

Annual Report

For the year October 2018 to September 2019

Produced for the Annual General Meeting, February 2020



During the year we celebrated reaching £3,000,000 in savings.

Gateway Credit Union Limited is Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and the Prudential Regulation Authority ref: 214010

Gateway Credit Union Annual Report 2018-19

This is a report on the activities of Gateway Credit Union during the year October 2018 to September 2019, prepared for the Annual General Meeting in February 2020.

During the year, we continued to grow broadly in line with the business plan, growing our lending, working to provide excellent service for our existing members and attract new ones, serving the people of Torfaen and Monmouthshire with safe savings products and loans on fair rates. We reached several milestones in the year, with savings exceeding £3,000,000 and continuing loan growth, and the launch of the new app for members. However we face a number of challenges, particularly the growth of arrears and defaults arising from the financial pressure faced by many of our members.

Membership

Membership grew during the year. We not only gained more new members, but also closed fewer dormant accounts. Active adult membership rose from 3047 at the end of September 2018 to 3267 at the end of September 2019. Towards the end of the year we increased the initial membership fee to £5 and changed the policy to require applicants to become members before applying for a loan.

In a competitive financial services market, our challenge remains to keep membership of the Credit Union at the core of members' personal finances, and to turn one-time borrowers into long-term savers.

Priorities for the year

The Credit Union's priority remains to reach sustainability in covering core costs from earned income, growing our lending while ensuring that costs are held down and bad debt remains at an acceptable level. Our aim continues to be to provide affordable credit and accessible savings to a growing number of low-income members but to also attract members in employment, particularly through payroll partnerships with employers.

During the year we continued to have funding for the Development Officer role from Welsh Government; however it became necessary to reduce staffing to cut operating costs. This was achieved initially by staff agreeing to a temporary cut in hours, but made permanent when our Membership Officer left for other employment and was not replaced.

We are also a partner in joint marketing activity under the Credit Unions of Wales 'brand' and in a joint project to add a mobile friendly app and online lending platform to our website. This project is ongoing and has so far improved the online experience for members but not given us the planned efficiency gain in our lending processes.

This has been another challenging year, with the roll-out of Universal Credit affecting many of our members and their families and Brexit uncertainty affecting wider consumer

confidence. We saw a continuing increase in the number of members seeking debt solutions or asking for reduced payments or payment holidays, and saw many members finances worsen compared with previous years.

Lending

Lending rose over the year with the total amount out on loan growing by 8% in the year. This was lower than the growth planned for. We continued to attract a mixture of applications, with our traditional business of small loans for household items, Christmas and holidays mixed with larger loans for cars, home improvements and debt consolidation. The pattern of loan growth and applications largely followed previous years, with busy Christmas and summer holiday periods.

At the end of September 2018 we had £1,741,825 out on loan, which rose to £1,886,480 by the end of September 2019. It has since touched £2,000,000 at the end of December 2019.

We continue to assess every application individually, based on a careful assessment of the member's household finances. Loan decisions are taken by two of the lending team, comprising members of the Credit Committee and the staff team. During the year we approved and issued loans totalling £1,322,149.29, up on the previous year. The majority of these were loans under £1000

Credit Control

We continued maintain prompt and effective credit control processes during the year, although arrears beyond 1 month have continued to be above our target of below 5% of the loan book. A significant proportion of debt written off in previous years is now under recovery, but we continue to have more members falling into arrears or seeking debt solutions. When a loan falls into arrears we have to make provision for loss, even though we expect to recover the money in the long term. As a result of these increases in provision we made a loss in the year. We are fortunate in having a skilled and experienced Credit Control team and the Board monitors arrears closely.

Savings

During the year savings continued to grow steadily from £2,402,530 in adult savings and £334,424 in junior savings to £2,651,471 in adult savings and £381,657 in junior savings. The Cash ISA was once reopened to new depositors in April and closed when the savings target had been reached.

Transactions and services

We now handle over 10,000 transactions a month. We are now seeing many more payments coming in electronically than in cash, and telephone as the most popular contact method. The new web app has proved popular with members. We continue to maintain face to face services across Torfaen and Monmouthshire.

The Board

Gateway has a skilled and dedicated team of Board members, many of whom also take an active day-to-day role in the running of the Credit Union.

Board members during the year were Brian Phippen (Chair), Ian White (Treasurer) David Williams (Managing Director), Phil Jenkins, Rod Senior, Malcolm Jones, Paula Phippen, John Wright and Sue Clouth, with Pam Thornton joining the Board at the AGM. John Wright and Sue Clouth both stood down during the year, although Sue remains a member of the Credit Committee. The Board are currently seeking new Board members who can bring skills to the Credit Union. We were greatly saddened by the death of Ian White in November 2019. Ian served on the Board as Treasurer for many years.

Volunteers

We continue to rely on the dedication of around 30 volunteers across both counties. Paul Erckens and Andrew Amos continue their Internal Audit roles, with Mark Calvin replacing Alan Priday during the year. We are continuing to recruit for voluntary roles in all areas of the organisation.

Staff

The Chair and the Board would also like to acknowledge the hard work and commitment of the staff team. We now have an established team, although we were sad to lose Alisha Crimmins and Liz Hackett Pain during the year.

Partnerships

We are fortunate in having the support of our partners in both counties. Key partnerships include Torfaen County Borough Council and Monmouthshire County Council who allow us to operate from their premises, encourage schools to open savings clubs, and promote payroll deduction to their staff and membership to local residents. As Councils have reduced and combined services we greatly appreciate their commitment to still offering us space. Our Cwmbran location in the library continues to be busy, and we now host Council and advice services in our Chepstow office. We continue to share offices in Abergavenny with Monmouthshire CAB.

We continue to take part in Welfare Rights and Financial Inclusion Partnerships in both counties, and to work closely with partners in supporting members, particularly where they are affected by Welfare Reform.

We continue to benefit from the support of Melin Homes, Monmouthshire Housing Association, Bron Afon Community Housing and Pobl group in promoting credit union membership to their tenants and staff. We also work with a range of community and voluntary organisations across Torfaen and Monmouthshire, and have longstanding relationships with the Methodist Church in Llanyravon, CoStar, Torfaen Voluntary Alliance, and the Wyesham project. We gained Torfaen Citizens Advice as a payroll partner during the year.

We have been extremely fortunate in having in-kind support from Torfaen Council in the form of IT hosting, telephony and support from SRS. We have been notified of Torfaen's intention to withdraw this from all their voluntary sector partners for cost reasons, which would result in considerably higher IT costs for the Credit Union in future years.

Funding

During the year we continued to receive funding and support from the Welsh Government for our development projects from April 2018 to March 2020. We also received funding from Abergavenny Town Council and Cwmbran Community Council. Total grant income was £29,043. We also received a subordinated loan of £50,000 from Welsh Government during the year to strengthen our reserves and underpin our growth, and have since received a further capital grant of £60,000 from the Lloyds Credit Union Development Fund.

Financial performance

Our income from loan interest was £208,643 during the year, only slightly above the previous year, and below target. While the Board reduced operating costs and staffing from £247,907 in 2017-18 to £231,985 in 2018-19, and brought in measures to increase revenue in future years, the increase in impairment losses resulted in a loss of £18,758 in the year. However £10,874 of this related to losses on the Torfaen Business Start-up Loan Scheme, underwritten by a capital grant from Torfaen Council.

Dividend

Having made a loss in the year, the Board is not recommending a dividend for 2018-19.

Summary

This was a difficult year for the Credit Union. While membership and savings continued to grow in line with our business plan, loan growth and interest income were lower than our targets and provisions for bad and doubtful debt remain well above our targets. Staff and volunteers have worked hard to ensure continued good service to members, but we have had to reduce opening hours slightly and have lost an experienced staff member. A number of IT issues outside our control have hindered our ability to complete projects which will improve service and efficiency. Detailed analysis has led to decisions being taken on fees, lending risk, interest rates and insurances which we expect to result in a return to surpluses in future years, and we remain well within compliance ratios. Our focus remains on supporting our members, many of whom are also experiencing difficult times, on developing our payroll partnerships with employers, and on providing excellent service.