowed does not exceed 50% of the aggregate of shares balance and the deposits balance of the credit union. Any borrowings in excess of 25% of the aggregate of shares balance and the deposits balance of the credit union require the credit union to provide at least 28 day notice to the Registrar of its intention to borrow.^{ix}

The act does not limit the ends to which a credit union can borrow.

Note on Investments

Credit Unions may invest any funds surplus to operating requirements. The Credit Union Act 1997 limits such investment to^x:

- *“securities in which trustees are from the time being authorised by law to invest”;*
- *“the shares of, or deposits with, or loans to, a credit union”;*
- *“the shares of a society registered under the Industrial and Provident Societies Acts, 1893 to 1978”;* or
- *“such other manner as may be prescribed, being a manner appearing to the Minister to be beneficial to the credit union”.*

Note on Financial Assistance from Government

No direct government funding of credit unions in the Republic of Ireland is apparent, however, plans are in place to introduce a savings protection scheme similar to that of the Financial Service Authority in Great Britain.

The Credit Union Savings Protection Bill 2008 was introduced into the Seanad Éireann, as a first stage bill, in February 2008. It has, as yet, not progressed any further. The purpose of the Bill will be to:

“...provide for the establishment of the Credit Union Savings Protection Company; to establish a statutory scheme for the protection of savings of members of Credit Unions; to establish arrangements for financial assistance to Credit Unions; and to provide for related matters.”^{xi}

The Bill requires credit unions to contribute 2% of its total savings to the savings protection scheme. The scheme will protect individual savings up to the level of €20,000.^{xii}

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- ⁱ The Credit Union Act 1997 s17(2)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0017.html#zza15y1997s17>
- ⁱⁱ The Credit Union Act 1997 s44(2)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0044.html#zza15y1997s44>
- ⁱⁱⁱ The Credit Union Act 1997 s44(2)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0044.html#zza15y1997s44>
- ^{iv} The Credit Union Act 1997 s44(3-4)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0044.html#zza15y1997s44>
- ^v SCCUL Enterprise Ltd, About the Enterprise Centre <http://www.sccu.ie/sccul/about2.html>
- ^{vi} <http://www.creditunion.ie/publisher/index.jsp?re=1&plD=93&nID=603&alD=2072>
- ^{vii} Tipperary Credit Union - About Us <http://www.tipperarycu.ie/Content/about.htm>
- ^{viii} Tipperary Credit Union Limited – Annual report and accounts 2007
http://www.tipperarycu.ie/Content/documents/2007agmbooklet_000.pdf
- ^{ix} The Credit Union Act 1997, s33(1-2)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0033.html#zza15y1997s33>
- ^x The Credit Union Act 1997, s43(1)
<http://www.irishstatutebook.ie/1997/en/act/pub/0015/sec0043.html>
- ^{xi} Credit Union Savings Protection Bill 2008 (Seanad) (PMB)
<http://www.oir.ie/viewdoc.asp?DocID=8967&&CatID=59>
- ^{xii} The Credit Union Savings Protection Bill 2008
<http://www.oir.ie/documents/bills28/bills/2008/1208/b1208s.pdf>