

## Chapter 7

# Lending to members



## 7.2 General requirements concerning lending policy

- 7.2.1 R [deleted]
- 7.2.1A R A *credit union* must establish, maintain and implement an up-to-date lending policy statement approved by the *governing body* that is prudent and appropriate to the scale and nature of its business.
- 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 *credit union* to maintain a manual of its policies and procedures. This should include the policy and procedure for making loans.
- 7.2.5 G [deleted]
- 7.2.5A R The *credit union's governing body* must review and approve its lending policy whenever there is a material change in the circumstances of the *credit union* 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 loans to members, individual mandates, and the handling of loan applications.
- 7.2.7 R
  - (1) A *credit union* must not make a loan to:
    - (a) one of its *officers, certification employees or approved persons* on terms more favourable than those available to other members of the *credit union* unless:
      - (i) that person is a paid employee (other than a *director*) of the *credit union*; and

- (ii) the registered rules of the *credit union* provide explicitly for the making of loans to paid employees on such terms;
  - (b) (in the case of a *Great Britain credit union*) a relative of, or any person otherwise connected with, an *officer, certification employee, approved person* or paid employee of the *credit union* on terms more favourable than those available to other members of the *credit union*;
  - (c) (in the case of a *Northern Ireland credit union*) a member of the family of, or any person otherwise connected with, an *officer, certification employee, approved person* or paid employee of the *credit union* on terms more favourable than those available to other members of the *credit union*.
- (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 (1) To prevent conflicts of interest, a *credit union* should have clear arrangements for dealing with loans to the persons specified in ■ CREDS 7.2.7 R.
- (2) In relation to staff, the prohibition in ■ CREDS 7.2.7 R applies only to those who are *officers, certification employees* or *approved persons*.
- (3) "Connected" in ■ CREDS 7.2.7 R includes any close business or personal relationship.
- 7.2.9** G A *credit union* 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 *credit union* should have a clear, robust and effective approach to handling arrears and be able to satisfy the *FCA* 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 (1) A *credit union* may make a loan to a member for a business purpose. However, this does not mean that a *credit union* may make a loan to a member who merely intends to transmit that loan to another body that will actually carry out the purpose.
- (2) A *credit union* should not make loans to members who are acting together to achieve an aggregate loan that exceeds the limits in the lending policy.