Minutes of third Annual General Meeting of Churches Mutual Credit Union held at 12.00 on Monday, 26 January 2018 at Church House, Westminster

Present: Nigel Bourne (in the chair) (NB)
Steve Drew
Malcom Dixon
John Ellis (JE)
Uell Kennedy (UK)
Stephen Morgan
Nick Mottershead
Sheila Nicoll (Secretary)
Jeremy Oakes (Treasurer) (J))
Jeremy Palmer (JP)
Andrew Rowland
Zahra Rowland
Hilary Sams (HS)
Charles Sim
Dave Thompson (DT)
Jane Turner (JT)
David White
Malcom White
Alan Yates

Apologies were received from:
Antony Macrow-Wood (AM-W)
John Barton
Susan Blagden
John Challis
Linda Fox
Anna Gray
Sue Howarth
Wendy Knott
Belinda Letby
Simon Maddison
Peter Selby
Ian Simpson
John Thackray
John Walker
Nick Wynn-Jones

In absence of the President, Nigel Bourne, Vice-President took the chair.

Introductions and welcome

NB noted that AM-W was unfortunately ill and was very sorry that he was not able to attend. This provided an opportunity to put on record thanks for his huge contribution to the work and development of CMCU. NB was very happy to welcome a good number of members, and particularly Alan Yates, one of two moderators of the General Assembly of the United Reformed Church, who would be speaking later.

He began the meeting with prayer for CMCU, for this meeting and for Antony.

Apologies for absence

See list above

Minutes of AGM 2017

These had been available on the website. There were no comments and they were unanimously accepted as a true and fair record of meeting. There were no matters arising.

Board report

NB took the meeting through the attached report, recorded his thanks to AM-W and HS for their work on it. He particularly noted that ideas for marketing were very welcome. There were no questions.

Treasurer's report

JO introduced the accounts which had been approved by the directors and which were also available on the website. They were, as required, drawn up in accordance with FRS102. He drew attention to the independent auditors' report which was addressed solely and specifically at members. The auditors had nothing to report and were content that the accounts gave a true and fair view. He explained a number of terms e.g. on the revenue account "interest payable" referred to the dividend and "loan interest receivable" was income from loans. "Other income" included a small amount in relation to website advertising but mainly represented grant income which had been provided by participating bodies to assist the viability of CMCU in its early stages. While still seeking grant income, which was most likely to come from Multi-Academy Trusts going forward, the intention was for CMCU to "wean itself off" grant income and seek to grow its core business. It was noted that administrative expenses were kept as low as possible, CMCU was as paper- less as possible and loan applications could now be done on line. The two members of staff did a splendid job, and JO recorded his thanks for their very hard work.

While we held a bad debt reserve, there had been no bad debts. There was some discussion about whether this meant that the lending policy was too conservative, but this had been investigated since it had also been raised by the auditors. On review, there had been no lending applications which would have been accepted with an appropriate lowering of standards. Loan applications were handled by Jane Turner and JO noted that it was an understatement to say that she dealt with them professionally and sensitively, particularly where applications were being declined – where JT would consult the Credit Committee.

In relation to the balance sheet, it was noted that at the last AGM, a question had been asked about the derisory level of interest that had been received on bank deposits. We had now diversified and been more imaginative with market rates, thus bringing a slightly higher return.

As at year end we had a net loan book of £2.1m comprising 346 active loans.

JO also explained that "subscribed capital repayable on demand" related to savers deposits with CMCU and that "not repayable on demand" was deferred shares which could only be withdrawn in very limited circumstances and which, in the event of insolvency, ranked behind all others. These were generally held by the subscribing churches, either at central level of through, for example, individual dioceses. "Other payables" – represented the proposed dividend.

CS – congratulated JO on the most eloquent, detailed, listenable explanation of accounts he had ever heard from a credit union in 25 years.

NB noted that comparing 2016 and 2017, money received on loans had doubled as had also interest paid on savings, reflecting growth in the number of products, yet administrative expenses had been held stable – we had done twice the business for the same amount of money.

Malcolm Dixon asked about the drop in other income – JO noted that this was because of the lessening reliance on grant income. Given that CMCU had not reached the entirety of its common bond it was hoped that both grant income and deferred shares would be offered by other organisations. The business plan was based on lessening reliance on grant income.

Appointment of auditors

JO noted that the auditors were now called PKF Francis Clark. They were based in Poole and specialised in credit unions.   Their cost had been questioned at the last AGM and other auditors had been considered, but quoted considerably more.   The proposal was, therefore, to reappoint the existing auditors, PKF Francis Clark.

Proposed by JO, seconded by JP and agreed unanimously.

Declaration of dividend

A dividend of 0.5% to corporate savers and those with more than £500, and 0.25% to regular savers and deferred shareholders was proposed by JO and seconded by Andrew Rowland – and agreed unanimously.

Credit and Risk Committee report

JP, chair of the Credit and Risk Committee, presented the report (see attached). He echoed JO's comments appreciating the work of HS and JT in handling loan applications. A small number were referred to the committee and generally, after careful consideration, the recommendations of the staff were accepted.

The terms of reference of the committee had been updated, as had the liquidity policy and the counterparty list had been reviewed – deposits were now spread between Nationwide, Barclays and Lloyds. In addition, the board has agreed to use the ethical bank, Triodos

A conservative lending policy and payroll deduction had meant we had avoided delinquencies – there had been one case where we had given an interest holiday and which had now come right. Restructuring loans involved some risk but were considered carefully by JT and some referred to the committee.

The committee had carefully watched regulatory developments – where there was much focus on consumer credit. The Committee and Board had concluded we have been doing the right things – checking affordability closely, and lending at moderate rates to members we are confident will repay. As noted in the context of the Treasurer's report, our auditors had suggested we were being too risk averse and the Committee had looked at if we had lent to those we turned down what would have happened – there were few, if any, on the borderline. It was noted that the proportion of funds lent out was slightly better than average. Others were being encouraged to behave in the way we were already doing.

JP noted that a risk dashboard is reviewed at every Board meeting and there was an intention to develop a risk appetite statement, a practice encouraged by regulators, although in our case it might better be described as a "risk tolerance statement". The greatest risk we, for example, faced, was key person risk, but this was unavoidable. We were also developing a financial risk management policy, related to our intention to increase our maximum loan size. This required closer monitoring of a range of ratios, but was considered worth it.

NB noted that other lenders advertise a headline rate and when a person applies they find they won't necessarily get that level based on a credit check. Our view is that we work out the right level for any particular loan and then don't adjust the rate (other than in relation to size since larger loans are easier to administer); a credit check for us will mean that we either offer the loan at the advertised rate or decline the application.

Supervisory Committee report

DT, chair of the Supervisory Committee, noted that it was equivalent to an audit committee and introduced the members, JE, CS, DT. See attached report. He noted that there were no matters of significance that required either drawing attention to the Board of Directors or ought to be reported to CMCU members. A number of minor issues had been identified as a result of their testing which had been discussed with the Chief Executive and effective remedial action taken.

Andrew Rowland thanked the committee on behalf of the members.

Elections to the Board

It was noted that the Nominations Committee, chaired by UK, had taken the view that all the candidates were fit and proper for the roles for which they were proposed. The following were all elected unopposed:

Directors

There were three vacancies. – SN and JO were seeking re-election and JR was being proposed for the first time.

Sheila Nicoll – proposed by UK, seconded by NB

Jeremy Oakes – proposed UK, seconded by JP

John Rowland – proposed UK, seconded by SN

Supervisory Committee

Dave Thompson – proposed by JE seconded by CS

Motion

NB read the following motion which was proposed by the directors.

"That this meeting of members of the Churches' Mutual Credit Union Ltd hereby resolves that all charities, including schools, colleges and housing, operating under the umbrella of the Trustees for Methodist Church Purposes and the Methodist Church of Great Britain be added to the charities listed in appendix 1 of the Credit Union's rule book".

NB explained that for some reason (unlike the other denominations) when the Methodist Church joined CMCU they chose not to include their related charities and employees in the common bond. They would now like them to be included, requiring a change to the rules.

The motion was passed unanimously.

Address by Mr Alan Yates, Moderator of the United Reformed Church

NB welcomed Mr Yates, noting that his earliest church memories were of the URC.

AY said the following:

"Good afternoon. This afternoon I want to spend a little time thinking about fairer finance. Is there anything we can do to make the world of finance and economics fairer, particularly for the poor?

Wealth disparities have always been with us, you only have to look at the ancient monuments around the world to realise that. However, in the last decade economists in Europe and the US have been getting more concerned about it. Barely a month ago Martin Wolf writing in the Financial Times warned us that "Inequality is a threat to our democracies". Similarly, but more stridently, last year influential American economists said that wealth disparity was the single biggest threat to their democracy, bigger than ISIS or Russia. And this week in Davos the rich, powerful and famous are devoting significant energies to the issue. They have, for the first time, invited John McDonnell, the Shadow Chancellor, who this very day will provide a stark warning: "The Davos few have hoarded power and wealth and failed the many. If they stand in the way of the change that's needed, they risk raising the price they pay. Change is coming either way".

Over the past quarter of a century the wealth of the top 10% in the US has gone from 20% of the total wealth to over 50%. But before we get too complacent the UK's figure for the top 10% is almost the same as it is for the US. The big difference is the wealth of the top 1% in the US which is about twice the percentage for the UK.

Did anyone see the excerpt of the famous 1963 interview of Jean Paul Getty by Alan Wicker that was shown last week on the BBC? Mr Getty at the time was the richest man in the world. Two things were emphasised, his extreme focus on making and keeping money and the lack of joy in his life: And I don't suppose any of us are too surprised at that.

For the poor, it is understandable that they also have a focus on money: for them it can be a matter of life and death.

Has anyone been affected by scams operated from India? It seems that scamming has become a large scale, professional industry in India. Having worked with one of the world largest IT corporations I am pretty IT literate, so I use the scamming calls to talk with the agents to try to understand them. They may not be wealthy, but they do appear to be well educated. It is clear that there is a 'Robin Hood' morality developing there, where it appears to be OK to steal from us in the UK because we are seen as being so much wealthier than those in India. I guess until the national and international wealth disparities are addressed, this behaviour is likely to get worse. It is clear, that sooner or later we need to properly address the issue of wealth disparity, or it won't just be democracy that suffers. You'll be pleased to hear that I am not going to try to talk about national or international policy changes needed to reverse the wealth machine, but I would like to bring things closer to home.

It has been evident for some time that the poor in this country are at a structural disadvantage in a lot of ways, from the cost of electricity all the way through to the cost and access to capital. This is one area where credit unions have a role… and I thank you all for being members of this credit union, definitely a step in the right direction.

The church across the world does not escape criticism for their handling of finance either. However, it was a positive symbol to the Roman Catholics, and to other denominations, when Pope Francis shed the luxury car and apartment for more frugal equivalents. But are we, as those responsible for church governance, hiding our church wealth behind the need for good corporate governance, risk management processes and prudence? Does this prevent us from taking risks with our money in the way Christ would? We in the URC are revising our risk management processes not simply to reduce risk, but to enable us to take the right risks.

Now even trickier is, as Harold Wilson would have said, the pound in your pocket. What are we in the middle-income bracket (neither rich nor poor) doing to bring about a fairer nation. Many Christians today follow the Old Testament guidance to tithe, giving 10% of your income should we treat this as a yardstick or a minimum? It is too easy for us to hide behind our tithes and taxes when more could, and needs to, be done.

I'll let you ponder those questions. But in the meantime, let me finish by thanking all of you who support credit unions as one way of bringing fairer finance into being. Thank you."

Final comments

NB thanked Alan for his words of challenge and encouragement, noting that CMCU is part of a collective decision to take a step in the right direction – clearly there is more to be done. He explained that CMCU wishes to extend its common bond to all members of constituent churches, but the law does not allow this because it is seen, by the FCA, as discriminatory on religious grounds – there is a clear clash of the concept of a common bond and discrimination. The aim of CMCU is to get this changed.

In closing the meeting, NB thanked the members of the Board, the Supervisory Committee and the Advisory Committee for their work during the year. He thanked the members for coming today,

Any other business

There was no further business

Appendix 1 – Board Report

BOARD REPORT

MILESTONES

- In January we received our 1000th application for membership
- Also in January we passed the milestone of £2 million disbursed in loans to members which was surpassed at the end of September when we topped £3 million in disbursed loans.
- The end of the accounting year saw an increase in the net loan book to just over £2.1 million and the total shares stood at over £3.2 million.

PRODUCTS

Responding to our members' needs CMCU introduced two new loan products

- The Commutation loan (commutation is a technical term for the part of a final salary pension which can be taken as a lump sum) which allows the member to pay a smaller 'interest only' repayment for up to three years before the entire principal becomes due on retirement.
- Payroll Savers Loan, which actively encourages members to save alongside their loan repayment and discounts the lending rate if they do so.

BOARD REPORT CONTINUED

EVENTS

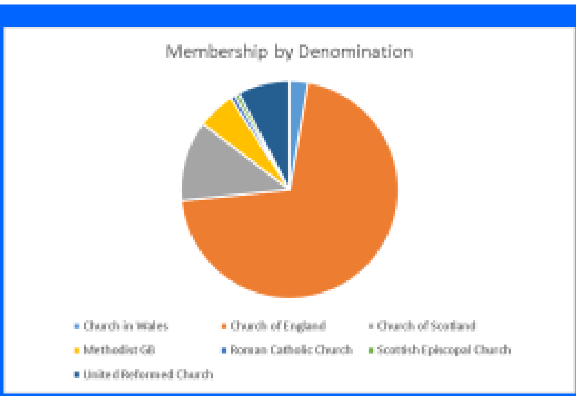
- Heart & Soul and the General Assembly of the Church of Scotland
- International Credit Union Day at Church of Scotland Office.
- Board Strategic Planning Event at St Columba's Church, Pont Street

LANDMARKS

- Extension of the Common Bond to include the Roman Catholic Church in England and Wales, and in Scotland
- Roll out of payroll savings and loans to the 2000 employees of CrossReach, the Church of Scotland social care arm

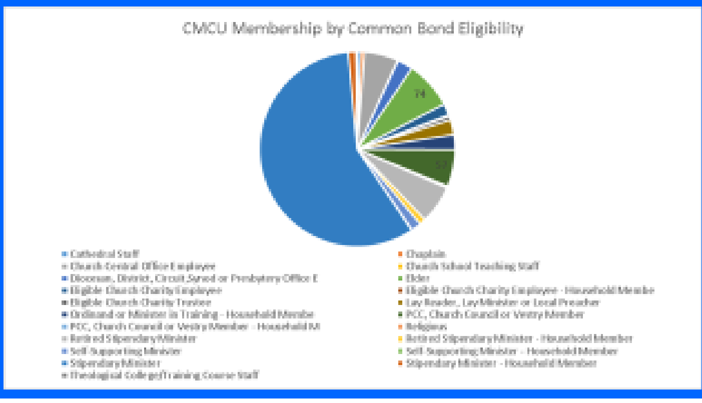
LOOKING FORWARD

- Working with all our denomination partners to increase membership and services particularly through payroll
- Roll out to MATs and VA schools within the Common Bond
- Continue to be exemplars of best practice in the credit union sector through ethical lending practices and low bad debt.



MEMBERSHIP

- At the end of the accounting year CMCU had received 1176 applications for membership since February 2015
- 46 were from corporate bodies – National, Regional or Local Church Institutions and Individual Churches.
- 25 Members had closed their accounts due to a change in circumstances and 11 were classed as dormant.
- RIP – 4 members had died
- Unfortunately 149 had not pursued their membership application.



Appendix 2 – Credit and Risk Committee

CREDIT AND RISK COMMITTEE

- C&RC continues its work of overseeing key financial risks and the development of new lending products, reporting to the Board, and approving loan applications that fall just outside lending policy and are therefore referred by Jane and Hilary. We have not needed to oversee arrears management as thankfully we still have no delinquent loans !
- We updated and refocused the committee's terms of reference at the end of 2016, and we reviewed CMCU's liquidity policy and reviewed and updated our bank counterparty list, which has helped us spread our substantial liquid assets across several top quality banks in addition to our current account provider Unity Trust.
- We maintain a generally risk-averse credit policy, which (together with our use of payroll deduction) is why we have so far managed to avoid delinquencies. Our restructuring loans take a slightly greater element of risk but are very carefully underwritten by Jane, and it is some of these loans are typically the ones that get referred to the C&RC. Because our interest rates on these loans are moderate, those members can reduce their overall monthly payments but still make more rapid progress towards clearing their debts – a satisfying outcome.

CREDIT AND RISK COMMITTEE

- **We have followed very carefully through 2017 the output from the various regulatory bodies (Bank of England / FPC, PRA and FCA) regarding consumer credit. We think we have been doing the right things all along – we check affordability closely, and we lend at moderate rates to members we are confident will all repay. We deliberately did not go up the risk curve, even though we might have loaned out more, and had less sitting in liquidity, if we had. Now the consensus is turning more in our favour, as other lenders are coming into line with the warnings from the authorities.**

- **We maintain a risk dashboard, which is regularly updated and reviewed by the Board. Going forward, we will develop this into a risk appetite statement. As a separate piece of work, we are developing a full financial risk management policy as required by the PRA before we undertake any "additional activities" – all we want to do is to increase our maximum loan, in suitable cases, above £15,000 – typically to £20,000 . But to do this we have to upgrade our financial monitoring with a range of new ratios which the Board will monitor every month. We've written a policy that we think is sensible and appropriate for us, and we will develop it further as necessary. We're not envisaging doing any other "additional activities" for the time being.**

Appendix 3 – Supervisory Committee

SUPERVISORY COMMITTEE

CMCU Supervisory Committee Report 2016 – 2017

1. Introduction

This is the 2016-17 Annual Report from the Supervisory Committee to CMCU members. The purpose of the report is to summarise the work completed by the Committee during the year.

2. Committee Role

Members of the Supervisory Committee are elected by members to be their eyes and ears, the members' watchdog. Therefore, whilst members of the Committee are entitled to attend meetings of the Board and its committees, the Committee is accountable solely to CMCU's membership and operates independently from the Board.

The purpose of the Supervisory Committee is to ensure that the credit union operates within the law, the rules and the policies of the credit union and in the best interest of the members. The responsibility of the Supervisory Committee is to review the adequacy and effectiveness of the credit union's system of internal control and its arrangements for risk management.

3. Work Completed

During 2016-17 the Committee completed the model Supervisory testing programme recommended by the Association of British Credit Unions. We are pleased to report that our 2016-17 work programme revealed no matters of significance that require either drawing attention to the Board of Directors or ought to be reported to CMCU's members. However, a variety of minor matters were identified by our testing. These were discussed with the Chief Executive and effective remedial action taken.

SUPERVISORY COMMITTEE

CMCU Supervisory Committee Report 2016 – 2017 continued

Additionally, from time to time, the Committee offers advice on internal control matters to the Chief Executive and Board. During 2016-17 this included advising the Board about how it might utilise the 'Three Lines of Defence' model (recommended by the Institute of Internal Auditors) to better assure itself that CMCU's risk management and internal control framework remains effective.

Apart from January 2017 (when, unexpectedly, the Committee Chair was unable to attend), the Committee has been represented at all CMCU Board meetings, and has contributed to discussions as appropriate. Committee members also attended the Board's Strategy meeting in July 2017.

The Supervisory Committee would like to thank the Chief Executive and the Office Manager for their full cooperation and assistance throughout the year.

Dave Thomson
John Ellis
Charles Sim