



## Credit Unions and Affordable Credit

- **What is a credit union?**
- **Why join a credit union?**
- **How to join a credit union?**

### **What is a Credit Union?**

Credit unions are local and personal co-operatives owned by members for members. They are regulated by the Financial Services Authority and aim to encourage affordable saving and low cost borrowing. To join, you need to live or work in the **common bond** of the credit union, usually a defined area-for example, a local authority area.

Any profits that they make are usually paid to the members as dividends (similar to interest payments).

### **Why join a credit union?**

- It is an easy way to save and borrow, offering low cost loans
- You can get support to become more confident

about managing your money

- They welcome new, irregular savers and those with a poor credit history and offer an alternative to people who can't borrow money from high street banks
- You can have your benefits/wages paid in and set up standing orders for your bills

### **How to join a credit union?**

If you live or work within the common bond, you can join them as long as you have some proof of your identity. Most credit unions are flexible about they will accept to prove your identity.

The membership form is simple and most credit unions have websites where you can download the forms. It's sensible to go to your local credit union with a completed form and some ID. If the ID papers are not acceptable, they will be able to tell you what they can accept. Most credit union require you to pay a one-off small fee to become a member varying from £1 to £5. Credit unions offer an alternative to home credit providers who can charge more than 1000% interest on loans

**Here is a brief summary of the difference in credit unions and doorstep lenders**

<b>Credit union loan:</b> £100	<b>Total Interest due:</b> £6.56	<b>Total amount due:</b> £106.56	<b>Weekly Repayments:</b> £2.05
<b>Door step lender:</b> £100	£49.50	<b>Total amount due:</b> £149.50	£6.50
<b>Credit union loan:</b> £300	<b>Total Interest due:</b> £19.80	<b>Total amount due:</b> £319.80	<b>Weekly Repayments:</b> £6.15
<b>Door step lender:</b> £300	<b>£148.50</b>	<b>Total amount due:</b> £448.50	19.50

**How soon and how much can you borrow from the credit union?**

Most credit unions expect you to save regularly for about 13 weeks before agreeing a loan. The amount you will be able to borrow will also depends on how much you need, what you can afford to repay based on your savings and the local credit union's policies.

