



# Report of Churches' Mutual Credit & Risk Committee for the January 2026 AGM

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By Jeremy Palmer

# About Our Firm

## Overview:

The Churches' Mutual Credit & Risk Committee (C&RC) is responsible for overseeing all aspects of credit and risk management on behalf of the Board. The Committee ensures that lending practices remain prudent, that risks are appropriately monitored, and that regulatory expectations are met.

## Current Board members serving on the Committee are:

- Jeremy Palmer (Chair)
- Alan Yates
- John Ellis
- Trudie Wigley

Operational responsibility for day-to-day credit assessment and risk monitoring rests with the Loan Officer and the Chief Executive Officer, with the Committee providing oversight, challenge, and approval where required.

## The Committee's work covers three principal areas:

- Credit and risk policies
- Approval of exceptions to standard lending policy
- Oversight of loan arrears and arrears management



# Credit & Risk Policies

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The Committee continues to monitor the principal risks facing Churches Mutual, particularly those arising from the loan book and liquidity holdings.

## Key points include:

- The lending policy remains cautious and conservative, reflecting our commitment to responsible lending and the protection of members' savings.
- Affordability assessments place strong emphasis on post-expenditure disposable income, ensuring borrowers can sustainably meet repayments.
- Policies remain aligned with regulatory expectations, including the enhanced requirements under the Consumer Duty.
- The approach continues to work well in practice. Most members understand the criteria, and only a small number of applications are declined outright.
- The vast majority of loans are approved by the Loan Officer under delegated authority and in full compliance with policy.
- Liquid funds are placed only with high-quality bank counterparties, prioritising security and liquidity over yield.

**The Committee is satisfied that Churches Mutual's credit and risk policies remain appropriate and effective.**



# Referral of Exceptional Loans

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A small number of loan applications fall outside the delegated authority of the Loan Officer or CEO and are therefore referred to the Committee for decision.

## Typical reasons for referral include:

- Loan size exceeding the delegated limit (currently over £20,000, except for Commutation loans)
  - Applications close to affordability thresholds
  - Past credit issues where there remain strong reasons to consider lending
- The Committee reviews these cases via email correspondence, considering staff recommendations and agreeing any conditions or restrictions.

**Most referred cases are approved, though the Committee naturally sees a higher proportion of restructuring or debt-consolidation loans, which carry increased risk.**



# Loan Arrears Management

Arrears levels remain relatively low, reflecting the effectiveness of the lending policy and the commitment of borrowers.

## Key observations:

- Churches Mutual adopts a proactive but patient approach to arrears, consistent with Consumer Duty expectations.
- Borrowers in arrears generally demonstrate willingness to pay what they can and to work towards clearing their debt.
- Some of our members in arrears use debt charities to support them with debt management plans, in particular StepChange.
- The organisation remains compliant with regulatory expectations for arrears handling.
- Some challenges continue to arise from Individual Voluntary Arrangements (IVAs), which remain an area of sector-wide concern.

# Particular Issues



## The Committee monitored several wider issues affecting the credit union sector:

- Interest rate risk: Ongoing uncertainty in the interest rate environment requires continued vigilance.
- Credit pricing: The Committee continues to balance competitiveness with the need for a sustainable return.

## Sector reputation risks:

- The withdrawal of the Family Protection Plan generated media attention across the credit union sector. Churches Mutual was not involved, but reputational spill-over remains a possibility.
- Regulatory action in the wider car finance market relating to undisclosed commissions has affected many large lenders. Churches Mutual has never engaged in such practices and is therefore not exposed.

## Liquidity management:

- As liquidity reduced in 2024, the Board shortened the maximum term/notice period for bank deposits to one month.
- Most liquidity is now held on instant access with Unity Trust Bank. Should liquidity increase, deposits may again be placed with Nationwide, Lloyds, or Barclays.

# PRA Rule 10.1

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## Compliance with Depositor Protection 11 onwards:

### Churches Mutual remains compliant with the PRA's depositor protection requirements:

- The IT system can immediately identify all deposits eligible for FSCS protection, covering the vast majority of members' savings.
- A full test file of all members and balances is periodically produced to ensure it can be provided to the FSCS within 24 hours if required.
- These systems are reviewed periodically to ensure ongoing effectiveness.
- The FSCS protection limit increased from £85,000 to £120,000 on 1 December 2025. Compliance with Rule 2.10 – fidelity bond Churches Mutual maintains appropriate insurance to protect against losses arising from fraud or dishonesty by staff or volunteers, as required of all credit unions.

**Additional activities:** Churches Mutual carries out the additional activity of additional lending (larger loans) and complies with the corresponding requirements described in chapter 4 of SS 2/23 "Supervising credit unions".





# Thank You!

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## 01

### Jane

First, to our excellent Loan Officer (Jane) whose expertise and professionalism underpin our relative success in lending wisely.

## 02

### Borrowers

Second, to all our Borrowers who have made the extra effort to keep up with their loan repayments even in difficult times.

## 03

### Borrowers

Third, to any Borrowers who through unexpected circumstances could not maintain their original repayment, but have continued to pay what they can, and cooperate with our staff in working out revised arrangements.



The economic environment has shown signs of improvement, with interest rates gradually easing. However, household finances remain fragile, and the Committee remains cautious.

# General Outlook

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## Key points:

- The prudent lending policy should be maintained, with no current need for further tightening.
- Higher mortgage costs continue to affect many households, though a significant proportion of Churches Mutual borrowers live in tied accommodation, reducing exposure.
- New lending volumes and the overall return on the loan book remain encouraging.
- The Committee's overall message is one of steady continuity: Churches Mutual should continue its disciplined, member-focused approach.



CHURCHES MUTUAL  
CREDIT UNION

We believe connection matters

10 YEARS ANNIVERSARY

# Thank You

