



Department for the
Economy
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An Roinn
Geilleagair

The Credit Union

(Modernisation and Reform)

PUBLIC CONSULTATION
NEXT STEPS

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Ministerial Foreword

Credit unions provide a vital financial service for nearly 600,000 members. They foster a spirit of cooperation and mutual support and are at the heart of many local communities. As we look to the future, it is essential that credit unions continue to evolve in response to changing member needs and community expectations.

Following public consultation, these proposed next steps will modernise the credit union legislative and policy framework and expand the role that credit unions play within the economy.

My aim is to ensure that credit unions remain accessible and relevant, and that they preserve their unique community focus whilst undergoing reform. Modernisation of the credit union sector will help deliver my economic vision of Good Jobs, Regional Balance, Productivity and Decarbonisation.

The consultation and policy development to date, has highlighted the complexity that will surround reform of the credit union sector and the importance of co-designing change with the sector and of cross-departmental and inter-governmental collaboration. This is why, central to my reform proposals, is the establishment of a permanent Credit Union Advisory Group.

Made up of Credit Union representatives, subject matter experts and key regulatory and government officials, this group will be central to achieving sustainable, lasting change through reform co-design and will offer ongoing trusted advice and guidance to senior policy advisors.

I wish to thank you for your continued support for the modernisation and reform of the credit union sector. You are helping to shape a future where credit unions thrive and continue to make a real and positive difference in the lives of individuals, families and communities.



DR CAOIMHE ARCHIBALD, MLA

Minister for the Economy



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Introduction

1. The Department's Economic Vision contains four objectives:
 - to increase the number of Good Jobs;
 - to raise Productivity;
 - to Decarbonise our economy; and
 - to drive forward Regional Balance.
2. A Credit Union Bill forms part of the Department for the Economy's (DfE) legislative programme. It is a key element of the Department's efforts to meet the commitment given in the Programme for Government to *Grow a Globally Competitive and Sustainable Economy* and is an important part of the Department's Economic Vision to bolster and promote Good Jobs and Regional Balance.
3. The Department held a 12-week public consultation on measures to modernise the credit union legal framework, achieve digital transformation, and create new lending opportunities for sustainable and community-focused projects. The Credit Union (Modernisation and Reform) Public Consultation launched on 17 April 2025 and closed on 10 July 2025. The consultation document was broken down into the following broad topics: Improving Local Community Awareness and Accessibility, Modernising Legislation and Expanding Financial Services, Embracing Digital Innovation and Competitiveness, Ensuring Sustainability, Values, and Member Trust.
4. Within each topic, the consultation invited views on credit union legislative, regulatory and policy issues. 112 responses were received, including submissions from credit unions represented by both the Irish League of Credit Unions (ILCU) and the Ulster Federation of Credit Unions (UFCU), along with independent credit unions. Responses were also received from charities, representative bodies, councils and political parties. The Department is grateful to those who took the time to respond. These responses have been insightful and have informed decisions about the way forward. An analysis of the consultation responses is available at [The Credit Union \(Modernisation and Reform\) Public Consultation Response Analysis Paper](#).
5. This document summarises how the Department will approach reform of the credit union legal framework and ensure policy alignment with Departmental and Executive priorities. A number of reforms will be delivered through a Credit Union (Modernisation and Reform) Bill. Subject to the approval of the Executive, the Department proposes to introduce the Bill to the Assembly for scrutiny with the aim of having the Bill passed into law before the Assembly mandate ends in early 2027.
6. Further reform will be identified and delivered through secondary legislation and the establishment of a permanent Credit Union Advisory Group, consisting of sector representatives and subject matter experts.

7. The advisory group will provide ongoing specialist and expert advice to the Minister and Departmental officials and the credit union sector. The Group will also make recommendations for progressing policy initiatives such as green lending. The Department will also work collaboratively with other departments, jurisdictions and regulators to achieve credit union reform.
8. The table at the Annex lists our proposals and how they will most likely be delivered; through legislation (either primary, in the form of a Bill, or secondary, making use of existing or new powers), as well as policy and regulatory reform.
9. It should be noted that proposed changes will not all come into force immediately or at the same time. The Department will ensure a phased implementation, to give those affected time to prepare and adapt. Training and support needs for credit unions during the transition period will be considered by the Credit Union Working Group.
10. The credit union sector has played a transformative role for more than 60 years, strengthening local communities, promoting financial inclusion, and offering vital support to people across all walks of life. Modernising its legal and regulatory framework will contribute to the Department's vision of a regionally balanced economy, in which everyone shares in the benefits of prosperity.
11. The credit union sector is a complex tapestry, with tightly interwoven regulatory, legislative, policy, community and operational threads. Credit unions don't work in isolation. Credit union reform also cannot be achieved in isolation. It will require a cross-departmental, multiagency, sectoral, and intergovernmental approach.
12. In addition to the legislative reforms outlined in this document, the Department recognises that a number of important measures are best advanced through non-legislative means. Many of these issues, such as the development of green lending initiatives, digital support strategies, and enhanced small business lending, are complex and require ongoing dialogue and collaboration. To ensure these areas are addressed effectively, the Department will establish a dedicated and permanent Credit Union Advisory Group. This group will bring together representatives from credit unions, regulatory bodies, subject matter experts and key stakeholders to explore best practice, identify barriers, and co-design solutions that reflect the unique needs of the sector.
13. The rationale for progressing certain measures through a working group is clear: these topics often involve technical, operational, or cross-sectoral challenges that cannot be resolved through legislation or by policymakers alone. For example, implementing digital innovation or collaborative service models demands careful consideration of technology, regulation, and member experience. By convening subject matter experts and practitioners, the Credit Union Advisory Group can provide the depth of expertise and practical insight needed to develop robust, workable approaches. This collaborative co-design process will ensure that reforms are not only ambitious but also realistic and responsive to the evolving landscape of financial services.

14. It is within this context that the Department intends to bring forward the most significant credit union reform seen in recent years. As the world of financial services changes, so too must the policy and legal framework. The Department will therefore seek to deliver this by introducing legislative and non-legislative measures in line with the four topics in the consultation document.

- Topic 1: Improving Local Community Awareness and Accessibility
- Topic 2: Modernising Legislation and Expanding Financial Services
- Topic 3: Embracing Digital Innovation and Competitiveness
- Topic 4: Ensuring Sustainability, Values, and Member Trust

Topic 1: Improving Local Community Awareness and Accessibility

Summary

15. Credit unions have long played a vital role in local communities, delivering financial services rooted in a community-first approach.
16. Whilst credit unions have undoubted positive local impact, public awareness and credit union accessibility varies significantly. Many people either remain unaware of the benefits offered by credit unions or face barriers in accessing services. This part of the consultation was a call for evidence to explore ways to increase visibility, accessibility, and local engagement, especially amongst younger people, older adults, and underrepresented groups. The Department aimed to gather views, through which to help credit unions become more inclusive, accessible, and responsive.
17. No immediate policy or legislative changes will materialise from this topic. Instead, the information in the Consultation Response Analysis Paper will be used by the newly proposed Credit Union Advisory Group to inform credit unions and their affiliated bodies on how they can become more accessible and visible to members and non-members alike.

Topic 2: Modernising Legislation and Expanding Financial Services

Summary

18. The consultation set out why there is a need to review our existing legislative framework. The world of credit unions and financial services has changed significantly in recent years. The legislation governing credit unions is four decades old. New legislation could enable credit unions to support members and local businesses better, fund local community projects, and invest more flexibly to enhance financial sustainability.
19. A key driver for change is expanding or clarifying the range of financial services credit unions can provide. Planned reforms will not only strengthen credit unions' ability to support their members but also give the Department for the Economy (DfE) the flexibility to consider the addition of further services, ensuring the sector can adapt to future conditions without the need for additional significant legislative overhauls. Allowing credit unions to invest further in local infrastructure and social initiatives will enable them to play a more active role in regional economic growth and community development.
20. Governance and operational efficiency also require reform. Outdated administrative requirements create unnecessary burdens and inefficiencies. By modernising these processes, credit unions will be better equipped to engage with their members and operate more effectively. Updates to rules on landholding and business transfers will further streamline operations, ensuring that credit unions can grow sustainably and continue to serve their members in the most effective way possible.
21. This part of the consultation sought views on proposed legislative, governance and operational changes that would ensure credit unions remain competitive, financially sustainable, and capable of offering modern, community-focused financial services while maintaining their core values and commitment to their members.

Expansion of Services

22. The Department is satisfied that action is required to expand the range of financial services credit unions can provide. Expanding the services that credit unions can offer will enhance financial inclusion and allow credit unions to remain relevant and competitive, while still serving community needs.
23. The Department will seek to amend the credit union legal framework to introduce a wider range of financial services that credit unions can offer, along with a transparent cost regime for any such newly introduced financial service. These include:
 - Certain types of insurance products
 - Investment products

24. Financial inclusion will be enhanced through the expansion of credit union services. Providing such services through a local credit union will widen access to trusted, community-based financial institutions, especially for those underserved by traditional banks.
25. Consultation responses indicated that by expanding credit union services, it would significantly improve their appeal and usage with new members and younger people.
26. Amending the credit union legal framework will provide the Department with greater flexibility to support the credit union sector with adapting with agility to changing demands in product offerings, remain competitive as a sector, and continue to serve members effectively, whilst ensuring there is still scrutiny over products and services offered.
27. Broader services will attract additional oversight from the PRA, FCA, and other regulators. The Department will work closely with regulatory bodies to ensure that the regulatory framework is clear, consistent, and proportionate.

Corporate Membership Lending

28. The Department is satisfied that action is required to increase the limit which credit unions can lend to corporate members within their communities from 10% to 25%. It is recognised that this will provide greater access to ethical, affordable credit that can support the sustainability of social enterprises, small businesses, community organisations.
29. The Department intends to amend the current legal framework by increasing the current lending limit to corporate members from 10% to 25%.
30. Consultation responses highlighted that supporting local businesses and social enterprises should be a key component of credit union modernisation. These sectors play a critical role in sustaining local employment, revitalising town centres, and addressing social and economic challenges.
31. The Department believes that raising the cap on corporate lending will be of particular benefit for rural areas, where many small businesses and charities often lack access to traditional finance. Additionally, increased corporate lending may help in the growth of local economies and be an enabler for community-led regeneration.
32. Current lending restrictions limit credit union ability to provide sufficient support to local businesses. Legislative reform will allow credit unions to:
 - Offer working capital, equipment finance, or business development loans
 - Serve sole traders, partnerships, and small companies within a common bond
 - Provide affordable alternatives to higher-cost credit, especially for those underserved by traditional financial institutions

33. Amending the current lending limit to corporate members will also allow credit unions to develop specialised loan products for community interest companies, charities, and social enterprises. These organisations often face unique financial pressures, irregular income streams, project-based funding, and grant dependencies. A credit union approach, rooted in mutual support and trust, is well suited to meeting their needs.
34. Credit unions may wish to move into new markets with larger loan sizes that will require additional skills and new oversight requirements, due diligence, credit assessment, and security. As such, the proposed Credit Union Advisory Group will work closely with credit unions to support the development of robust processes (in agreement with regulatory bodies), training and development for staff, volunteers, and boards.

Collaborative Initiatives

35. The Department is satisfied that action is required to enable credit unions to be able to refer members to other credit unions for services that they do not provide themselves. Cross-referral arrangements will enhance member experience without forcing transfers or service duplication and it will promote better service access, especially where local credit unions have capacity limitations.
36. The Department wishes to reform the current legal framework to allow the referral of members to other credit unions in order to enable access to a greater range of services and products. Additionally, amendments will be sought to allow credit unions to engage in loan participation lending, allowing multiple credit unions to share lending responsibilities, which will expand lending capacity. Furthermore, the creation of Credit Union Service Organisations (CUSOs) will be sought; regulatory rules will also need to be amended to allow direct investments in these entities, promoting operational efficiencies and shared services. An express legislative power and/or regulatory change will remove any ambiguity in this area and facilitate the collaboration of services. The Prudential Regulation Authority (PRA) credit union rulebook will need to be amended for credit unions to take advantage of the referral of members to other credit unions to access other services and products and loan participation lending.
37. Consultation responses highlighted that greater collaboration among credit unions would strengthen their services and help credit unions pool their resources to offer larger loans and shared services. Implementing this approach will provide a more equitable footing for the credit union sector to operate alongside mainstream financial institutions while maintaining a community-focused ethos. By collaborating, credit unions can increase their lending capacity, improve efficiency, reduce duplication, and expand access to more sophisticated services such as digital platforms, business finance, and specialist support.

38. The PRA has recently consulted on proposals to amend credit union investment rules to make it clear that credit union investments in CUSOs are permitted. The PRA also proposes to set expectations of credit unions that invest in or use CUSOs.

Membership Eligibility

39. The Department is satisfied that action is required to expand credit union common bond and membership eligibility requirements to increase credit union accessibility.
40. The Department will seek to amend the current legal framework, for example to allow family members not resident at the same address as the qualifying member to be allowed to join a credit union based on familial ties alone. This will give credit unions greater flexibility in defining their common bond rules.
41. Consultation responses highlighted that broadening membership eligibility could encourage more people to join credit unions. Expanding the common bond criteria will make credit unions more inclusive and accessible, particularly to those who may currently be excluded due to factors such as geography or employment. A wider membership base will also strengthen financial sustainability and allow credit unions to serve diverse communities better whilst maintaining community relevance.
42. Consultation responses also recognised that greater flexibility on common bond rules would allow credit unions to adapt to changing community needs, allow for strategic partnerships and demographic targeting, reach underserved groups and grow their membership base, while maintaining a clear sense of purpose and identity.

Insolvency Considerations

43. The Department recognises the critical role played by credit unions in supporting financial inclusion and well-being and the impact of Individual Voluntary Arrangements (IVAs) and Debt Relief Orders (DROs) on the credit union sector.
44. Acknowledging the position of credit unions in relation to personal insolvency, and balancing the interests of vulnerable debtors, the Department will ask the proposed Credit Union Advisory Group to examine the issue in greater detail and in partnership with the Debt Advice sector and the Insolvency Service, in order to identify if changes may be appropriate for the insolvency framework which could better serve both credit unions and debtors.

45. Consultation responses highlighted that credit unions should receive consideration due to their being not-for-profit, member-owned institutions that reinvest surpluses into supporting local communities. Unlike commercial lenders, credit unions often serve individuals who may be otherwise financially excluded or vulnerable. Special consideration of treatment in insolvency proceedings or earlier engagement in debt solutions, could help credit unions recover more of their funds and continue providing responsible, affordable, and non-exploitative credit.
46. It was also highlighted that credit unions face particular risk from IVAs and DROs due to their relatively small individual size and reliance on member capital.
47. Some respondents also urged a cautious approach to changing insolvency rules due to the potential risk to particularly vulnerable debtors.
48. Any future change to the insolvency framework should be carefully balanced to ensure that individuals facing extreme financial hardship remain protected and that the overall insolvency framework remains fair and consistent.
49. The Department will consider the deliberations of the Credit Union Advisory Group, the Debt Advice sector, and the Insolvency Service before deciding on any further action that may be taken.

Access to Financial Systems

50. The Department is satisfied that action is required to allow credit unions access to the Bank of England's Sterling Monetary Framework (SMF). The framework aims to maintain monetary and financial stability in the UK through tools such as the setting of the Bank Rate and Quantitative Easing. Additionally, the SMF includes various market operations to provide liquidity and manage financial shocks. The Bank of England also conducts market wide operations, applying risk management to protect public funds, ensure stable inflation and support overall financial stability. Access to the framework could provide credit unions with improved liquidity options and greater resilience during periods of economic uncertainty.
51. The Department will work closely with the Bank of England and the PRA alongside the credit union sector, to explore access to the SMF.
52. Consultation responses highlighted that access to the SMF would provide credit unions with greater financial stability, enhance liquidity management, and improve their resilience during periods of economic stress. It would also place them on a more equal footing with other regulated financial institutions, supporting their growth and enabling them to serve communities better with affordable and responsible financial services.

Interest Rate Adjustments in the context of interest-bearing shares

53. The Department recognises the potential benefit of negative interest rates in respect of negative interest-bearing shares, to give credit unions greater flexibility when responding to changes in the wider financial environment. However, due to their complexity and the importance of creating a safe, robust and sustainable legislative regime that would permit such shares, the Department will not proceed with change at this juncture without first undertaking further detailed research.
54. The Department will therefore ask the proposed Credit Union Advisory Group to examine this issue in greater detail and identify how best to amend the current legal framework to future proof credit unions against a negative interest rate environment. This, in turn, may accommodate the creation of negative interest-bearing shares to allow credit unions to better manage wider negative economic fluctuations and protect members' savings.
55. Consultation responses highlighted that in periods of economic downturn or negative interest environments, this flexibility could help credit unions maintain financial stability and continue lending responsibly. With appropriate transparency and member communication, this flexibility could strengthen both trust and financial resilience.
56. Responses also stressed that credit unions should have the ability to raise or lower savings interest rates and that rates should reflect market and member needs. This flexibility would allow them to respond promptly to market conditions, manage liquidity more effectively, and remain competitive with other financial institutions. It would also support long-term sustainability and the ability to offer fair value to members.

Investment Opportunities and Surplus Funds

57. The Department is satisfied that action is required to enable credit unions to pool surplus funds for social and charitable purposes and also to enable credit unions to invest collectively in social projects, such as housing or local infrastructure.
58. The Department will work with the PRA and explore how to open up social housing and other local government investment opportunities. Both of these changes will contribute towards local community development whilst improving financial sustainability.
59. The Department will also make any necessary amendments to the current legal framework to enable this.
60. Consultation responses highlighted that this would align with the credit union movement's core mission of community development and financial inclusion. Collective investment could amplify credit union impact, support local regeneration, and help to address issues like affordable housing or access to essential services. Pooling resources would allow for greater reach and effectiveness, while maintaining a community-first approach.

61. Responses also emphasised that balance between financial sustainability and collective social impact is crucial, with respondents prioritising financial sustainability. Credit unions are, by definition and in practice, social impact organisations. The failure of a credit union because of inappropriate financial practices would have a significant impact on its common bond.

Financial Inclusion Recognition

62. The Department is satisfied that action is required to give credit unions greater recognition for their role in tackling financial exclusion.
63. Credit unions play a crucial role in promoting financial inclusion, particularly for those who struggle to access mainstream banking services. Expanding recognition will enable their integration with wider government strategies to support financial well-being. The Department will work cross-departmentally and seek further to include credit unions.
64. Consultation responses noted that expansion would highlight the credit union sector contribution to financial inclusion and help extend its reach and impact. It would also encourage collaboration with other sectors and promote greater public awareness of the essential role credit unions play in building financial resilience. Credit unions are well-placed to deliver practical, trusted, accessible financial education tailored to local needs. Strengthening this role could help improve financial literacy, reduce reliance on high-cost credit, and build long-term financial resilience, particularly among young people, low-income households, and other underserved groups. With the right support and partnerships, credit unions could become key drivers of financial wellbeing.
65. Responses also expanded to say that policies that elevate the role of credit unions, through funding, visibility, regulatory flexibility, and partnerships, could help credit unions tackle poverty, reduce reliance on high-cost lenders, and build stronger financial resilience at a local level. Empowering credit unions as a core part of the financial inclusion strategy would benefit both individuals and the wider economy.

Auditor Appointment Process

66. The Department is satisfied that action is required to make the process for the appointment of a new auditor more streamlined. Simplification will enable credit unions to enhance their focus on serving their members and reduce unnecessarily complex regulatory compliance.
67. The Department will seek to amend the current legal framework by streamlining the process of appointing auditors. This will be simplified to reduce administrative burdens on credit unions whilst maintaining compliance with wider regulatory obligations that seek to ensure regular auditor changes where appropriate.

68. Consultation responses highlighted that many credit unions operate with limited administrative resources, and a streamlined auditor appointment process would reduce their operational burden and costs.
69. Responses also highlighted that the current audit process is outdated and should be updated to reflect current best practice.

Common Bond Collaboration

70. The Department is satisfied that action is required to enable credit unions to collaborate across common bonds.
71. The Department will seek to amend the current legal framework to allow credit unions to collaborate across common bond boundaries in order to improve member choice and ensure that services are accessible and promoted to a broader range of people. The amendments will also enable the referral of members to other credit unions to access a greater range of services and products.
72. Whilst changes have been sought to the common bond, consultation responses highlighted that the common bond feature is one of the unique selling points of credit unions and is an important principle that is worth maintaining. Greater collaboration will enable credit unions to pool resources, share expertise, and offer a wider range of services to a broader membership base, especially in rural or growing urban areas. This will enhance financial sustainability, improve member choice, and strengthen community impact. Whilst expanding common bond rules to increase financial access for underserved groups will remove arbitrary geographical limitations, such collaboration should be structured to respect the unique identities of participating credit unions and maintain their community-focused values.
73. Responses also emphasised that sharing resources across common bond boundaries, such as technology platforms, staff expertise, and operational services can improve efficiency, reduce costs, and enhance service quality. This collaboration will enable credit unions, especially smaller and resource-limited credit unions, to serve members better while maintaining community focus. Clear agreements and governance structures should be in place to ensure smooth cooperation and protect member interests.
74. The Department will also work closely with the PRA and explore regulatory changes within their credit union rulebook so that any legislative changes can be fully utilised by credit unions.

Rates Relief

75. The Department of Finance is currently undertaking a comprehensive Strategic Review of all rates support provided within the non-domestic rating system and, within this, the coverage of credit unions in relation to rate support should be explored.
76. The Department would support any proposal to allow a special exemption for credit unions for non-domestic rating system purposes.
77. The Department believes that an introduction of a specific exemption for credit unions, will help reduce operating costs and support long-term sustainability.
78. Consultation responses highlighted that granting credit unions such exemptions would reduce their operating costs, enabling them to reinvest more resources into member services and community development. This would also recognise their social value alongside other essential community organisations and help credit unions maintain a presence in underserved and, in particular, rural areas. This financial relief would strengthen sustainability, particularly for smaller credit unions that operate on tight margins and enhance capacity to serve vulnerable and underserved populations.

Interest Rate Cap Increase

79. The Department acknowledges that there are competing views around whether increasing the monthly interest rate cap for credit union loans could help to expand access to a genuine alternative to high-cost lending for the financially excluded and vulnerable.
80. The Department will therefore ask the proposed Credit Union Advisory Group to examine the issue in greater detail and in partnership with the Debt Advice sector in order to identify if any change would better serve both credit unions and the financially excluded before considering if further action is necessary.
81. Consultation responses highlighted that increasing the interest rate cap would enable responsible lending to higher-risk members and improve the financial sustainability of the credit union. Many people who rely on payday or high-cost lenders do so because they need small, short-term loans that carry higher risk. An increase in the interest rate cap from 1% to 2% per month will allow credit unions to sustainably offer loans at rates far below those of commercial high-cost lenders. This will help to reduce dependency on exploitative credit and promote more responsible borrowing. In order to protect members, any rate increase should be paired with clear affordability checks, transparency, and ongoing financial education.

Deferred Shares Introduction

82. The Department is satisfied that action is required to give credit unions the ability to offer deferred shares in order to strengthen their financial base. Deferred shares are not repayable except in special circumstances. The key feature is that principal can only be repaid to the shareholder if the credit union is wound up or dissolved and all creditors have been paid in full, or with the consent of the regulatory authority.
83. The Department will seek to amend the current legal framework to allow credit unions to issue deferred and other types of shares, including a new class for corporate members; this will enhance their ability to raise capital and support long-term growth and will give credit unions here parity with those in Britain.
84. Consultation responses highlighted that deferred shares could strengthen a credit union's capital base in certain situations. Offering different classes of shares such as deferred or investment shares could help credit unions raise additional capital, strengthen their balance sheets, and fund service expansion. This added flexibility would allow them to grow sustainably while continuing to serve their members effectively and it would enable innovation and diversification.
85. Regarding a new class of deferred shares for corporate members, responses highlighted that allowing corporate members to participate in deferred shares can help strengthen a credit union's capital base and expand its reach. But their rights should be limited to ensure that the democratic, member-first principles of credit unions are preserved.

Dormant Accounts Management

86. The Department is satisfied that action is required that recognises the unique local aspect of credit unions in relation to dormant accounts. Ideally, dormant credit union funds should be redirected to local, social, or charitable organisations, ensuring that these resources are put to good use, in line with the credit union sector's ethos.
87. There is an existing UK-wide Dormant Assets Scheme, operated by the Reclaim Fund Ltd (RFL). In Northern Ireland, these funds are administered and distributed by The National Lottery Community Fund, in line with policy directions set by the Department of Finance. The main Dormant Assets Scheme covers eligible organisations, with balance sheets over £7 billion. A separate Alternative Scheme is also available for smaller institutions with balance sheets below £7 billion. The Alternative Scheme enables participating organisations to use qualifying dormant accounts to support their chosen local charities. Many institutions use this route to support foundations or charities aligned with their social purpose and local communities.

88. The Department will work with the Department of Finance, the proposed Credit Union Advisory Group, and RFL, to explore whether the Alternative Scheme could be an appropriate route for meeting the interests of local credit unions.
89. Consultation responses highlighted that redirecting unclaimed funds to support community projects, financial education, or hardship support aligns with the credit union ethos of community service and mutual benefit. It would ensure transparency and fair redistribution of resources but with the allocation or dispersal of the funds of those dormant accounts retained at local level by those who have a specialist understanding of the needs, wants and priorities of their residents or communities.
90. Responses also emphasised that keeping these funds within the credit union sector would ensure that they continue to serve the communities and members for whom they were originally intended. This approach would preserve the mutual ethos of credit unions while maximising the impact of unused assets.
91. Regarding having a longer timeframe before funds begin to be regarded as dormant, responses underlined that extending the period would give members more time to reconnect with their accounts, particularly those who may be experiencing financial difficulties, have limited digital access, or only use their accounts occasionally. A longer timeframe helps protect member assets and trust, while reducing the risk of funds being reclassified prematurely. However, it should still allow credit unions to manage dormant accounts effectively and reallocate funds when appropriate.

Criminal Records Disclosure

92. The Department is satisfied that credit unions meet the definition of non-profit organisation in relation to criminal records disclosure. The position of the Department of Justice is that they also regard Credit Unions as non-profit for the purpose of their volunteer definition, and that they have arrangements in place to ensure that charges are not levied for such applications.
93. The Department welcomes this clarification and will remain in close contact with DoJ in order to identify if any further improvements to criminal records disclosure for Credit Unions is necessary.
94. Consultation responses highlighted that credit unions operate on a not-for-profit basis, prioritising member benefit and community support over profit. Including them in this definition would ensure regulatory consistency, recognise their distinct role in the financial sector, and potentially reduce disclosure burdens that are more appropriate to institutions that are for-profit.

Updating Article 32 – Holding of Land

95. The Department is satisfied that action is required to modernise and clarify the rules around credit unions owning, leasing, or managing land and property. This will ensure that credit unions can hold property, such as branch premises or land used for community benefit, removing outdated restrictions and providing legal certainty.
96. The Department will seek to amend the provisions within the current legal framework dealing with the holding of land to ensure that credit unions are permitted to hold land where the entirety of the property may not be used exclusively for credit union business.
97. Consultation responses highlighted that modernisation would reflect the operational needs of today's credit unions, particularly as they diversify services. The current framework was drafted in a completely different time without the level of regulation which is now in place. Clarification of this area is needed, especially around existing land and property held or where part of a property could be used for another purpose. This will also help credit unions to maximise income streams.

Updating Article 55 – Access to Member Registers

98. The Department is satisfied that action is required to remove ambiguity around the circumstances in which credit union members can inspect the register of members and officers, particularly in relation to data protection rules.
99. The Department will seek to amend the current legal framework for accessing the names and addresses of credit union members and officers within a credit union register or duplicate register. Changes will clarify what information can be accessed, by whom, and in what circumstances, protecting both transparency and individual privacy.
100. Consultation responses highlighted that there is a lack of clarity around who can access the register, for what purpose, and under what safeguards, leading to confusion, privacy concerns, and inconsistent practices across the sector. Given evolving data protection standards and members' expectations around confidentiality, there is a strong case for reviewing and modernising these rules. Any update should balance transparency and accountability with robust protection of member privacy.
101. Responses also underlined that access to personal information of members and officers should be limited to authorised individuals with a legitimate purpose, such as credit union officers conducting governance, compliance, or operational duties or members entitled to inspect registers under clearly defined conditions.

Supporting Electronic Communication and Modernising Meetings

102. The Department is satisfied that action is required to enable credit unions to communicate with members electronically for key meetings like AGMs and simplify the required notice periods for holding meetings.
103. The Department will seek to amend the current legal framework by inserting a statutory provision which will expressly allow a credit union to communicate with members (e.g. AGM notice) by electronic means. Modernising the legal framework will make it easier for credit unions to communicate with members. It will also support hybrid or fully online AGMs and make administrative processes more flexible and efficient.
104. Consultation responses highlighted that this would enhance engagement and wider participation. It would modernise credit union governance, reduce administrative costs, and help engage younger or more digitally connected members while maintaining transparency and accountability.
105. Hybrid or online meetings will ensure accessibility for all members regardless of location or mobility. It will also allow for maximum inclusion across age groups, working families, and digitally engaged members.
106. The fact that some members, particularly older adults and those in rural or disadvantaged areas, may lack access to reliable internet or digital devices will be recognised through the continuation of in-person services at branches and community locations and members having a choice around how they receive information from credit unions.

Simplifying Transfers of Engagements Between Credit Unions

107. The Department is satisfied that action is required to simplify the process for transferring engagements between credit unions which will make the process for one credit union transferring its business to another more efficient and cost-effective.
108. The Department will seek to amend the credit union legal framework so that the transferring credit union's common bond is automatically included in the receiving credit union's bond. This change will help credit unions to merge or consolidate when appropriate, without unnecessary cost or legal uncertainty. It will also ensure that existing members can continue their membership under the new credit union without disruption.
109. Consultation responses highlighted that simplifying this process would make mergers or transfers more efficient, reduce administrative burdens, and help smaller or struggling credit unions sustain services for members. A streamlined approach could encourage collaboration and consolidation where appropriate, strengthening the overall sector.

110. Responses also stated that proposals to automatically include the transferring credit union's common bond within the receiving credit union were sensible.

Increasing the Age Limit for Minor Accounts

111. The Department is satisfied that action is required to increase the age limit for "minor accounts" within credit unions from 16 to 18 and will seek to amend the credit union legal framework to raise the upper age limit.

112. This will align age rules with modern understanding of youth financial independence, allowing credit unions to support young savers for longer. It will also better reflect modern age-based thresholds.

113. Consultation responses highlighted that the age limit should be in line with other financial institutions and will allow continued financial engagement and support for young people during key life transitions. Several benefits for young members are noted, such as extended financial education and inclusion, smoother transition to adult membership, greater access to tailored financial products and enhanced member retention and growth.

Topic 3: Embracing Digital Innovation and Competitiveness

Summary

114. The Department sought opinion on how credit unions can adopt and deliver modern digital services and technologies to improve convenience and security for their members.
115. Financial services are rapidly evolving, with most banks and fintech (Finance Technology) companies offering a wide range of digital banking services, contactless payments, and mobile apps. Credit unions face many challenges, including the resources to develop innovative online banking and payment apps. This puts credit unions at a disadvantage, especially as younger customers increasingly expect digital-first financial services. Addressing these challenges will help credit unions modernise their services and better meet the needs of their members.
116. We asked respondents to share their experiences and insights on several key areas. Firstly, we wanted to understand the barriers that prevent credit unions from offering comprehensive digital banking services, such as mobile apps, online banking and instant payments, and what solutions respondents felt might be effective. We also sought views on how credit unions can successfully collaborate with fintech providers and what respondents consider to be best practice for forming these partnerships.
117. Secondly, we sought views on the ability of credit union members to request that their employer provide a payroll deduction scheme to allow deductions to be taken from an employee's salary and paid to a credit union - this would encourage more people to save with credit unions and improve financial wellbeing amongst members.
118. Finally, we wanted to hear how respondents believed digital services could be designed to improve convenience and accessibility for credit union members, what features and functionalities were most important, and how credit unions could meet these expectations.
119. This topic was a call for evidence; therefore, no legislative changes were examined. Instead, the information will be used to inform Departmental policy and help credit unions and their affiliated bodies better understand the support needed to allow credit unions to adopt and deliver modern digital services. This is an area that will also be developed by the proposed Credit Union Advisory Group.

Digital Banking Services

120. The credit union sector has identified a need for investment in digital platforms and services, to reflect changing consumer needs. Financial support from the Westminster government has helped enable the transformation of credit union digital platforms in Britain.
121. The proposed Credit Union Advisory Group will identify the investment required to enable credit union digital transformation here and will bring proposals to the Department for consideration.
122. Consultation responses highlighted that, in order to grow as financial institutions, credit unions should deliver similar digital services as banks, including 24/7 access availability, quick decision making and internet banking. Credit unions were also noted as bridging the gap left by the closure of many local bank branches, with most respondents stating the importance of credit unions retaining a physical presence as well as developing an online one.
123. Responses also emphasised that, without a digital offering, credit unions risk losing relevance. Convenient and user-friendly digital interfaces are expected, and if credit unions are unable to offer these services, they risk losing members to financial providers that can offer such digital products. Responses also highlighted the importance of a hybrid model of digital and in-person services.

Payroll Deduction Scheme

124. The credit union sector has called for a statutory right for a payroll deduction scheme to allow deductions to be taken from an employee's salary and paid to a credit union.
125. Whilst the Department does not plan to introduce a statutory right, the Department is satisfied that action is required to encourage payroll deduction schemes for employers so that there is greater availability and accessibility for credit unions and their members. The Department will work with the proposed Credit Union Advisory Group to identify barriers to greater uptake and promotion for credit union payroll deduction schemes.

Topic 4: Ensuring Sustainability, Values, and Member Trust

Summary

126. Credit unions have long played a vital role in supporting financial inclusion, community well-being, and ethical finance. Through the consultation, the Department provided an opportunity to consider how credit unions here can be further enabled in areas such as sustainability, cost-of-living support, and inclusive economic growth, whilst strengthening the unique ethos of credit unions towards members and local communities.
127. In other jurisdictions, credit unions already play a growing role in delivering government-backed initiatives. For example, credit unions in the south of Ireland are active partners in schemes that support home energy retrofitting through affordable green loans and many credit unions also work with local authorities to provide low-cost credit, tackle financial exclusion, and offer alternatives to high-cost lending.
128. The Department sought views on how credit unions here could take on similar roles, supporting green finance, community energy projects, and other socially valuable initiatives while continuing to serve the needs of their members.
129. The Department also welcomed feedback on how transparency, accountability, and governance arrangements can evolve to support credit unions as they take on new roles, potentially including partnership in the delivery of government programmes.
130. This part of the consultation was a call for evidence, seeking views on how credit unions here can be supported to play a stronger role in supporting sustainability, community well-being, and maintaining the core values of mutuality and trust that underpin the sector. No legislative changes were examined. The information provided will be used to inform the Department, credit unions, and their affiliated bodies on what is needed for credit unions to play an active role in any future government-backed initiatives such as green finance, community energy projects, and other socially valuable initiatives.

Sustainability and Green Finance Initiatives

131. The Department recognises the role that credit unions could play in providing and partnering with future government initiatives, for example green finance or community energy initiatives.
132. Consultation responses highlighted that, by offering green loans, supporting renewable energy projects, and encouraging sustainable investments, credit unions could help address climate change, enhance community well-being, and attract environmentally conscious members, especially younger and future generations. Integrating sustainability into their operations also aligns with broader social values and long-term financial resilience. As community-focused financial institutions, credit unions are uniquely placed to promote environmentally responsible practices and support members in making sustainable choices.

133. Respondents also noted that credit unions should offer more targeted ‘green loans’ specifically for members looking to improve home energy efficiency as green lending is aligned with credit unions’ values and could contribute to government climate targets.
134. By offering green loans, credit unions could encourage members to adopt sustainable technologies such as home energy upgrades.
135. Investing in initiatives such as renewable energy schemes, community gardens, and social housing, aligns closely with credit unions’ values of community development and social responsibility. Such investments could deliver long-term benefits for members and their communities, improving local resilience, promoting environmental sustainability, and generating ethical returns.

Transparency, Accountability, and Governance during Credit Union Modernisation

136. The Department asked respondents to comment on how the credit union community focus and not-for-profit ethos can be protected and evolve alongside the process of modernisation and reform.
137. The Department recognises that, as credit unions modernise and grow, it is vital that their core principles, mutual ownership, democratic governance, and commitment to local communities remain at the heart of their identity. The reforms that the Department seeks to achieve will enable innovation and competitiveness without compromising trust, transparency, and the not-for-profit ethos that distinguishes credit unions from commercial financial institutions. Preserving these values will ensure that credit unions continue to serve as ethical, inclusive alternatives within the financial system.
138. During the legislative process, the Department will aim to support and work with credit unions, particularly the two main representative bodies, the Irish League of Credit Unions (ILCU) and the Ulster Federation of Credit Unions (UFCU). Both were central to the Department’s Credit Union consultation and Next Steps considerations. Both will also continue to play a central role in the newly proposed Credit Union Advisory Group.

Government Backed Support Services

139. The Department asked respondents if credit unions should be supported by government in offering dedicated support services for members or the wider community facing financial difficulties.
140. The Department is satisfied that credit unions are uniquely placed to provide dedicated financial support services to local communities. Integration with wider government strategies to support financial well-being will be explored and taken forward through the proposed Credit Union Advisory Group.

141. Consultation responses highlighted that credit unions can play an important role as a frontline service engaging directly with consumers and particularly with those who may experience financial difficulty. There is a belief that credit unions are well-positioned to deliver trusted, community-based financial support to those facing hardship. With appropriate government funding and resources, it is believed that services can be expanded that help prevent problem debt, improve financial literacy, and build long-term financial resilience. Supporting credit unions in this role would complement their ethical lending mission and strengthen their impact on financial inclusion and wellbeing at a local level.
142. Within this section of the consultation, the Department also asked respondents whether credit unions should be able to partner with organisations such as public bodies or local community organisations to provide alternative lending solutions for projects with social impact.
143. The Department is satisfied that action is required to allow credit unions to lend directly to certain classes of public bodies.
144. The Department will seek to amend the current credit union legal framework to enable common bond requirements to encompass local authorities and other organisations, such as arms-length bodies. This reflects recent changes in the south of Ireland. This could also help local authorities to fulfil their economic, social and governance obligations with community projects.
145. Consultation responses highlighted that strategic partnerships would enhance the reach and effectiveness of credit unions. It would also unlock innovation and allow better use of public and third-sector resources.

List of Proposed Policy Measures & Delivery

ANNEX

1. Reform of the credit union framework will be delivered through legislation (either primary, in the form of a Bill, or use of secondary making powers by the department or others), as well as regulatory change and further policy development.
2. The following tables set out how each measure will be delivered:

Topic 2: Modernising Legislation and Expanding Financial Services		
Expansion of Services	<ul style="list-style-type: none"> • Insert new optional objects for NI credit unions to undertake wider products and services to their members including the ability to undertake insurance distribution activities. • Insert additional powers so that the Department may add further services via secondary legislation. 	Primary legislation
Corporate Membership Lending	<ul style="list-style-type: none"> • Total amount of outstanding balance of loans made to corporate members increased to 25% from 10% of the total amount of the outstanding balances on loans made by the credit union to members. 	Secondary Legislation
Collaborative Initiatives	<ul style="list-style-type: none"> • Insert optional objects that would allow the referral of members to other credit unions to access other services/ products. • Insert optional objects that would allow credit unions to engage in loan participation lending, allowing multiple credit unions to share lending responsibilities, which would expand lending capacity. • Insert provisions which would support the establishment of Credit Union Service Organisations (CUSOs) and other means of sharing services between credit unions. • Engage with the PRA to seek amendments to the credit union rulebook to allow credit unions to take advantage of these legislative changes. 	Primary legislation/ Regulatory and policy development

Topic 2: Modernising Legislation and Expanding Financial Services		
Membership Eligibility	<ul style="list-style-type: none"> Amendments to the current legal framework to allow family members not resident at the same address as the qualifying member to be allowed to join a credit union based on familial ties alone. 	Primary legislation
Insolvency Considerations	<ul style="list-style-type: none"> The proposed Credit Union Advisory Group will examine this issue in greater detail in partnership with the Debt Advice sector and the Insolvency Service, in order to identify if changes may be suitable for the insolvency framework. 	Policy development
Access to Financial Systems	<ul style="list-style-type: none"> Engage with the PRA to consider how credit unions would be able to access the Bank of England's Sterling Monetary Framework (SMF). 	Regulatory and policy development
Interest Rate Adjustments in the context of interest-bearing shares	<ul style="list-style-type: none"> The proposed Credit Union Advisory Group will examine this issue in greater detail in order to identify if changes may be suitable for the credit union legislative framework. 	Policy development
Investment Opportunities	<ul style="list-style-type: none"> Insert provisions to allow credit unions to pool surplus funds to invest in social projects or infrastructure. Engage with the PRA to seek to amend the credit union rulebook to allow social housing/local authority investment opportunities. 	Primary legislation/ Regulatory and policy development
Financial Inclusion Recognition	<ul style="list-style-type: none"> Engage with other Departments to further integrate credit unions into wider government strategies to support financial well-being. 	Policy Development
Auditor Appointment Process	<ul style="list-style-type: none"> Amend the current legal framework to simplify the auditor appointment process. Amendments to the current legal framework to allow auditor appointment by written/electronic resolution; provide automatic reappointment unless objected to. 	Primary legislation

Topic 2: Modernising Legislation and Expanding Financial Services		
Common Bond Collaboration	<ul style="list-style-type: none"> • Insert provisions to allow credit unions to collaborate across common bond boundaries. • Closely linked to previously mentioned legislative amendments on Collaborative Initiatives 	Primary legislation
Rates Relief	<ul style="list-style-type: none"> • Engage with the Department of Finance to allow a special exemption for credit unions for non-domestic rating system purposes. 	Policy development
Interest Rate Cap Increase	<ul style="list-style-type: none"> • The proposed Credit Union Advisory Group will examine this issue in greater detail in partnership with the Debt Advice sector, in order to identify if any change would better serve both credit unions and the financially excluded before considering if further action is necessary. 	Policy development
Deferred Shares Introduction	<ul style="list-style-type: none"> • Insert provisions to give credit unions the ability to offer deferred shares. • Insert provisions to include a new class of deferred shares for corporate members. 	Primary Legislation
Dormant Accounts Management	<ul style="list-style-type: none"> • Engage with the Department of Finance and the UK-wide dormant assets scheme to explore how local credit union interests can be met. 	Policy development
Criminal Records Disclosure	<ul style="list-style-type: none"> • The Credit Union Advisory Group will identify if improvement to criminal records disclosure for Credit Unions is necessary. 	Policy Development
Updating Article 32 – Holding of Land	<ul style="list-style-type: none"> • Insert provisions so that credit unions are permitted to hold land where the entirety of the property may not be used exclusively for credit union business (for example the credit union may lease/rent part of the building which is not needed for credit union business). 	Primary Legislation

Topic 2: Modernising Legislation and Expanding Financial Services		
Updating Article 55 – Access to Member Registers	<ul style="list-style-type: none"> • Insert provisions to exclude members accessing the names and addresses of other members/officers within a credit union register or duplicate register. • Insert provisions to clarify what information can be accessed, by whom, and in what circumstances – protecting both transparency and individual privacy. 	Primary legislation
Supporting Electronic Communication and Modernising Meetings	<ul style="list-style-type: none"> • Insert statutory provision which would expressly allow a credit union to communicate with members (e.g. AGM notice) by electronic means. 	Primary legislation
Simplifying Transfers of Engagements Between Credit Unions	<ul style="list-style-type: none"> • Insert provision so that the transferring credit union's common bond is automatically included in the receiving credit union's bond. 	Primary legislation/ Regulatory and policy development
Increasing the Age Limit for Minor Accounts	<ul style="list-style-type: none"> • Increase the age of minor accounts from 16 to 18. 	Primary legislation

Topic 3: Embracing Digital Innovation and Competitiveness		
Digital Banking Services	<ul style="list-style-type: none"> • Consider what support is required so that credit unions can provide new digital platforms and services such as online banking, mobile apps, and instant payments (like Revolut, PayPal). 	Policy development
Payroll Deduction Scheme	<ul style="list-style-type: none"> • Consider what is required to enable expansion of payroll deduction schemes for employers for credit union members. 	Policy development

Topic 4: Ensuring Sustainability, Values, and Member Trust		
Sustainability and Green Finance Initiatives	<ul style="list-style-type: none"> Consider what support is required so that credit unions can provide and partner in government initiatives such as green finance, community energy projects, and other socially valuable initiatives. 	Policy development
Transparency, Accountability, and Governance during Credit Union Modernisation	<ul style="list-style-type: none"> Consider how the Department can support and protect a credit union's core principles, mutual ownership, democratic governance, and commitment to local communities during the legislative process. 	Policy development
Government Backed Support Services	<ul style="list-style-type: none"> Consider what support is needed to enable credit unions to set up dedicated support services such as financial planning. Insert provisions that would allow credit unions to lend directly to certain classes of public bodies. Engage with the PRA to amend their credit union rulebook so that credit unions are able to lend directly to certain classes of public bodies. 	Policy development/ Primary legislation