

## Chapter 7

# Lending to members



7.1 Application, purpose and interpretation

Application

7.1.1 R This chapter applies to all *credit unions*.

Purpose

7.1.2 G (1) This chapter seeks to protect the interests of *credit unions*' members in respect of lending. *Principle 4* requires *credit unions* to maintain adequate financial resources.

(2) [deleted]

Interpretation

7.1.2A G (1) For the purpose of this chapter, 'lending' means:

- (a) in relation to *Great Britain credit unions*, loans under section 11 of the Credit Unions Act 1979, *conditional sale agreements* and/or *hire-purchase agreements* under section 11E of the Credit Unions Act 1979; or
- (b) in relation to *Northern Ireland credit unions*, loans under article 28 of the Credit Unions (Northern Ireland) Order 1985.

(2) For the purpose of this chapter, the expression 'lend' should be interpreted by reference to the term 'lending'.

7.1.3 G The *rules* and *guidance* in this chapter are in addition to the provisions of (in relation to *Great Britain credit unions*)section 11 and section 11E of the Credit Unions Act 1979 and (in relation to *Northern Ireland credit unions*) article 28 of the Credit Unions (Northern Ireland) Order 1985.

7.1.4 G [deleted]

		<div>7.2</div> <div>General requirements concerning lending policy</div>	
7.2.1	R	[deleted]	
7.2.1A	R	A <i>credit union</i> must establish, maintain and implement an up-to-date lending policy statement approved by the <i>governing body</i> that is prudent and appropriate to the scale and nature of its business.	7
7.2.1B	R	[deleted]	
7.2.2	R	[deleted]	
7.2.3	G	[deleted]	
7.2.4	G	■ CREDS 2.2.6 R requires a <i>credit union</i> to maintain a manual of its policies and procedures. This should include the policy and procedure for lending.	
7.2.5	G	[deleted]	
7.2.5A	R	The <i>credit union's governing body</i> must review and approve its lending policy whenever there is a material change in the circumstances of the <i>credit union</i> or its membership or, in the absence of any such change, on an annual basis.	
7.2.6	G	The lending policy should consider the conditions for and amounts of lending to members, individual mandates, and the handling of applications for lending.	
7.2.7	R	(1) A <i>credit union</i> must not lend to: (a) one of its <i>officers, certification employees or approved persons</i> on terms more favourable than those available to other members of the <i>credit union</i> unless: (i) that person is a paid employee (other than a <i>director</i> ) of the <i>credit union</i> ; and	

		<ul style="list-style-type: none"> <li>(ii) the registered rules of the <i>credit union</i> provide explicitly for the lending to paid employees on such terms;</li> <li>(b) (in the case of a <i>Great Britain credit union</i>) a relative of, or any person otherwise connected with, an <i>officer, certification employee, approved person</i> or paid employee of the <i>credit union</i> on terms more favourable than those available to other members of the <i>credit union</i>;</li> <li>(c) (in the case of a <i>Northern Ireland credit union</i>) a member of the family of, or any person otherwise connected with, an <i>officer, certification employee, approved person</i> or paid employee of the <i>credit union</i> on terms more favourable than those available to other members of the <i>credit union</i>.</li> </ul>
		(2) "Relative" has the same meaning as in section 31 of the Credit Unions Act 1979.
		(3) "Member of the family" has the same meaning as in article 2 of the Credit Unions (Northern Ireland) Order 1985.
7.2.8	G	<ul style="list-style-type: none"> <li>(1) To prevent conflicts of interest, a <i>credit union</i> should have clear arrangements for dealing with lending to the persons specified in ■ CREDS 7.2.7R.</li> <li>(2) In relation to staff, the prohibition in ■ CREDS 7.2.7 R applies only to those who are <i>officers, certification employees</i> or <i>approved persons</i>.</li> <li>(3) "Connected" in ■ CREDS 7.2.7 R includes any close business or personal relationship.</li> </ul>
7.2.9	G	A <i>credit union</i> should have a documented arrears management policy, setting out the procedures and process for dealing with borrowers who fall into arrears. This should be reviewed regularly and promptly in the light of experience.
7.2.10	G	A <i>credit union</i> should have a clear, robust and effective approach to handling arrears and be able to satisfy the <i>FCA</i> on a continuing basis that it has adequate management and control systems in place to monitor arrears.
7.2.11	G	[deleted]
7.2.12	G	<ul style="list-style-type: none"> <li>(1) A <i>credit union</i> may lend to a member for a business purpose. However, this does not mean that a <i>credit union</i> may make a loan to a member who merely intends to transmit that loan to another body that will actually carry out the purpose.</li> <li>(2) A <i>credit union</i> should not lend to members who are acting together to achieve an aggregate sum of lending that exceeds the limits in the lending policy.</li> </ul>