Minutes of the second Annual General Meeting of Churches' Mutual Credit Union held at 12 noon on Friday 27 January 2017 at Church House, Westminster

Attendance

Antony Macrow-Wood – President
Nigel Bourne
Philip French
Uell Kennedy
Jeremy Oakes
Sheila Nicoll
Jeremy Palmer
John Rose
John Rowland
Hilary Sams
Peter Selby
Ian Simpson
Jane Turner
David White
Nick Wynn-Jones

Apologies

1 Introductions and welcome

Antony MacRow-Wood (AM-W), President, welcomed everyone to the second Annual General Meeting of CMCU, members of the Board, and the Advisory Supervisory Committee and, in particular ordinary members, John Rose, Ian Simpson and Philip French. He explained that, unfortunately, for unpredicted and unpreventable reasons, none of the members of the Supervisory Committee were able to be present. They had, however, prepared a report.

2 Apologies

Apologies were received from, Steve Allinson, John Ellis, Sue Howarth, Nick Mottershead, Dave Thompson and Charles Sim

3 Minutes of meeting held on Friday, 22 January 2016 and Board report

It would noted that it would have been easier for all if the attachments had been available alongside the minutes and it was noted that it was difficult to find the Annual Report and Strategy documents on the website. **HS would look into this**.

In the first paragraph of item 10.1, that Jeremy Palmer's name should have been recorded as seconding a motion by Antony MacRow-Wood to seek authorisation to offer interest bearing shares. *(Checked after the meeting from SN's notes).*

Subject to this amendment, the minutes of the meeting were approved unanimously. Proposed by Jeremy Oakes, seconded by John Rose.

Antony MacRow-Wood presented the Board report (**Appendix 1**). He noted that it had been a year of consolidation. Deposits had reached £1m and by April £1m had been disbursed. Shortly thereafter net loans were over £1m. This was a record for a credit union. There was still zero delinquency. Although approval had been received at the last AGM to seek approval authorisation to offer interest bearing shares, a decision had been made by the Board not go ahead with the application because of uncertainties around the base rate. A dividend would continue to be paid.

A number of events had been held, including a strategy meeting in Birmingham.

AM-W was very pleased to announce that the Roman Catholic Church would join, although an announcement was postponed until next week. It was noted that all church schools are charities so within the common bond, representing a significant potential membership.

He particularly thanked Hilary Sams and Jane Turner for their hard work – it had not always been easy and sometimes business had been slow, while at other times it had been very busy. He also thanked Ecclesiastic Insurance Company for continuing to offer generous terms on the CMCU office space, and the Church Commissioners for use of premises.

Jeremy Oakes (JO) also thanked AM-W for his dedicated work for CMCU.

John Rose asked about the six resignations which had taken place from the Board on 16 October. AM-W explained that at a previous strategy event, the Board had concluded that it was too large and that a Board of 9 members was sufficient to achieve the necessary spread of expertise and to keep governance costs at a reasonable level. A number of people had volunteered to stand down. At the same time, a rotation of one third of the Board standing down each year had been established.

The membership by denomination was noted and it was noted that a commutation loan, to be paid off with a retirement lump sum, was being developed. There was plenty of opportunity to increase the penetration of the common bond.

Philip French asked how many members there were. This was not on the website or in the annual report and he felt that this was a reasonable number to expect to see, in the interests of transparency. AM-W noted that it was coming up to 1000 but that the ABCUL fee no longer depended on the number of members. **It was agreed that this figure would be provided in subsequent years.**

Peter Selby noted the paradox of CMCU, that many people within the common bond would seek to avoid getting into debt, but CMCU's main issue in achieving sustainability is the size of the loan book. There is also an issue for some who feel that they should support their local credit union. In addition, it was noted that CMCU still needs to offer long-term education around the fact that it is not, for example, just for clergy and that a credit union does not need to be seen just as a poor person's bank. It was noted that attitudes to debt are changing, particularly since the introduction of student loans. The overall challenge was, indeed, to seek new borrowers. In terms of marketing, HS had taken the lead and a number of products meeting the particular needs of individuals within the common bond had been developed - e.g. there had been success with a loan aimed at ordinands, as well as the commutation loan noted earlier.

4. Treasurer's Report

4.1: 2015-16 Accounts

JO presented his report and noted that full copies of the accounts were available on the website.

John Rose noted the high balance that was on deposit, and wondered if we could not do better in terms of interest? It was noted that the deposits had been diversified since the end of the year, but interest was derisory. Jeremy Palmer noted that higher return meant higher risk and we were still learning about the pattern of business, so locking up money had been considered unwise. It was noted that the banks were often reluctant to do business with credit unions – they did not need the money. The low interest paid by banks was one reason thy CMCU considered it important to pay a reasonable dividend.

John Rose questioned why the audit fee was 300% of the previous year. JO noted that since last year had been the first year, the auditors had been generous. He had challenged the proposed fee and it had been reduced. It remained a competitive fee and we would, in due course, put the audit out for tender, although it was noted that this firm specialised in credit unions.

4.2 Auditors' report and approval of accounts

The auditors' report was noted.

JO, seconded by Sheila Nicoll, proposed the adoption of the accounts for 2015 – 2016. These were approved unanimously.

4.3 Treasurer's Report on Accounts

4.4 Declaration of dividend and vote

JO proposed and JP seconded the following dividends on balances as at September 2016, to be paid in the next few weeks:

Premier Investment accounts (including Founder Members' Bonds): 0.75%
Corporate savings accounts: 0.75%
Regular savings accounts: 0.5%
Deferred shares: 0.5%

This was agreed unanimously.

5. Credit Committee report

Jeremy Palmer presented the report (**Appendix 3**). He noted, in particular, the success represented by zero delinquency, despite the fact that there was some higher risk lending. He explained that the Committee reviews credit, liquidity, and interest rates and oversees decisions on the loan business. He noted how during the year the reduction in interest rates had moved from being temporary to permanent, although his view was that the next move would be upwards. Product development had focused on members' needs, including the restructuring loan, which really helped individuals, a first post loan and the commutation loan (pre-retirement) which was in development. These involved slightly more risk but also commanded a higher rate. The Committee had recommended not moving to contractual interest or lending to corporate bodies, although these were aspirations for the longer term.

In relation to liquidity, cash balances had increased faster than expected and we had needed to diversify, opening accounts with Nationwide and Barclays both of which had passed the PRA stress tests. Security was the prime consideration, over yield.

The Committee considers all loan applications which are outside normal policy. These come with recommendations, and the committee almost always goes along with the recommendation, but is very conscious that it is lending out members' savings.

John Rose commented that the biggest risk in relation to the pensioners' loan is that the lump sum will be used for something else.

In response to a question about the possibility of offering loans secured in shares, it was noted that there were issues about lending when it was arguably better for the member to use savings.

6. Supervisory Committee report

Appendix 4. The considerable experience of the Committee was noted.

The report was proposed by John Rose, seconded by John Rowland and approved unanimously.

7. Appointment of auditors

Jeremy Oakes proposed the reappointment of Princecroft Willis as auditors, seconded by Jeremy Palmer. This was approved unanimously.

8. Elections to the Board

8.1 Directors

There were three nominations: Uell Kennedy, Stephen Morgan and Nick Mottershead and three vacancies. They were elected unanimously.

8.2 Supervisory Committee

It was proposed that John Ellis be elected to the Supervisory Committee. This was approved unanimously.

9. Motions

There were no motions.

10. Any other business

John Rose suggested that the directors' attendance record be included in future reports. In response to a question about procurement policy, it was noted that there was very little procurement involved. CMCU was a member of the Parish Buying Scheme. It was noted that expenditure was very tightly controlled.

In relation to the future, AM-W noted that it was expected that this year monthly income would match expenditure. More grant income was expected (he was confident that we would receive this by July) and if we have got loan rates right we will be in surplus and seeking to build up reserves.

AM-W thanked everyone for their attendance, and for their contribution to the meeting.

Appendix 1
BOARD REPORT

Once again it has been an eventful and fruitful year. It was a year of growth in all areas of the Credit Union's business and of significant 'million pound' landmarks. In January the value of savings invested by individual members reached the £1 million mark, a considerable achievement in less than twelve months of operating. In April we passed the milestone of £1 million disbursed in loans to members, again in under a year, while shortly afterwards our net loan book topped £1 million. The end of the accounting year saw an increase in the net loan book to just under £1.5 million and the total shares a tantalising £14 below £2 million. This achievement was even more remarkable at a time of great economic uncertainty in the country following the result of the European referendum and the fall in interest rates.

The Credit Union team has aimed to be responsive to the needs of members in the products and services we offer. Following the cut in the Bank of England base rate we took the decision to continue, for the time being, to offer a dividend on all our savings accounts rather than interest. Paying a dividend rather than a contractual rate of interest gives us the flexibility to pay a return that reflects the Credit Union's performance rather than the Bank of England's base rate.

In December 2015 we carried out a review of our loan products which led to a cut in the interest rate on both our car and personal loans. We always aim to act responsively in the services we offer and 2016 saw the introduction of our Restructuring and First Post Loan products with the aim of meeting specific needs at specific times in our members' lives. The Credit Union team have continued to promote the credit union to all its participating denominations and was represented in person at The Governing body of the Church in Wales; Heart & Soul and the General Assembly of the Church of Scotland and the General Synod of the Church of England in York.

The high point of a successful year has to be the inclusion of eligible members of the United Reformed Church in the CMCU Common Bond. Those of you who were involved in last year's AGM will remember the motion that was put to members at that meeting was passed. The application was approved by our regulators in June and the URC officially welcomed at their General Assembly in Stockport in July. We are pleased to acknowledge the efforts of Mr John Ellis the past moderator of the United Reformed Church both in bringing the Church into the CMCU fold and in promoting credit union membership to URC members. We look forward to going from strength to strength in the year ahead. As the New Year starts we are on the brink of extending our common bond to include another denomination. We will also be introducing a loan product for members approaching retirement and will continue to be exemplars of best practice in the credit union sector.

Appendix 3
CREDIT & RISK COMMITTEE
REPORT TO CMCU AGM 27.1.2017

In my report last year, I spoke about developing CMCU's lending policy, our decision to cut loan rates, and our success in avoiding any loan delinquencies. I am pleased to be able to report today that nearly two years into CMCU's operation, we still have not had any delinquent loans at all, even though we have offered some slightly higher risk loan products. This illustrates our policy of being careful with lending policy, but competitive on loan interest rates, rather than doing the opposite and going up the risk curve. In the absence of any delinquencies, the C&RC has not needed to oversee the operation of CMCU's arrears management and recovery procedures!

The C&RC's Terms of Reference, which we reviewed during the year, also cover these main areas: credit, liquidity and interest rate risks, and to oversee satisfactory decision making on loan applications.

The "loan sale" which we started in December 2015, shortly before last AGM, proved to be a great success, and brought in decent volumes of good quality business. Though initially limited to a certain tranche of money, and time limited to Easter 2016, the continuation of ultra-low general interest rates, and the very competitive situation on car loans in particular, led the Board to decide to continue the discounted rate through the rest of the year. With the further reduction in general interest rates led by the Bank's Base Rate cut in August 2016, we are about to implement one final rate reduction. My personal view is that the next rate move will have to be upwards, probably before the end of this calendar year.

Product development in CMCU is led by relevant member needs, and the first example, was the restructuring loan – designed for otherwise responsible borrowers who had ended up with too much high-cost consumer debt, and could refinance with CMCU at a lower rate and so pay off their debts more quickly. We made 21 restructuring loans, totalling £200,985. The numbers and amounts may not be large, but that isn't the point. In each case this product has really helped an individual member sort out their finances and get back on an even keel.

Similarly, the "First Post" loan, introduced in May 2016 was designed for new ministers finishing their training and being posted to their first congregation – the product is available to help finance the transition into stipendiary ministry, with a three month payment holiday at the beginning. We made 16 first post loans in 2016, totalling £109,700 and they were well received. We hope to do more for 2017's crop of new ministers.

Learning from the example of a well-established occupational credit union, and realising how relevant this product could be to CMCU members, especially ministers, nearing retirement, we are now in the process of launching a commutation loan product. This is a three year loan on an interest only basis with the principal repaid from the tax free lump sum associated with the member's clergy pension. It would suit ministers who need to leave tied accommodation and prepare (i.e. refurbish / refurnish) a retirement home that may have been rented out, or recently acquired.

With all these products, the C&RC generally recommends that CMCU earmarks an initial limited tranche of capital, so we can start small and learn as we go along. That approach too has paid off, and is generally welcomed by regulators.

Within the product risk space, there are two things C&RC recommended CMCU **not** to do for the time being. The first was to move over to paying contractual interest rather than dividend. Our view was that, especially at this stage of CMCU's development before it attains robust profitability, the additional interest rate risk would be unwise. We also concluded that CMCU would not for the time being start lending to corporate members – i.e. church bodies – as opposed to individuals, given the larger amounts, higher risks and need for different skills. But in the longer term we still aspire to do both of these things.

Another extremely important risk area for CMCU is liquidity. As we have been quicker in attracting savings and deferred share investments than in lending out money, our liquidity rose faster, and to higher amounts, than we had envisaged. The C&RC accordingly took action to ensure that CMCU did not hold excessive balances with its main bankers Unity Trust, but diversified by placing cash deposits with high quality counterparties. Having secured the Board's approval, after an initial credit review, to establish deposit accounts with Nationwide Building Society and Barclays Bank, significant cash sums have been moved across to both accounts during 2016, and this will continue as balances in Unity Trust accumulate. The Board took note in late 2016 that both these institutions passed the PRA's stress tests satisfactorily. A wider review of liquidity policy will take place in 2017.

The vast majority of loan applications are dealt with by Jane and Hilary within the agreed credit policy. A small number that fall on the edge or outside the policy but are nevertheless thought to be worth doing are referred to the C&RC. We have been able to agree some, possibly with modifications, and had to decline others. In making these calls, the C&RC never forgets that we are lending out your savings. Generally in such cases we have agreed the recommendation from Jane or Hilary. So, overall, CMCU's credit process continues to work well, helped by the experience and good judgment of Jane and Hilary, and we believe as a result we have adequately protected CMCUs' funds over the past year.

Jeremy Palmer, Chair of Credit and Risk Committee

Appendix 4

CMCU Supervisory Committee Report 2015 – 2016

The Supervisory Committee is an essential part of the credit union and is accountable to the CMCU membership only. This committee is obliged to prepare and present a report for the Annual General Meeting for the financial year 2015-2016.

The Supervisory Committee has carried out quality recognised tests on the credit union, throughout the year, and is pleased to report that no issues of concern came to light that required reporting either to the board of directors or to the membership.

There has been representation of the Supervisory Committee members at all CMCU board meetings.

The Supervisory Committee gives thanks to our Chief Executive and Office Manager for their full cooperation and assistance in carrying out our responsibilities during what has been a busy year with an increased volume of transactions.

We are also grateful for the generous help from Graham Searle, Director of Group Internal Audit at Ecclesiastical Insurance and two of his team, Claire George and Rhys Davies for stepping into the breach with additional testing this year whilst one of the Supervisory team was on sick leave.

Dave Thomson (Chair of Supervisory Committee)
John Ellis
Charles Sim