

EASTERN SAVINGS & LOANS CREDIT UNION
MINUTES OF THE EIGHTEENTH AGM

Wednesday, 16 March 2022, 6.30pm – online *Zoom* meeting

Present: Graham Evans (Chair); Les Abbie; Nina Buck; Caroline Chicken; Sally Chicken; Steve Chicken; Rebecca Cotton; Mandy Errington; Shona Gibb; Paul Gaffney; Lynette Kimata; Julie Mansfield (Minutes); Chris Mole; Sarah Politt; Mark Rattle; Michael Scott; Kevin Wailes; Ruth Wailes; Dominic Williams.

No apologies received.

1. Welcome by the Chair, Graham Evans

2. Verification of Quorum and no Apologies received

3. Minutes of Previous Meeting held on 17 March 2021 (available on the ESL website) were approved as a fair record.

4. Report of the Board of Directors

The Treasurer, Ruth Wailes, presented the AGM papers including the Directors' Report. The Coronavirus pandemic continued to dominate the economy and business has not yet recovered to pre-pandemic levels. The loan book has reduced but changes to our lending practices have sustained an increase in the daily interest earned, even on a smaller loan book. The credit union holds £1.7 million member deposits to support our lending, which means we have about half of our assets on loan.

The board met monthly and has been proactive in reviewing progress and providing strategic guidance to the credit union. To help with this it has received regular reports from the Treasurer, the Marketing Sub Committee, and the Chief Executive. Slightly more new members joined the credit union during the year and after we had closed further dormant accounts, we were left with a net increase of about 300 members and the number of active borrowers increased to 1,083. Member deposits that increased during Covid-19, did not decrease much during the year. The number of loans issued during the year increased, but the value of loans issued decreased. There was a continuing trend of members applying less frequently for loans and when they applied, they sought smaller amounts.

We increased the marketing budget for digital advertising as normal economic confidence returned and we have continued to focus on promoting small loans. This has helped to increase the interest earned and to reduce losses from bad debts.

We continue to work with a range of partners including housing associations and councils across the common bond and have not pursued any merger plans during the year. We did see the managed closure of Rainbow Savers Anglia Credit Union and we have committed to taking on some of their vulnerable members who require transactional services. Other former members have joined Eastern to have continued access to an affordable lender. We also saw the closure of the Provident who recommended their former customers to become credit union members and a number have joined Eastern.

The Board would like again to thank all our staff and volunteers for their hard work over the year. Two members of the board have left their roles as directors, and we thank Mark Anderson and Michelle Monck for their contributions to our discussions. We are actively seeking new directors and a volunteer to fulfil the Chair Supervisory Committee role.

The recurring annual membership fee continues to make an important contribution to our income. We recognise the membership fee has been controversial but remain committed to this mechanism for the time being. Our aim remains to deliver growth in membership and lending to secure the future of the credit union without external support. We aim to provide services to the whole community but will never forget we may be the only provider of financial services for those at risk of financial exclusion.

There were no questions from members.

5. Report of the Treasurer and consideration of Accounts

Ruth Wailes was very pleased to announce that, despite the uncertainties and continued problems caused by the Covid-19 pandemic, the Credit Union made a profit of £8,319 for the year ended 30 September 2021, following the loss of £3,345 in the previous year. The main differences between the two years were:

- a reduction in Other Income of £30.7k, including:
 - £14k Covid grants received in 2020, including furlough pay, but just £208 this year.
 - £10k reduction in bad debts covered by partner organisations funding pots
 - £6.7k reduction in Service Level Agreement (SLA) income from partner organisations.
 - The Credit Union received no discretionary grants during the year; all funds from partner organisations were for services delivered.
- an increase in Administrative Expenses of £8.7k (£8k extra spend on marketing as we have moved to using more digital methods to increase awareness of the Credit Union amongst potential members across the three counties of Suffolk, Norfolk and Cambridgeshire).
- Operating Expenses up by £5.3k (rent in 2020 - we received a Covid discount of £1.75k but 2021 were charged for the full year; debt recovery and credit checks increased by £3k)
- a decrease in Bad Debts of £53.3k

Members' savings increased during the year by £42k to stand at £1,745,827 at the year end.

Loans to members at the year-end were £1,031,150, a decrease of £54k over the year. Despite the lower loan balance at the year end, the number of loans issued increased to exactly 1,000 this year. The value of loans made during the financial year decreased for the second year running: 2019 - £863k, 2020 - £688k, 2021 - £660k. There are two main reasons behind this:

- the Board decided in 2020 to limit the standard loan value to under £4,000 and to issue most loans with an interest rate of between 2-3%. This was to reduce the consequences to the Credit Union of default on a small number of large loans. We wanted to reduce our risk profile, control the level of potential bad debt and increase interest income. This has proved to be a successful strategy with the significant reduction in the bad debt this year and interest income remaining stable despite the slight reduction in the year-end value of the loan book.
- Also, members have been requesting smaller value loans this year. We believe this is because they do not want to overstretch their budgets during uncertain economic times. The average loan value in 2019 was £1,108, £845 in 2020 and £660 in 2021.

Ruth thanked all of the office team for their hard work and dedication during a second difficult and uncertain year.

The Treasurer proposed the acceptance of the Accounts and Report, seconded by Mark Rattle. Report unanimously accepted.

6. Report of the Auditor

The Treasurer presented the Auditor's Report and was pleased to note that the Auditor is happy that ESL's Accounts are compliant, with no concerns raised.

The Treasurer therefore proposed the acceptance of the Auditor's Report, seconded by Graham Evans. Accordingly, the Auditor's Report was unanimously accepted.

7. Appointment of Auditor for the coming year

The Treasurer recommended the appointment of *Lindley Adams* again this year.

Proposed by the Treasurer, seconded by Graham Evans and unanimously agreed.

8. Lending Report

Nearly all our loan applications are now received online and applications are completed within one or two working days once we have all the information required.

The loan book reduced by 6% mainly due to the Board policy decision to severely curtail debt consolidation loans because of the high risk of them going bad. The ensuing reduction in loan income has been offset to some extent by modest growth in other categories of loan purpose.

9. Report of the Supervisory Committee

Barbara McLellan stepped down as Chair of the Supervisory Committee in July. We have advertised for a replacement with no success.

The meeting recorded its thanks to Mike Scott who continues to run the routine internal audit checks.

The Supervisory Report was unanimously accepted.

10. Report of the Money Laundering Reporting Officer

Les Abbie confirmed that the regulatory Money Laundering Prevention (MLP) reports covering the 12 months October 2020 – September 2021 inclusive were submitted in a timely fashion by the ESLCU Finance Officer and these reports confirmed that all the operational activities required to implement ESLCU anti-money laundering policies were implemented.

Given its size, ESLCU is an unlikely target for money laundering activities. Nevertheless, vigilance is required because the scale of money laundering in general seems to be greater than ever and during the year at least one well-known high-street bank was fined significantly for allowing dubious deposits to be made over a five-year period. We must operate therefore on the basis that money laundering is a live threat to the credit union.

One of the focus areas from an anti-money laundering point of view is the requirement of new members to provide proper identification. It is credit union policy that members who do not provide ID are not allowed to withdraw funds from their account. Over the year 2020- 2021, a total of 1042 new members joined the credit union. Of these, around 8% on average failed to provide ID within one month of joining. At the end of the year, 2% of members did not have ID.

Other key anti-money laundering checks were as follows:

- Over the year, no suspicious activity was observed but there were a couple of applications by individuals with criminal records for terrorism offences. These applications were vetted and rejected.
- Each month there were a few large transactions (£5,000 or more) but explanations were provided, and none gave rise to any concern.
- No politically exposed persons joined the credit union during the year.
- The membership of the credit union was checked each month against the Bank of England sanctions list and yielded negative results.

11. Report of the Chief Executive

The Coronavirus pandemic has accelerated the pace of change in the credit union sector, as with other businesses. This year we have consolidated our digital operations, but we remain ambitious to improve these further.

New and existing members can apply for membership and apply for loans online and issued loans can be sent by bank transfer. We have continued with electronically signed Loan Agreements using RMail technology and the AccountScore Open Banking solution has enabled members to share their bank account data without having to send paper documents to the credit union. This information also gives us an individual view of the member's ability to afford loan repayments. Together these changes have reduced the time taken to consider member loan applications and this has reduced to between one and two days.

We have moved to a new credit reference agency (TransUnion) to provide us with credit history information. This has helped us continue the downward trend in the cost to the business of bad debt.

We have continued our direct communications with members using email and SMS. We have further improved our website to attract more traffic and to retain visitors at the site.

We now have nearly 400 members with Engage Accounts. This has proven to be a very good solution for many members as the account includes a sort-code and account number and members can arrange direct debits and standing orders from their account. The card provided is a Visa card and members also receive cash back rewards for using retailers who partner with Engage. We have seen further growth of self-service with the volume and value of transfers made by the e-Web service continuing to grow.

Our membership is now more widely spread. We are helping more members with affordable loans in more areas of the region and have grown our support in all the major urban areas and at rural locations in between.

The credit union employs a qualified accountant as its Finance Officer. This strengthens our budgeting and financial control skills. Our financial reporting to the FCA and our audit preparations are exemplary.

We never forget our ethical purpose. Since we were founded, we have had nearly 17,000 members. Members have borrowed over £11 million from the credit union and if every borrower had a £500 loan, they would have saved £230 in interest compared to a doorstep lender. This means we have delivered over £5 million of benefit to the community in reduced interest payments.

We remain ambitious to achieve financial sustainability. The credit union has done well in the past year and it hopes to see the economic climate improve further.

CM thanked the team at Austin Street and the Board of Directors for their individual and collective contributions to the performance of the business in 2020/21.

There were no questions from members.

12. Election of Directors

Three directors stood down during the year and two existing Board members are standing for re-election, namely Les Abbie and Graham Evans. In addition, two members are standing for election to the Board for the first time; namely, Mandy Etherington and Dominic Williams.

- Mandy explained that she is a director of the East of England Co-op and runs a boutique business in Ipswich. She hopes that her background and experience in retail and marketing will help her make a positive contribution to the ESL Board.
- Dominic advised that he has a legal background. He is particularly interested in ESL because he has an interest in civil society and Community Health Resilience.

Since fewer nominations and re-nominations were received than there are places on the Board, no votes were required in terms of Rule 103 and the appointments of Les, Graham, Mandy and Dominic were unanimously agreed.

13. Proposal to Amend the Rulebook

A number of changes were proposed in order to;

- a. update and consolidate the rules regarding the availability of membership to, inter alia, all tenants and employees of certain organisations (as detailed in the ESL Annual Report 2022).
- b. rationalise ESL's geographical reach.

Unanimously agreed.

14. Proposal to pay a Dividend on Adult Accounts and to pay Interest on Junior Accounts

- a. The board proposed that a dividend of 0.15% be paid on the balance of shares held by adult members in 2020/21.

Unanimously agreed.

- b. The Board recommended that interest should continue to be paid on Junior accounts at 1%.
Unanimously agreed.

15. Any Other Business:

None received in advance.

However, Lynette wished to express how pleased she is at the way ESL is growing; both in terms of numbers of loans and also its reach across the County. She thanked everyone involved for their contributions towards ESL's success.

16. Proposal of the Honorarium to the Treasurer

Graham Evans proposed an honorarium for the Treasurer of £550 (being the same amount proposed for the previous five years). However, Ruth Wailes declined to accept.

GE thanked Ruth for her decision.

There being no other business, the meeting closed at 7.25pm.