

Minutes of sixth Annual General Meeting of Churches Mutual Credit Union held online at 9.30 a.m. on Friday 29 January 2021

Present: Antony MacRow-Wood (AM-W) – chair
David Anderton
David Atkinson
Charles Barton
Graham Blount
Paul Collins
Eileen Cox
Michael Dunk
John Ellis
Cornelius Henry
Aiden Hopkins
Michael Hopkins
Uell Kennedy
Nick Mottershead
Sheila Nicoll
Alison Oakes
Jeremy Oakes (JO)
Simon Oliver
Jeremy Palmer (JP)
Richard Parker
David Paul
John Rowland
Hilary Sams (HS)
Peter Selby
Ian Sharp
Charles Sim
Ian Simpson
Dave Thomson (DT)
David Truby
Jane Turner (JT)
Hugh Valentine
Jean Wyber
Alan Yates

In Attendance Jackie Littlewood (ABCUL)

Apologies Dudley Coates
Sarah Hall
John Thackray
David White

Introductions and welcome

Jackie Littlewood provided an introduction to the Go to Webinar system in use for the online meeting, including the method for voting and asking questions.

AMW welcomed everyone, reflecting on the difficult times we were living in and constituted the meeting with prayer, remembering all those in their individual ways whose lives had been impacted by Covid-19.

Apologies for absence

See list above

Minutes of AGM held on 31 January 2020.

The minutes were unanimously accepted as a true and fair record of the meeting.

Board report

In addition to the published report AMW reflected on the year since the AGM in January 2020 and that at that meeting there had no reference to the coronavirus yet within six weeks the world had changed beyond recognition. Despite this there had been notable achievements for Churches Mutual, the business continuity plan had been implemented and produced a seamless transition to remote working and the staff were thanked for their dedication and perseverance under these extraordinary circumstances.

Although lending had contracted during the second and third quarters of the year, there had been strong first and fourth quarters and as a result the loan book had ended the year at over £3 million.

Thirdly, the business had relocated to new premises, which had been achieved smoothly and with no disruption to service again under difficult circumstances. For the past six years we had been housed in a surplus office space belonging to Ecclesiastical Insurance and we were very grateful for this support but their relocation to smaller premises had resulted in our need to move. This move now meant that Churches Mutual was covering one hundred percent of its overheads, a sign that we had 'come of age'.

On the downside, it had to be acknowledged that the pandemic had impacted on the business, there had been a shortfall in lending; in addition some members had seen an increase in their disposable income and had used this to pay down loans. Unavoidably others had been hit hard by the pandemic and the credit union had seen an increase in loan arrears due to this. While the overall level of bad debt remained low compared with other credit unions and financial institutions, the board had taken the unusual step to not recommend paying a dividend this year due to the general level of economic uncertainty. Despite this Churches Mutual remains well capitalised and in a strong position going into 2021/2.

There were no questions.

Treasurer's report

1. 2019-20 accounts. JO gave his report, the full accounts had been available on the website, which included the notes to the figures. JO's report drew the members' attention to

particular items in the accounts, such as the decline in interest rates for deposits, and the need to increase the level of provisioning for bad debts. There were no questions.

2. Auditors' Report and approval of accounts: JO noted that the accounts had been given a very clean bill of health. He proposed approval of the accounts, seconded by Antony MacRow-Wood, and they were approved unanimously.

Credit & Risk Committee report

JP – the main work of the Credit & Risk Committee had been in ensuring appropriate responses to the impact of the pandemic. There were three main areas of concern, the move to home working; the closure of car show rooms and the general lack of opportunity to spend money; and the potential increase in bad debt. However there had been a seamless transition to homeworking. Lending had picked up towards the end of the financial year demonstrating there had been some built up demand, and JP thanked JT in particular for her contribution as loans officer. The C&RC members review large or unusual loan requests and are always impressed by the quality of the decisions they are asked to support.

There had been plans to review the whole lending policy in April 2020 but this had been superseded by the pandemic. This had been postponed to 2022 as the priority was given to looking on a case by case basis at loans where the member was experiencing some difficulty in meeting the repayments. The C&RC had also reviewed the arrears management policy. The committee had found that these members had been treated fairly and sympathetically and that this had been borne out in the responses of those members. We were fortunate that we had not experienced the level of bad debt that other institutions had, and that on the whole those members with a special arrangement had continued to pay even a small amount towards their loans. However the amount the credit union needed to place in a bad debt reserve had increased and it had been prudent to hold off any dividend for this financial year.

JP showed the range of ratios which had been set by the regulator, and which were reviewed regularly by the Board.

There were a number of charts which confirmed that on the whole Churches Mutual gave substantial loans to credit worthy applicants and that most loan applications did result in a loan.

Supervisory Committee report

Dave Thomson explained the nature of the Supervisory Committee, and introduced its members – himself, John Ellis and Charles Sim, noting that they were not members of the Board and were elected direct by the members, providing an independent watchdog. The members of the committee had extensive relevant experience. They attended board meetings and were able to contribute to them. They:

- Reviewed the adequacy of risks and controls, following a standard testing programme recommended by APCUL;
- Undertook additional reviews – e.g. around the single customer view report (an obligation applied by the Financial Services Compensation Scheme)

Covid-19 had had an impact on the way the supervisory committee worked. Up until March 2020 members of the supervisory committee would travel to the office in Gloucester and sit alongside JT

or HS and perform the internal audit. Since March 2020 working in this way had not been possible but the Supervisory Committee have worked round this through spot checking via zoom. As Churches Mutual operates almost exclusively in a virtual way this has worked well to the extent that this will probably continue, at least in part, for the foreseeable future. This kind of remote working does give us a lot of confidence for the future.

The committee had looked at loans, deposits, and regulatory requirements such as politically exposed persons, and found nothing of significance during the year. They reported regularly to HS and to the Board and there was nothing to report to members.

DT thanked HS and JT for their cooperation and forbearance and JE and CS for their assistance.

Peter Selby expressed his appreciation at the way the credit union had worked smoothly in the pandemic. He also asked how Churches Mutual could respond to those individuals in the wider church who now had additional resources to save. JP – it was important for the CU to keep its loan to share ratio buoyant, as our return on loans was lower than most CUs, we had good circulation of cash due to loan repayments therefore the need for additional cash was not urgent at present. HS – encouraging good regular savings habits was more important to the financial wellbeing of the members than being a conduit for lump sum savings and this was a target for the year ahead.

Oliver Simon questioned JP's use of the word delinquent as although it is a technical term it sounds pejorative? HS – this is not a term we would use to the member although it is a technical term so we use it within the organisation but not outside. Everything regarding our loans is tailored to the individual both when we make the loan and in any subsequent dealings with the member.

Appointment of auditors

JO noted that the audit had gone smoothly, and had been thorough. He proposed the reappointment of Haines Watts. This was approved unanimously.

Elections

Board: AMW noted that Sheila Nicoll and John Rowland were willing to put themselves forward to be re-elected and had been proposed and seconded. John Ellis, who had served on the Supervisory Committee for some years had also been proposed and seconded to serve on the board.

There being no other nominations, John Ellis, Sheila Nicoll and John Rowland were automatically elected.

Supervisory Committee: Dave Thompson had been duly proposed and seconded, and was automatically elected. The election of John Ellis to the board left a vacancy and AMW would like to hear from any member who would be interested in exploring this role.

Motion

HS introduced the motion, proposed by the Board, "That this meeting of members of the Churches' Mutual Credit Union Ltd hereby endorses the decision to cease the policy of insuring the loan book against the death of the borrower with effect from 1st February 2021."

HS explained that at present loans were insured for members under the age of 70 up to a maximum of £7,500. Over time the value of loans had risen, and also Churches Mutual had a number of loans to members over 70. As a result at any one time there was about £600,000 of the loan book uninsured. There has never been a claim. Although the insurance was free to members it cost the CU around £9,000 and in particular looking at the rising cost of overheads the insurance was not good

value for money and we were in danger of failing to treat all members the same due to the significant proportion of uninsured loans.

HS had investigated what other credit unions did if they did not insure the loan book, and most had some form of self-insurance. Unlike other credit unions our members did tend to have other sources of income to repay a loan such as assets and death in service benefits, so insuring their loans was perhaps not so vital, however the CU would increase the amount of bad debt provisioning in order to cover hardship cases.

AMW explained that the insurance was not part of our terms and conditions, and not mentioned in the rule book but the board had felt that it should be a decision of the members.

Peter Selby – This was obviously the right decision but we should ensure that each case of bereavement was dealt with humanely.

AMW we had the benefit of a personal organisation so that, like in the case of bad debt, we could treat each case individually. However if the member did have assets we should lodge a claim with whoever was dealing with the estate.

The motion was passed unanimously.

Any other business

AMW – Richard Parker had asked about car loans: this was largely due to our legacy lending having taken over various car loan schemes, mainly from the Church Commissioners. Although this was a large percentage of our loan book, we had taken steps to meet the financial needs of our members through a variety of products.

President's Closing Remarks

AMW – Had ended the last AGM with the observation that he would have been President of the Board of Directors for five years in 2021 and that in terms of good governance this was probably the upper limit for someone to hold this role. The uncertainty concerning the economy under the present pandemic caused AMW to review this decision and agree to stay on for a further twelve months to monitor developments. In addition, Jeremy Oakes, who had been treasurer since the credit union was launched had reached a milestone birthday and in view of this had decided it was time for him to stand down. AMW paid tribute to Jeremy Oakes, his quiet efficiency and support of the staff team, and his welcome companionship on their many journeys to the office in Gloucester. JO replied with thanks, that it had been a privilege to serve the organisation in this capacity.

AMW – looking forward it is likely that the business will experience contraction during the continued periods of lockdown, however we would hope to end the present financial year at least with the same level of assets in shares and loans as we did in September 2020. The past year of the pandemic has shown us how we are all connected, that society relies on good will and neighbourliness, and how business and the economy depends on us all pulling together for the common good. Mutual financial organisations, such as the credit union, have their part to play.

Fifteen years ago when the first discussions about a churches credit union took place the financial climate was very different with greater disparity between lending and saving interest rates, and as a result forecast growth had been greater. However, it was an achievement that Churches Mutual was a stable, sustainable organisation that covered its overheads. Over the past year we had launched our new website and branding, and were about to implement open banking to streamline processes

for our members. At this point AMW introduced our new promotional video, which was designed to demonstrate our ethos and products to a wider audience.

This had been the first remote AGM, it had enabled far more members to participate but it was noted that the online software used was unfamiliar to most participants.

The meeting ended at 10.50am.