



London Mutual
Credit Union

Newsletter

Spring 2011

creditunion.co.uk

Altogether better



News update

Our new branch in Brixton

A brand new branch was opened in November 2010 at 10 Acre Lane, made possible through funding from Lambeth First and Lambeth Council to refurbish the site, which had remained empty for a number of years. The Walcot Foundation has helped us to expand the credit union in Lambeth.

The credit union has been offering safe savings and ethical, affordable loans to residents and employees in Southwark for almost 29 years and, with the on-going support of the Walcot Foundation, we are delighted that we are now able to offer these services to anyone who lives or works in Lambeth.



Proposed front elevation

Rye Lane branch

This year we plan to redevelop our branch at 221 Rye Lane so that we can offer improved services to our members and intend to move our Head Office from 79 Denmark Hill to Rye Lane. This means that the Rye Lane branch will be closed while the site is being redeveloped, but members can access their accounts from our other branches and during this time our office at 18 Pilgrimage Street will be open every day from Monday to Friday. As soon as we know the date the redevelopment will start we will put up notices in the branches and on our website.

We know this will cause inconvenience for some members and we would like to apologise for this in advance. However, we hope you'll agree that the end result will be worthwhile – the finished development will be five stories, offering a brand new branch for members and office space upstairs.



Dividend and Junior account interest

At the AGM on 2nd February the members approved a dividend for the year 2009/2010 of 1.5%, which is very competitive in the current financial climate. Even better, we are continuing to pay 5% interest on our Junior accounts and Child Trust Fund accounts – this is a good time to start saving for your youngsters!

VERY IMPORTANT NOTICE

Please note that dividends and junior saver interest are paid gross and no tax has been deducted at source. As always, it is your obligation to declare all your earnings to HMRC, including dividends/interest received, and pay the correct tax. As from April 2011 London Mutual Credit Union is required to report to HMRC dividends and junior saver interest in excess of £15 paid into your credit union account.

Child Trust Funds ... at a great interest rate!

The Government scrapped the Child Trust Fund scheme in January this year, but you can still transfer existing Child Trust Funds to the credit union. We have paid 5% interest on these accounts over the past two years, but the interest rate can vary each year as it depends on the profit of the credit union and cannot be guaranteed.

Debit card payments



You can now call us and make extra payments in to your credit union account using your debit card. During office hours, just call 020 7358 5718 or 5733.

If you want the payment to go towards reducing your loan then please make sure you mention that when you call.



WWW.BRIXTONPOUND.ORG

The Brixton Pound (£) is a complementary currency, working alongside (not replacing) pounds sterling, for use by independent local shops and traders in Brixton. It's designed to support Brixton businesses and encourage local trade and production.

The recently opened Brixton branch of London Mutual Credit Union (LMCU), is to become the Brixton Pound (£) bank!

From Friday 15th April, the local community will be able to get hold of £s from the Acre Lane branch, which will be not only issuing the notes, but will also be holding its Sterling backing. £ businesses will also be able to change £s to sterling at the branch.

This exciting development will be promoted amongst over 1000 £ users and 180 £ businesses in Lambeth. It will also boost LMCU's reserves, enabling them to make loans available to local people. Please note that for the time being £ can only be used in 180 participating businesses in Lambeth, but the £ team is working on getting more and more businesses to join the scheme.

You can read about the Brixton Pound on: www.brixtonpound.org

If you have any queries, please contact Annalisa Dorigo, Project Manager, at: brixtonpound@gmail.com



Member Services



Nobody likes queues or trying to get through on busy phone lines, so many of our members are now taking advantage of our secure on-line service CU On-line. Once you have registered you can manage your account on-line – check your credit union and current account balances, request transfers from your account, etc... Just go to **creditunion.co.uk** to register.

Checking your balance

Over the past few months we have been working on extensive system upgrades and we are glad to inform you that the new system is now live. We will now be able to update our online system twice a day – at 12.30pm and 6.30pm. This means you can now access your up to-date credit union share and loan transactions online.

Current account transactions are updated about 12 hours after the transaction has actually occurred. In order for us to get the cleared balances on your current account, the banking system processes your transactions overnight and when we open for business we will do all the necessary processing so that the information is ready to be uploaded to the online system at 12.30pm. **(Except Saturday / Sunday and bank holidays)**

We are constantly looking to provide you with the most up-to-date balance possible so that you can manage your money efficiently. We are currently talking to the Co-operative Bank to integrate our credit union members' current account into their online system. We'll keep you informed, but please bear with us for the time being while these changes are being implemented.

Be a good neighbour

The credit union would really appreciate your telling your neighbours, friends and family about our products and services. If they need a loan they could save at least £300 to £400 by borrowing from the credit union and not from the door step lenders – and even more compared to the high street quick loan providers. As you may know, you don't need to be employed to become a member and be able to borrow from the credit union.



Money matters

Pay Day Loans

Everywhere we turn we are being bombarded with offers of 'quick cash' or 'let today be your pay day' and it's really tempting to take one of these loans as a quick fix when you need some extra cash before pay day or your benefit is due. But with interest rates of anything up to 2240% and punitive charges if you miss a payment, that quick cash can easily turn into a real burden.

We've helped some of our members get out of this trap and this is what they've told us:

One member borrowed £100 and ended up paying almost £500 to a pay day lender:

'Looking back, it's difficult to understand how I got into this terrible mess.'

'I didn't have the money to pay for the fridge in the first place, so how was I going to have the money to pay back the loan plus interest just a few weeks later?'

Another member who borrowed £500 ended up paying over £3000 for a pay day loan:

'I don't have much spare cash at the best of times and I realised I couldn't afford to pay back the loan.'

'Before you do anything, talk to the credit union.'



When you take a loan from the credit union we will arrange payments that you can afford, weekly, fortnightly or monthly, so that you can manage your money better. We know that there are always times when the unexpected means you need a fast loan, but talk to the credit union before you even go near a 'money shop'!

Watch this space ...

Your credit union is planning to develop an ethical and affordable version of a 'pay day loan' as quickly as possible, so that our members have an alternative when they need help in a hurry. We'll be the first credit union in the country to do this, so we'll put up notices in the branches and on the website as soon as we've worked it out!

Savings and Loans

Members often ask why they can't withdraw their savings when they have a loan and the simple answer is that as a co-operative, we need members' savings to make loans.

Some members don't need to take loans, but they save with the credit union for a variety of reasons – they know that their savings are used to benefit the wider community, it's safe (covered by the Financial Services Compensation Scheme), and members are covered by the **free** Life Savings insurance – that means that on their death their next of kin would receive up to double their savings.*

For other members, loans from the credit union are vital to help them at the most expensive times of the year – like when the children need school uniforms, Christmas – or when the unexpected happens, or to help pay for a holiday every year.

Whatever the amount you save each month, your savings are the life blood of the credit union!

*(currently savings up to £10,000)

Important information about compensation arrangements

Our members are entitled to the same level of protection as Banks and Building Societies in the UK.

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £85,000. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000 each (making a total of £170,000). The £85,000 limit relates to the combined amount in all the eligible depositor's accounts with the credit union, including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch, refer to the FSCS website

<http://www.fscs.org.uk/> or call **0800 678 1100**.



Auditors' report

Independent Auditor's Report to the Members of Southwark Credit Union Ltd

We have audited the financial statements of the Southwark Credit Union Limited for the year ended 30th September 2010 which consist of the Revenue Account, Balance Sheet and notes to the financial statements. These financial statements have been prepared under the historical cost convention subject to the revaluation of the freehold properties and the accounting policies set out therein.

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial & Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities

Industrial and Provident Societies law requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the surplus of the Credit Union for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union. It is also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the

prevention and detection of fraud and other irregularities.

As described above, the Board is responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards. It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. We also report to you if the Credit Union has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding other transactions is not disclosed.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Credit Union's affairs as at 30th September 2010 and of its surplus for the year then ended and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

40 The Lock Building
72 High Street
London E15 2QB

APPLEBY & WOOD
Statutory Auditors

Revenue account for the year ended 30th September 2010

	Note	2010		2009	
		£	£	£	£
Income					
Entrance Fees			2,914		3,776
Interest from Loans to Members	1 (b)		1,073,826		846,532
Deposit and Current Account Interest	1 (b)		5,239		22,933
Sundry Income - Commission			9,949		7,377
Grants and Donations Receivable	1 (c)		297,738		201,689
Written off Debts Recovered			6,200		4,530
CUCA Fees			185,684		125,887
Other Transaction Fees			12,899		17,169
			<u>1,594,449</u>		<u>1,229,893</u>
Less Expenses					
Administration		700,094		535,404	
Establishment		152,688		102,938	
Financial		538,952		382,673	
Depreciation		<u>79,826</u>		<u>71,981</u>	
			<u>(1,471,560)</u>		<u>(1,092,996)</u>
Surplus for the year before taxation			122,889		136,897
Corporation Tax	1 (e)		<u>(983)</u>		<u>(4,931)</u>
			121,906		131,966
Transfer to General Reserve			(24,381)		(26,393)
Dividend Paid			<u>(63,110)</u>		<u>—</u>
Retained Surplus			<u><u>34,415</u></u>		<u><u>105,573</u></u>

Balance Sheet as at 30th September 2010

	Note	2010		2009	
		£	£	£	£
Fixed Assets	7		875,341		879,756
Loans Due from Members	8	7,053,265		5,929,245	
Less Provision for Bad Debts		(465,126)		(283,923)	
			6,588,139		5,645,322
Current Assets					
Prepayments and Debtors		19,313		7,368	
Current & Deposit Account		2,613,724		1,777,192	
Cash in Hand		138,143		118,869	
		<u>2,771,180</u>		<u>1,903,429</u>	
Current Liabilities					
Grants		303,870		74,931	
Provision for Juvenile Savers Interest		4,985		4,830	
Sundry Creditors		724,782		414,919	
Corporation Tax		2,348		4,931	
PAYE and NIC		14,242		—	
		<u>1,050,227</u>		<u>499,611</u>	
Net Current Assets			1,720,953		1,403,818
			<u>9,184,433</u>		<u>7,928,896</u>
Represented by:					
Child Trust Fund			21,612		—
Share Capital			6,447,543		5,142,651
General Reserves	6		743,247		677,788
Subordinated debt	9		1,530,989		1,657,615
Revaluation reserve	6		441,042		450,842
			<u>9,184,433</u>		<u>7,928,896</u>

Director: **Louis McLeod**

Director: **Heather Crawford**

Secretary: **Karen Michael**

Date: **14/01/2011**

Notes to the Financial Statements

Year ended 30th September 2010

1. Accounting Policies

a) Accounting Policies

The financial statements have been prepared under the historical cost convention with the exception of the revaluation of freehold properties.

b) Interest

Bank interest is accounted for when receivable. Loan interest is accounted for, when received.

c) Grants

Grants and donations are accounted for when receivable. This includes £39,846 received from the Big Lottery Fund (Restricted Fund) during the year.

d) CUCA Fees

Transaction fees from the CUCA (Credit Union Current Account) are accounted for when received as they are credited directly into Southwark Credit Union Ltd's bank account by the Co-operative Bank Plc.

e) Corporation Tax

The provision of UK Corporation Tax is based on bank deposit account interest receivable for the period at the relevant rates.

f) Dividends

Dividends will be accounted for in the year in which the members agree them at the AGM.

g) Comparative Figures

The comparative figures are for the year ended 30th September 2009.

h) Fixed Assets

(1) Depreciation has been provided on fixed assets at rates considered sufficient to write them off over their useful lives:

Computer equipment	17.5% per year on cost
Office Equipment	10% per year on cost
Building & Refurbishment	2% per year on the revalued amounts
Banking Project	10% per year on cost (see (2) below)

(2) ABCUL Banking Services project

This was developed through ABCUL. Southwark Credit Union Ltd was one of nine credit unions who each contributed the same amount towards setting up a bank current account for people who previously could not get a current account. As new credit unions join the Project, they will each make a contribution: part of which will be paid to Southwark Credit Union Ltd. This year it has received contributions of £21,092 which have been deducted from fixed assets. Grants of £85,614 have been received towards this cost.

As it is expected that these costs will be recouped within ten years, they and the related grants are being written off over ten years.

i) DWP Growth Fund

Growth Fund grants are received from the Department of Works & Pensions to finance loans for people who would not normally qualify for loans under the Credit Union criteria.

2. Statement of Total Recognised Gains and Losses

The retained surplus for the year was the only recognised gain or loss in the year.

3. Historical Cost Profit and Loss

All assets are stated in the financial statements at historical cost with the exception of freehold properties. The depreciation on the revalued properties has been adjusted in note 6.

Notes to the Financial Statements

Year ended 30th September 2010

4. Staff Costs

Administration Salaries	623,974	484,934
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5. Interest Payable and Similar Charges

Bank Charges and Interest	13,905	15,349
Juvenile Savers Interest	4,985	4,830
	<u>18,890</u>	<u>20,179</u>

6. Reserves

	General Reserve		Revaluation	Total
	Voluntary	Statutory	Reserve	
	£	£	£	£
Balance at 1st October 2009	177,163	500,625	450,842	1,128,630
From Revenue Account for the year	34,415	24,381	—	58,796
Depreciation transfer	9,800	—	(9,800)	—
Transfer Lambeth S and CU Ltd	—	(164,767)	—	(164,767)
Received from the Walcot Foundation	—	161,630	—	161,630
Balance at 30th September 2010	<u>221,378</u>	<u>521,869</u>	<u>441,042</u>	<u>1,184,289</u>

The freehold properties were valued in August 2005 by Budworth Brown, Chartered Surveyors, 6 Riley Road, Kettering Northants, NN16 8NN.

7. Fixed Assets

	Computer & Equipment	Fixtures & Fittings	Freehold Premises	Banking Project	Total
	£	£	£	£	£
Cost/Valuation:					
Balance b/forward 1.10.09	184,682	173,333	655,000	144,394	1,157,409
Additions	44,633	41,670	10,200	—	96,503
Contribution received	—	—	—	(35,153)	(35,153)
Balance c/forward 30.9.10	<u>229,315</u>	<u>215,003</u>	<u>665,200</u>	<u>109,241</u>	<u>1,218,759</u>
Depreciation:					
Balance b/forward 1.10.09	133,257	48,678	52,400	43,318	277,653
Depreciation for the year	30,584	21,499	13,304	14,439	79,826
Depreciation on contribution received	—	—	—	(14,061)	(14,061)
Balance c/forward 30.9.10	<u>163,841</u>	<u>70,177</u>	<u>65,704</u>	<u>43,696</u>	<u>343,418</u>
Net Book Value 2010	65,474	144,826	599,496	65,545	875,341
Net Book Value 2009	51,425	124,655	602,600	101,076	879,756

8. Loans

	Ordinary	Growth Fund	Total
Due from Members	<u>5,235,647</u>	<u>1,817,618</u>	<u>7,053,265</u>

9. Subordinated Debt

	2010	2009
	£	£
Balance b/f 1.10.09	1,657,615	1,659,052
Received - grants	223,000	—
Less bad debt provision	—	28,519
bad debts written off	(20,626)	(29,956)
transfer to General Revenue (as agreed)	(329,000)	—
	<u>1,530,989</u>	<u>1,657,615</u>

10. Related Party Transactions

Loans are issued to directors on the same terms as those on offer to other members.

11. Capital Commitments

	2010	2009
	£	£
Capital expenditure contracted for, unpaid at the end of the year and not provided for in the financial statements.	<u>60,000</u>	<u>Nil</u>

£68,000 of the total cost will be funded by grants.



Stop press

Branches and opening hours:

79 Denmark Hill
Camberwell
London SE5 8RS

221 Rye Lane
Peckham
London SE15 4TP

Brixton
10 Acre Lane,
London SW2 5SG

Monday-Thursday: 9.30am – 4.30pm
Friday: 11.00am – 4.30pm

18 Pilgrimage Street
Borough
London SE1 4LL

Monday-Wednesday: 9.30am – 4.30pm
Closed for lunch 12.30 – 1.30pm

AGM 2012

We have found a suitable and more permanent venue for the AGM for our members in both Southwark and Lambeth – it is the King's College Hospital Board Room, which is situated on the border of Southwark and Lambeth. We always hold our AGM in the first week of February, but we can't book the Board Room too far in advance as it is given to us free of charge by the hospital and the

hospital's business has to take priority. Once we confirm the date we will put notices in all the branches and announce it in the member area on our website.

If you are interested in attending, please mark the first week of February 2012 in your diary and look out for the announcement in the branch or on the website, or you can call us on 020 7787 0770 during January to confirm the date.

Mrs Yvonne McDonald

was the lucky winner of the raffle for a digital TV at this year's AGM – and the first fifteen members to sign the register also received a bottle of wine.



Yvonne McDonald with Roy McLeod, Treasurer, at the AGM

Why not volunteer to help your credit union?

The Board and Committee Members of the credit union are all volunteers and they play a vital role in the credit union – if you are interested in serving on one of the Committees and training to become a Director, please email us on info@creditunion.co.uk. We would particularly like to hear from members who live in the local community.