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Policy Co-ordination Team  
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Dear Tunde

### **CP 2/14 – The PRA Rulebook**

We appreciate the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the main trade association for credit unions in England, Scotland and Wales. Out of the 393 credit unions which choose to be a member of a trade association, 72% choose to be a member of ABCUL.

Credit unions are not-for-profit, financial co-operatives owned and controlled by their members. They provide safe savings and affordable loans. Some credit unions offer more sophisticated products such as current accounts, ISAs and mortgages.

At 30 September 2013, credit unions in Great Britain were providing financial services to 1,075,951 people, including 122,280 junior savers. The sector held more than £1.1 billion in assets with more than £641 million out on loan to members and £918 million in deposits.<sup>1</sup>

Credit unions work to provide inclusive financial services has been valued by successive Governments. Credit unions' participation in the Growth Fund from 2006 – 2011 saw over 400,000 affordable loans made with funding from the Financial Inclusion Fund. The DWP has contracted ABCUL to lead a consortium of credit unions under the Credit Union Expansion Project, which will invest up to £38 million in the sector and aims to make significant steps towards sustainability.

### **Response to consultation**

We are generally supportive of the introduction of the PRA Rulebook separate to the FCA Handbook and for it to be made exclusively available online. However, we would like to register a note of caution in relation to the potential impact on smaller credit unions who might find the need to navigate two separate sets of regulatory standards more difficult. While we appreciate that the two entities are now legally distinct it is also important to bear in mind the particular needs of smaller, dual-regulated firms such as credit unions which can sometimes find difficulty in understanding the exact boundaries between the regulatory responsibilities of the two. Any steps

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<sup>1</sup> Figures from unaudited quarterly returns provided to the Prudential Regulation Authority

that could be taken to assist credit unions in using the new Rulebook in tandem with the FCA's Handbook would be very beneficial.

We are supportive of the PRA's new Fundamental Rules which are a welcome clarification of the PRA's expectations of regulated firms and are an improvement in this respect from the FSA's Principles for Businesses. In particular for the purposes of credit unions, it is helpful to have clarification of the expectation under FR8 on resolution and the emphasis on the importance which PRA places on having a working SCV in the credit union context. ABCUL will continue to do what we can to communicate this importance to our members.

While we appreciate the clarification that the FRs provide, we would take this opportunity to underline the importance of applying these rules proportionately in line with the overarching regulatory principles which bind both PRA and FCA. In the case of many credit unions, while we fully accept the responsibilities which come with running a regulated financial business and the importance of high standards at all times, the potential for financial instability or consumer detriment is extremely limited due to the small scale of the sector. Therefore, while we accept the underlying principles set out in the FRs, we urge consideration of concerns for proportionality when they are applied in the credit union context.

Finally, in relation to the elements of SUP Handbook which the consultation discusses, we are once more broadly happy with the thrust of what changes are made to broaden the responsibilities of firms vis-a-vis the regulator. However, once more we take the opportunity to emphasise the importance of proportionality when applying these requirements for e.g. "immediate" or "timely" action on the part of firms in relation to credit unions. Of course, we do not suggest that these are not important requirements or that credit unions should somehow be treated differently but the interpretation of such requirements does permit of some flexibility and we believe this is appropriate in the case of credit unions, as the smallest of dual-regulated firms, in the name of proportionate regulation to which PRA is committed.

Once again, we are grateful for the opportunity to respond to this consultation. We would be more than happy to discuss any of the points raised above in more detail. Please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M Lyonette', with a stylized, cursive script.

Mark Lyonette  
Chief Executive – ABCUL