

Scottish Cross-Party Group on Credit Unions

17th January 2024, 18:00-19:30

Group Priorities & Artificial Intelligence in the Financial Services Sector

Present

MSP Group Members:

Tess White MSP (Convener)

Paul Sweeney MSP (Deputy Convener)

John Mason MSP

Guests

Adrian Sargent – Castle Community Bank

Andrew Rabbitt - Incuto

Derek Penman - Scottish Universities Community Bank

Elaine Rae – NHS Credit Union

Karen Wallace – Right Way Credit Union

Patricia Butler – Drumchapel Community Credit Union

Stephen Mooney – NHS Credit Union

Tina Harrison – Capital Credit Union

Non-MSP Group Members

Dawn Vear – UK Credit Unions

Dermot O'Neill – Scottish League of Credit Unions

Frances McCann – National Credit Union Forum/ ScotWest Credit Union

Natalie McQuade – Association of British Credit Unions

Nancy MacGillivray – ACE Credit Union Services

Robert Kelly – Association of British Credit Unions

Apologies Received

Jackie Ballie MSP

Chinyere Adeniyi-Alade – Grampian Credit Union

Lynne Kearney – South Coatbridge Credit Union

Phil Rowsby – Scottish Universities Community Bank

AGM and Re-election of Office Bearers

The annual election of CPG office bearers was conducted.

- It was confirmed that the CPG meeting was quorate, and members of the Group resolved to re-elect office bearers for the CPG.
- It was proposed, and agreed to, that Tess White would remain as CPG convener.
- It was proposed, and agreed to, that Paul Sweeney will remain as Deputy convenor for the CPG.
- It was proposed, and agreed to, that the Association of British Credit Unions shall remain as secretariat for the CPG.

The Group was reminded of the purpose of the CPG and it was confirmed as follows: CPG on credit unions provides a forum to discuss issues which affect credit unions in Scotland. The CPG will also create a foundation for policy development relating to credit unions and help to form a network of good practice between credit unions and parliamentarians.

Tess White pointed out that important topics need to be emphasised during the Annual General Meeting (AGM). Tess White addressed that there is a lot of work to be done and that networking is vital for achieving the goals set in the previous year's meeting.

Update on the CPG Priorities

Tess White outlined the priorities that had previously been outlined by the CPG in the previous year. As follows:

PRIORITY ONE: RAISING AWARENESS OF CREDIT UNIONS – especially in light of 2024 being the 60th anniversary for credit unions in Great Britain.

Tess White spoke about potentially pushing for a motion or debate to mark the anniversary upon the advisory of Natalie McQuade from ABCUL.

Tess White invited Paul Sweeney and John Mason to speak about the motion or having a debate in Scottish parliament.

Paul Sweeney MSP supported and would sign raising a motion that would support members' businesses and would encourage his colleagues to sign.

John Mason MSP agreed with Tess and Paul, supporting the motion, and suggested having an exhibition as well to better raise awareness.

Lesley-Anne Campbell, assistant to Tess White, said all exhibition spaces were booked until early 2025 but highlighted their merit and should be booked, nonetheless. Natalie McQuade agreed.

Natalie McQuade invited Elaine Rae, CEO of NHS Credit Union, to ask a question.

Elaine Rae posed a question regarding the role of ABCUL as the secretariat, requesting a better understanding of their obligations towards their members. Elaine Rae felt that their role was unclear, citing, on this occasion, the absence of minutes and agendas as a potential cause for concern.

Responding to this, Tess White explained that providing minutes and agendas was part of their role as the secretariat and asked if Elaine objected to their position as secretariat.

Elaine explained that she was not outright objecting to ABCUL's role as the secretariat but was looking for a greater definition of their role. She believed that it would be helpful to have all the necessary documents, including agendas and minutes, beforehand to make the meetings more productive.

Tess White apologised for not providing these and promised to rectify the situation. Tess White explained that the purpose of the meeting was the AGM, where policyholders could be re-elected.

Elaine Rae made sure to highlight how important it is for everyone to have a fair chance to contribute and work efficiently. Elaine also took a moment to congratulate Natalie McQuade on the birth of her baby, but asked about any plans that were made when she went on maternity leave.

Robert Kelly, the CEO of ABCUL, spoke next, taking full responsibility for the role of the secretariat and disputing claims that there were gaps due to Natalie going on maternity leave. He explained that Niamh Evans had managed all the responsibilities and that the agenda and minutes had been issued. He acknowledged potential gaps in mailing lists and registrations and promised to rectify them.

Tess White thanked Elaine for her feedback and promised to ensure that she was on the mailing list and that the agenda would be sorted. Tess White emphasised the importance of collaboration and the use of an AGM, which would provide an opportunity for change. She invited Natalie McQuade to discuss the agenda for the next meeting and requested that the minutes be sent out as soon as possible.

Natalie committed to sending the meeting minutes, agenda, and future dates ASAP.

Robert Kelly stressed that ABCUL performed the role of the secretariat on a voluntary basis and invited other organisations to assume the role if they were interested and felt that they could offer a more productive service. He pledged to continue providing minutes and agendas and to rectify any gaps.

Tess White reiterated that the role of the secretariat was often thankless and invited anyone with concerns to speak to her or other members of the CPG.

The members discussed hosting an exhibition at the Scottish Parliament or an evening seminar. This would offer an opportunity for members to come to a more targeted event and speak to a cross-section of people from various sectors.

Tess White opened the discussion in the room and asked for ideas on raising awareness for credit unions.

Lesley-Anne Campbell offered to investigate the availability of community rooms in November, as booked prior to this. A smaller meeting could be held in the coming months until given the opportunity for a larger room to become available.

Three thoughts for raising awareness were suggested: exhibitions, larger conference meetings, and drop-in sessions for many credit unions.

Tina Harrison from Capital Credit Union asked who the target audience was for the exhibitions and whether it was for wider stakeholders.

Dermot O'Neil, from the Scottish League of Credit Unions, liked the ideas presented by John Mason and Paul Sweeney regarding organising either an exhibition or smaller meetings. Dermot proposed that an evening event would provide a better opportunity to cater to specific groups and

target them more effectively. Such events would allow for more exposure and one-on-one interactions with attendees, which would help deliver a more specific manifesto-based conversation with invited guests in attendance. Dermot, on behalf of the SLCUs, asked if there were any opportunities to re-visit the previous nationwide awareness raising campaigns that the Scottish Government funded previously for the sector. Dermot also added that the SLCUs are looking to produce an awareness raising campaign which will focus on the volunteering aspect of credit unions, to reinforce capable and competent personnel to become involved in credit unions.

Adrian Sargent, representing Castle Community Bank, highlighted the significance of increasing awareness for all Credit Unions. Adrian proposed promoting the ethical aspects of credit unions to the UK Government, Bank of England (BoE), Financial Conduct Authority (FCA), and other regulatory bodies to facilitate active discussions and collaborations. Also, Adrian addressed the importance of enhancing CU's digital presence and keeping up with the changing times.

Tess White requested that we have a section of the next CPG meeting to discuss awareness raising and has invited any Group members to please send their thoughts and ideas on awareness raising and the role of credit unions to the secretariat for discussion at the next meeting. This will allow the Group to then narrow down how this is achieved so the Group can work to deliver on this priority.

PRIORITY TWO: CREATING MANIFESTO AND SETTING OUT AIMS FOR CU

Tess White asked what the Credit Unions goals are in the Cross-Party Group. CPG cannot aim to achieve everything at once. The first aim is to raise awareness about the role of Credit Unions in the CPG industry. The second aim is to create a CPG manifesto. Tess offered an invitation to work offline and collaborate with herself, Paul, and ABCUL to develop a manifesto that represents the Credit Union's interests.

Tess asked if the focus should be on lobbying Westminster or raising awareness about the role of Credit Unions in Scotland, to help promote the sector and to reduce the number of people turning to loan sharks etc.

PRIORITY THREE: FUNDING AND FINANCIAL RESOURCES TO HELP UNIONS SUPPORT MEMBERS THROUGH LOAN GUARANTEE SCHEME

The Group previously raised the if there was potential for Scottish Government to support Credit Unions through funding and financial resources to help them support their members through loan guarantee schemes (as seen in Wales). More details were requested before adding it to the agenda.

Another area in relation to funding was the potential for assistance with operational costs similar to the dormant asset schemes which is available to credit unions and CDFI's in England and is being delivered by Fair4All Finance. Tess opened it to the group to see if this were something they would like to prioritize.

Adrian Sargent, CEO of Castle Community Bank, mentioned that obtaining funding through the Fair4All is difficult in relation to application and reporting processes. Adrian commented that Scottish Government chooses to spend the dormant asset funds received in other areas. Adrian also noted it may be worth examining how the Scottish Government is allocating the contribution it receives in dormant assets.

Dermot O'Neill enquired if the discussion points were continued from last year or new points for this year. In terms of the manifesto – the Scottish league is working with ABCUL to

collaborate on key issues being faced by members – the trade bodies cover 90% of Credit Unions in Scotland. Dermot wanted to give MSP's confidence that collaboration is already happening in terms of putting together the right manifesto in terms of the needs of Scottish Credit Unions. The greatest pressure for the Scottish Credit Union is demonstrating affordability in lending decisions. This challenge to affordability will not be rectified by writing small-sum loans and this could also lead to reputational risk for the sector.

Tess White answered that the discussion points were in reference to hot topics picked out by Natalie McQuade upon her request to ensure topics were not left out.

Robert Kelly thanked Tess White and spoke about the Welsh dormant assets scheme and how the Welsh Government have initiated a consultation on how to utilise these assets, moving forward. Currently Welsh Government and Scottish Government spend these funds on two key areas, climate change and youth programmes. The Welsh Governments consultation proposes expanding the areas which receive funding which includes financial inclusion. It was suggested that there may also be talks going on behind the schemes at Scottish Government following the Welsh consultation paper.

Tess White suggested a voting system for the greater priorities as too many items were being carried over to the next year. List down all points and vote what priorities are taken forward by the group this year.

PRIORITY FOUR: Increasing the engagement of the CPG on Credit Unions with Scottish Government officials and identifying where they fit in line with the Scottish Governments National Outcomes

Tess White affirmed that this priority is a whole topic in itself and acknowledged that Dermot O'Neill has already mentioned this in previous discussions.

PRIORITY FIVE: To bring forward a motion to raise awareness of the 60th Anniversary of Credit Unions in Great Britain and the need for further promotion in the sector

Tess White confirmed that the Group had already discussed this as a priority earlier in the meeting and some suggestions had been made as to how we can accomplish this.

Tess White suggested presenting something in Parliament and organising a gathering to facilitate networking. Tess White asked Natalie McQuade to create a document that can be distributed to all members of the call and associations of Credit Unions to receive fair and equitable feedback. Natalie will produce the minutes, propose an item for the agenda and make a list to vote on the Group's top priorities.

Dermot O'Neil clarified the narrative of the Scottish League on National Awareness and suggested aligning it with the Scottish Government's goals. Making Scottish credit unions more relevant by aligning with the Scottish Government's national outcomes. This alignment will give credit unions a greater impact and be more meaningful to MSPs when bringing about changes.

Stephen Mooney, COO of NHS Credit Union, suggested adding points to the agenda, such as the quality of tech available for CU sector and regulatory frameworks around insolvency and trust deed providers. These are key issues for CUs and should be on the agenda.

Elaine Rae and Tess White agree to have a conversation offline about standing orders, and to continue the conversation.

List of priorities made by Tess, Paul, John, and Natalie of the CPG to be put forward to the group and allow for voting. Enable to capture all priorities.

Tess White closed this section of the meeting due to time constraints.

PRESENTATION

Tess White introduced a presentation from Andrew Rabbitt - Artificial Intelligence (AI) in Financial Services.

Andrew thanked and welcomed all attendees. Andrew stated that AI is an unknown world with lots of potential, and it is complex software that can do tasks better than humans.

AI can learn and evolve, making it more efficient the more it is run. There are lots of different types of AI and to think of AI as employees of the month in its abilities rather than a killer robot.

Andrew said that AI is already being used in financial services, namely, marketing and customer service, credit underwriting and fraud and risk prevention.

Banks are investing in AI to make quicker loan and credit access decisions. However, this increases lending costs, making it harder to apply for loans and more likely for applications to be declined.

Challenges facing AI within the sector:

1. Cost: As technology continues to evolve, the cost of developing and implementing AI is expected to rise.
2. Customer Experience: AI must continue to improve the customer experience to remain competitive and relevant.
3. Data: Must address privacy concerns and the cost of processing large amounts of data.
4. Bias and Fairness: Credit unions are particularly concerned about bias and fairness because historical data is used to build data models, which means any bias is already built in.
5. Ethics: No agreed-upon guidelines for building and deploying AI in a responsible manner.
6. Regulatory: The adoption rate of AI is faster than the rate of regulation, creating a situation where less ethical players may take advantage of the situation in the short to medium term. Small providers are at a disadvantage in this scenario.

Opportunity for Credit Unions:

- 1) Improved Customer Experience.
- 2) Personalise products and services by adopting better product design for different people and highlighting NILs. AI can personalise the interaction and the product design around their needs faster than what is done now.
- 3) Reduce operating costs and increase capacity, giving more time to deal with the most vulnerable customers.
- 4) An opportunity to increase capacity as there has been a significant increase in mainstream declines from mainstream lenders, from 40% declines to 60/70% declines, driving more traffic to Credit Unions.

- 5) Automating the detection of fraud and money laundering is critical as Credit Unions do not want to become the soft target. Use technology for a keen eye on the data.
- 6) Best data to support lending to the underserved with less bias and more predictability.

Actions and Recommendations:

- 1) Data Privacy: Credit Unions should create a framework for data-sharing to address lower data volumes and data privacy concerns, even if the data is anonymous. It is better to share data rather than keeping it siloed.
- 2) Education: The sector should improve access to training and skills for AI. This can be done by providing existing staff with new skills and by attracting people with AI skills into the sector. It is best not to wait for third-party interaction, as this will drive up costs and create opportunities for asymmetric information.
- 3) Ethics: The solution to AI adoption lies in ensuring fairness and eliminating bias. This is crucial, as it is easy to get carried away with technology and end up increasing exclusion.
- 4) Regulation: The use of AI in Credit Unions should not be over-regulated, as this will end up driving up costs. Credit Unions are not the problem; the problem is the people who will take advantage of the difference between the adoption rate and the regulation rate. Over-regulation will also limit the adoption of AI.
- 5) Public Awareness: The fear of AI should be reduced by highlighting how it can be used for good. People need to understand what AI can do to help rather than hinder.

Andrew concluded his presentation with an AI-generated poem in the style of Robert Burns, explaining the context of AI, and opened the floor for questions.

QUESTIONS FROM PRESENTATION:

Elaine Rae raised questions about the ability of AI to make Credit unions more user-friendly, particularly for people in small communities. Andrew Rabbit explained that AI could help with customer personalisation and data exploitation, which could make it easier for customers to use credit union services.

John Mason jokingly raised concerns about the lack of Scottish words in the Robert Burns AI poem but emphasised the requirement for human oversight. John provided an example of AI in the Netherlands which incorrectly awarded benefits and also then prosecuted those who had not received them but should have.

Andrew Rabbitt then highlighted an example where bias was found in a recruitment process. Credit Unions have a very human centric approach to underwriting and decisions – which is a beautiful trait and should never be taken away. Andrew emphasised that it should be about not replacing the core function that make credit unions different but about speeding up the other processes around the edges.

Adrian Sargent suggested that AI should be embraced but thoroughly checked to avoid mistakes and ensure proper functioning. AI is evolutionary and enabling companies to make decisions faster but it has to be programmed properly. Adrian stressed that AI should be regulated and monitored accordingly as we would not want the sector to be tarnished by one credit union or many credit unions having a huge issue.

Dermot O'Neill supported Andrews comments on how transformative AI is already and will become more prominent in everyone's everyday life. Dermot also raised the concern of the SLCUs of credit union trade bodies becoming irrelevant due to the rise of AI. Dermot proposed that credit unions could shift their focus from creating content to distributing and utilising it more effectively to remain relevant and continue providing valuable assistance to their members and provide AI training.

Tess White brought up the Bates vs Post Office issue and emphasised how AI can benefit from a personal touch. Tess was considerate of the fact that everyone on the call was coming from different places. Mentioning the cost-of-living crisis and felt the need for a thought-provoking topic to be included in each meeting. The members suggested having a topic suggested and voted upon in the next meeting.

Tess White mentioned that Parliament provides guidance for all aspects of CPG, including AGM meetings and standard committees. It is possible that CPG has evolved its goals over time. Therefore, retrieving the original proposal for CPG and conducting a spot check to determine whether people still find it useful is suggested.

Tess White closed this section of the meeting due to time constraints.

FURTHER QUESTIONS

Tess White opened the floor for any further questions and invited the thoughts of Paul Sweeney.

Paul Sweeney talked about the capabilities of AI and expressed his fascination and slight concerns. Paul then discussed the potential for combining credit unions and social housing through a proposed housing bill. Sweeney suggested a debate to move forward and acknowledged that they were short on time despite having plenty of ideas. Paul recommended evening meetings and suggested online meetings are more inclusive but didn't have any strong opinions on the format.

John Mason suggested that members should float ideas and that it's up to the convenor and secretariat to see how practical they are. 3 to 4 meetings per year is ideal for a CPG. John also mentioned that they struggle to get MSPs engaged.

Elaine Rae suggested that there needs to be more ownership from the credit union sector of the CPG. We need speakers from the sector on specific topics. In relation to encouraging growth across Scotland we should have speakers from the Irish credit union sector due to their larger infiltration rates.

Stephen Mooney stressed the importance of setting a regular meeting schedule. Stephen mentioned that the key issues should be output and performance, and they need to push to achieve more, especially in the back of the meetings.

Tess White suggested that the roles of the CPG need to be articulated better and that it's time to refresh them.

Frances McCann thanked the MSPs for their time this evening. Frances also reminded everyone not to forget the purpose of the CPG, Frances highlighted that there are many different things that need to be discussed and resolved, but we cannot fix everything. Having 4 priorities from last year demonstrated that there is too much to be done, and we don't have a lot of time. Frances also supported that the group focus on the priority of awareness raising as this would be a step forward. Frances also thanked ABCUL, and reiterated the

engagement within the sector and highlighted that there is a lot of other work that is being done with Stakeholders that doesn't need to come through the CPG.

Tess White asked the group what the vital focus of the year should be. Tess has asked Group members to vote on what would be the one thing for the Group to focus on this year when the survey is issued.

Dermot O'Neill, on behalf of the SLCU's, supported Frances McCann's suggestion that the key focus is to raise awareness and agreed with Paul Sweeney that bettering the linkage between CU and social housing is a natural fit. Dermot emphasised that the sector having explicit limitations also come with explicit benefits to the sector, for example, common bond limitation removal may open up credit unions to additional compliance requirements.

Tess White closed this section of the meeting due to time constraints.

CLOSING STATEMENTS

Tess White emphasised that teamwork is crucial and should be done behind closed doors. The attendees were thanked for attending and were encouraged to celebrate the 60th anniversary.

ABCUL was acknowledged for hosting and being the secretariat. Natalie was welcomed back, and the dates for the rest of the year were going to be shared along with the agenda and minutes.