

# Stirling Credit Union Ltd

## Annual General Meeting: Year to 30<sup>th</sup> September 2023

Online, 6.30pm Monday 15<sup>th</sup> April 2024

(For joining instructions, please contact Member Services [info@stirlingcreditunion.co.uk](mailto:info@stirlingcreditunion.co.uk))

### Agenda

- |   |                 |
|---|-----------------|
| 1. Welcome and Apologies  | S Worgan        |
| 2. Approve minutes of the previous AGM (6 <sup>th</sup> March 2023) and Special General Meeting (19 <sup>th</sup> September 2023) | S Worgan        |
| 3. Chairperson's Report   | S Worgan        |
| 4. Treasurer's Report   | N MacGregor     |
| 5. Auditor's Report   | Alexander Sloan |
| 6. Appointment of Alexander Sloan as Auditors   | N MacGregor     |
| 7. Dividend Payment   | N MacGregor     |
| 8. Supervisor's Report  | S Worgan        |
| 9. Elections  |                 |
| • <i>Election to board: Lyndsay Condie, Jonathan Midgley</i>  |                 |
| 10. Questions and AOCB  | S Worgan        |
| 11. Close Meeting   | S Worgan        |

### Papers:

- Minutes of Annual General Meeting for Year to 30<sup>th</sup> September 2022 (for approval)
- Minutes of Special General Meeting 5<sup>th</sup> September 2023 (for reference)
- Minutes of Special General Meeting 19<sup>th</sup> September 2023 (for approval)
- Annual Report and Financial Statements for the year ended 30<sup>th</sup> September 2023 (for approval)
- Elections: 15<sup>th</sup> April 2024

# Stirling Credit Union Ltd

## Minutes of Annual General Meeting for Year to 30<sup>th</sup> September 2022

6.00pm on Monday 6<sup>th</sup> March 2023

Online meeting, hosted by Jackie Littlewood from ABCUL

### 1. Welcome and Apologies

The Chair, Stephen Worgan, welcomed members to the online Annual General Meeting. Jackie Littlewood of ABCUL briefly outlined the online format for reports, questions and for voting.

Apologies were received from Isabella Lowe, Anne Knox, Sharon Canny, Kathy O'Donnell, Patricia Ward and Allan Stevenson.

### 2. Ascertain a quorum

Jackie Littlewood confirmed the meeting was quorate.

### 3. Approve Minutes of the Annual General Meeting of Stirling Credit Union held on 21<sup>st</sup> February 2022

**The minutes of the previous AGM were approved** with no matters arising.

### 4. Chair Report

*A written report had been circulated to members prior to the AGM.*

The chair shared data published recently by the Bank of England (BoE) that confirmed continuing trends:

- A year-on-year reduction in the number of credit unions in the UK,
- Increasing credit union membership.

The BoE observed continuing consolidation across the sector is being driven by:

- CUs seeking economies of scale – reducing overheads.
- Falling numbers of volunteers.
- CUs failing to “cut through” and gain visibility in their communities.
- Failure to attract “core”, income-generating borrowers (i.e. members borrowing larger amounts for longer periods, generating interest income).
- An increasing regulatory burden.
- Increased scale and complexity – too heavy a burden for volunteer directors

The chair reported that attempts to contact the directors of Cornton CU, prior to its recent closure, had been unsuccessful. However, due to their inability to attract sufficient volunteer directors, the directors of another neighbouring CU had approached Stirling CU to explore a possible merger.

The chair observed this trend could be expected to continue and, ultimately, is likely to be healthy for the sector.

The chair reflected on the wider economic context. A recent report stated, “in October 2022, inflation reached a 41-year high” (“Rising cost of living in the UK”, Research Briefing, House of Commons Library, 20 February, 2023).

The board had responded to the current “Cost of Living Crisis” with a series of measures:

- **Advertised the credit union.** Supported by a grant from Stirling Council, we contracted a Digital Marketing Agency. A 6-month pilot helped us understand the power and limitation of social media advertising.
- **Reduced interest rates on our lending.** Our rates are even more competitive when compared with other sources of borrowing.
- **Introduced a new credit score booster loan.** For members with damaged or “thin” credit files (i.e. little or no credit history), enabling them to build or re-build credit scores through short-term borrowing.
- **Offered an innovative cash-back loan.** A special offer, underwritten by Stirling Council, making our best rates even better.
- **Ensured we were lending responsibly.** In addition to reviewing our lending criteria, we introduced Open Banking, helping us to fulfil our obligation to ensure borrowers can afford proposed loan repayment.
- **Entered into a unique and innovative collaboration with Stirling Citizen’s Advice Bureau and Stirling Council.** We have recruited a Cost of Living Advice Worker, who will be fully trained and supported by CAB, taking advice into our communities, whilst being able to represent, signpost and support people to access the credit union.

Unfortunately, these initiatives failed to attract the levels of borrowing for which we had hoped.

Towards the end of 2022, the board reflected on the performance of the credit union and what had been learned from the initiatives. The board considered their key objectives:

- To achieve a strong and financially sustainable future for Stirling Credit Union
- To ensure the continuation of the provision of competitive products and good service to members, through a community based Credit Union

The board’s reflection led them to conclude a change of strategy is required: that is, from seeking to drive “organic growth” to something else.

This is the subject of a separate agenda item.

The chair thanked staff for their commitment to providing an excellent and empathetic service to our members during a continuing challenging period.

Thanks were offered to the volunteer board – in particular, to those who have recently chosen to join the board, offering their time and expertise – and to the volunteer members of the credit committee.

The chair also thanked our payroll partners for their participation and Stirling Council for their ongoing support.

On behalf of the board, staff and members, the chair expressed particular thanks to Pauline Cunningham, our Office Manager, who retires at the end of March following three years’ excellent service.

The chair advised that Malcolm McNiven would be joining the credit union during March to effect a hand-over from Pauline.

## 5. Treasurer’s Report

*A written report had been circulated to members prior to the AGM, together with the Audited Accounts.*

The Treasurer introduced his written report and the summarised financial statement.

He noted that the year had been challenging for the credit union.

Whereas we ended the previous year with a small surplus, planned lending had not been achieved and, as a result, we ended the financial year with a deficit of £13,907 before distributions. Total assets

amounted to £1,825,052, down 3% on the previous year.

He noted that the credit union has a strong bank and cash balance, meaning we have far more capacity to lend to members! Our challenge is a reducing demand for loans (down 21% from 2020-21) , not our ability to lend.

Total member savings fell during the year by approximately 2%. Interestingly, the average adult saving balances have fallen from £1,227 to £1,155. This reflects the wider economy, where more and more families are using savings to fund household bills.

The Treasurer reiterated the three key objectives he described at the previous AGM: Stability, Growth, and Sustainability. These continue to be the board's focus.

He concluded by thanking Fiona Murphy, our Finance Administrator, for her support.

There were no questions from participants.

#### **6. Auditor's Report**

Alison Devine from the Credit Union's external auditor, Messrs Alexander Sloan, introduced the Auditor's Report and explained that the accounts presented represented a true and fair view, were properly prepared in accordance with UK Generally Accepted Accounting Practice and complied with the Credit Union Act 1979 and the Co-operative and Community Benefit Societies act of 2014.

She stated this was a 'clean' audit with no qualifications.

**The audited accounts were approved.**

#### **7. Appointment of Alexander Sloan as Auditors**

The Treasurer proposed the re-appointment of Messrs Alexander Sloan as auditors for the financial year ending September 2022.

**The re-appointment of Messrs Alexander Sloan as auditors was approved.**

#### **8. Dividend Payment**

The Treasurer explained that unfortunately, based on the deficit at year end, the Board's recommendation was that a dividend could/should not be paid.

**The dividend recommendation was approved.**

#### **9. Supervisor's Report**

*Mr. Allan's report was available in advance of the meeting.*

Mr Allan outlined his role as Supervisor and the work undertaken during the year, including attending Board Meetings.

He outlined the need for an effective board and is pleased to report that the board continues to be well run. Indeed, the depth and breadth of skills available to the board had grown, thanks to efforts made by the board to attract new volunteers and the Rule Book amendment, which had been agreed by last years' AGM and the FCA.

Mr Allan noted that arrears continue to be well-managed. Indeed, the low arrears figures are a testament to the work previously undertaken to develop and implement relevant office procedures.

In his view, the board had undertaken an appropriate level of analysis, conducted a healthy debate and arrived conclusions, guided by the principle to do "what is in the best interests of our members".

Mr Allan had no adverse issues to bring to the attention of members and concluded by stating that, in his opinion, the board conducts itself professionally and the credit union is well run.

#### **10. Proposal: Securing the Future**

The Chair summarised the process and thought-process that led the board to conclude the credit union needs to choose a new strategic direction,

- To achieve a strong and financially sustainable future for Stirling Credit Union.
- To ensure the continuation of the provision of competitive products and good service to members, through a community based Credit Union.

In summary, the key issues include:

- Despite the initiatives described previously, the credit is not generating sufficient income from lending to support its continued development.
- This restricts ability to fund dividends to members.
- There is insufficient capacity to manage SCU with a volunteer Board and small administration team.

Following several weeks' deliberation, the board concluded:

- The current financial performance is not sustainable in the long term.
- To meet the financial criteria needed to achieve required regulatory capital ratios (to maintain financial independence), we need income growth that we've not been able to achieve through organic growth.
- Even additional grant funding will not address the root cause.

Our current strategy, which has been to achieve "organic growth", is not achieving the level of growth needed to see our credit union through the current economic challenges. H

However, a merger could be expected to achieve rapid economies of scale and increased resourcing, creating opportunities to grow Stirling Credit Union in our community.

The chair explained the board asked members:

- To support the board's recommendation to seek a partner for a strategic merger.
- To empower the board to conduct exploratory discussion with potential merger partners.

With members' agreement the Board will:

- Seek a suitable merger partner.
- Act only in members' interests.
- Negotiate, if possible, terms of an arrangement for merger.
- Return to members to seek approval.

**Members unanimously approved the proposal.**

One member commented, "Very supportive of this direction. The board should be commended for their future outlook. Important that Credit Union services continue to be available in the Stirling area and beyond".

## 11. Director Elections

*Details had been made available in advance of the meeting.*

The chair confirmed two members were stepping down from the board: Iain McDonald and Yvonne Dickson. He thanked them for their service to the credit union.

Although three new volunteers had recently joined the board, due to the timing of their joining, only one was to be put to members at this AGM.

**Members unanimously approved the appointment of Stephen Bird to the board.**

## 12. AOCB

No other business

## 13. Close Meeting

There being no other business the Chair concluded the meeting by thanking the members present

for their support and attendance.

*[A full transcript of the online communications during the meeting, names of attendees, and voting results for each proposition were made available by ABCUL following the meeting]*

# Minutes of Special General Meeting

## 5<sup>th</sup> September 2023

*Online meeting, hosted by Jackie Littlewood from ABCUL*

### 14. Welcome and Apologies

Jackie Littlewood of ABCUL briefly outlined the online format for reports, questions and electronic polling.

The Chair, Stephen Worgan, welcomed members, including staff, current and former board members to the online Special General Meeting. The Chair also welcomed invited guests, Jackie Littlewood, ABCUL, who would be hosting the online meeting for the credit union; Frances McCann, Chief Executive Officer, Scotwest Credit Union; and Noel Cunningham, Project Manager.

Apologies were received from Lorraine Marshall, Janice Hill, Kathleen O'Donnell, Emma Browne and Mac Lindsay.

### 15. Approve Minutes of the Annual General Meeting of Stirling Credit Union held on 21<sup>st</sup> February 2022

*The minutes of the AGM of 6<sup>th</sup> March 2023 had been circulated to members prior to the Special General Meeting.*

The Chair noted that there were no matters arising from the minutes.

Because achieving a quorum had been delayed, in the interests of time (to allow as much time as possible for discussion of the Special Resolution), the chair deferred formal approval of the minutes to the next AGM.

### 16. Ascertain a quorum

Jackie Littlewood confirmed the meeting was quorate.

### 17. Chair's Report

*A written report had been circulated to members prior to the AGM.*

The Chair explained the background to the Special Resolution, which the meeting had been convened to put to members.

#### **At our AGM in March, we reminded you of the board's key priorities.**

- To achieve a strong and financially sustainable future for Stirling Credit Union
- To ensure the continuation of the provision of competitive products and good service to members, through a community-based Credit Union

#### **We talked about actions we'd taken in the face of an increasingly challenging economic environment.**

The board progressed a range of actions to stimulate growth, but in the face of an increasingly challenging economic environment:

- Reduced interest rates on our lending
- Introduced a new credit score booster loan
- Offered an innovative cash-back loan
- Ensured we were lending responsibly (e.g. introduced new technology, including Open Banking)
- Advertised the credit union (e.g. a 6-month digital / social media marketing pilot, funded by Stirling Council)

- Reduced costs
- Entered into a unique and innovative collaboration with Stirling Citizen's Advice Bureau

**However, we explained it was becoming increasingly difficult to deliver our objectives.**

- SCU is not generating sufficient income from lending to support its continued development
- This restricts ability to fund dividends to members
- There is insufficient capacity to manage SCU with a volunteer Board and small administration team
- The burden of regulation continues to increase

**The Board considered the alternatives.**

A sub-team, led by our Treasurer, developed multi-year forecasts, based on a selection of business scenarios. We concluded;

- The current financial performance is not sustainable.
- To meet the financial criteria needed to achieve required regulatory capital ratios (to maintain financial independence), we need income growth that we've not been able to achieve through organic growth.
- Even additional grant funding will not address the root cause.
- However, a merger could be expected to achieve rapid economies of scale and increased resources, creating opportunities to grow Stirling Credit Union in our community.

**Having considered options, the board concluded a strategic merger the most attractive way forward.**

- Potentially wider range of products and services
- Opportunity for more competitive rates on products
- Economies of scale, releasing income to pay dividends to members
- Access to a larger staff team, including specialist skills and experience

**We said a strategic merger would need to satisfy two key objectives.**

- **To ensure the sustainability of the credit union**
  - Long-term financial stability and reserves
  - Succession (Board and staff)
  - Economies of scale
  - Extend the reach and membership of the CU
- **To improve service offering for our members**
  - Diversity and scale of products
  - Ability to return a dividend to members
  - Customer service

**At the last AGM, members;**

- Confirmed support for the board's recommendation to seek a partner for a strategic merger.
- Empowered the board to conduct exploratory discussion with potential merger partners.

**The Board surveyed the region for potential merger partners.**

- Some neighbouring credit unions are struggling - a merger would put Stirling Credit Union at risk.
- Some credit unions were too small – a merger would place increased demands on our board and staff, but wouldn't address the key issues.
- Some credit unions are unsuitable partners due to the definition of their common bonds (e.g. employer-centric, or specific to a city).
- Some did not respond to our approach!

**Scotwest Credit Union emerged as a potentially suitable merger partner.**

- Strong reputation and active in the community
- Strong and capable board and team, including an experienced CEO and over 40 staff.
- Financially strong and secure: in excess of £100m assets



- Large membership: 35,600 active adult members (just 103 in SCU's common bond). At the end of September 2022, SCU had a total of 1,567 active adult members, including those with defaulted loans.
- Partners with local employers (over 100 payroll savings partners to SCU's 6)
- Common bond largely overlaps much of SCU's
- Recent commitment to use their scale to support credit unions across Scotland.
- Growing, financially strong, able to pay dividends to members.

**Against merger criteria previously agreed by our board, Scotwest look like a good fit.**

- Maintain our ethos and values.
- Offer comparable or improved loan products and services
- Maintain a local presence
- Retain People (staff)
- Migrate to a strategic IT platform
- Retain the current board
- Maintain our brand, Stirling Credit Union

**We have been working with Scotwest, following a structured plan.**

**Next steps.**

1. **This evening:** SCU **APPROVES** a Special Resolution to Transfer Undertakings to Scotwest (this step is an FCA requirement).
2. **6pm Tuesday 19th September:** SCU **RATIFIES** a Special Resolution to Transfer Undertakings to Scotwest (this step is an FCA requirement).
3. Scotwest and SCU complete the planning, capturing any items agreed in a Merger Design Agreement.
4. **Early 2024 (date tbc):** Transfer of Undertakings to be completed **early 2024** (date tbc).

## 18. Special Resolution

*The text of the Special Resolution had been circulated to members prior to the SGM, in the meeting papers.*

The Chair Introduced and read the Special Resolution.

**This meeting of members of the Stirling Credit Union Limited hereby resolve to transfer the whole of the stock, property, and other assets and all engagements of the credit union to the Scotwest Credit Union Limited in consideration of the Scotwest Credit Union Limited issuing to each member of the Stirling Credit Union Limited paid up shares equal to the amount standing to the credit of each member in the share ledgers of the Stirling Credit Union Limited on the date when the transfer of engagements becomes effective.**

**The chair invited questions and comments.**

There was a very constructive and engaging discussion on the Special Resolution. Members asked:

- **Had the Board of Directors considered collaboration with Scotwest Credit Union (Scotwest as a shared services provider to SCU) instead of a merger?**

Frances explained that Scotwest Credit Union have a shared services agreement with Capital Credit Union and Glasgow Credit Union. She further explained that although a project to offer services to smaller credit unions in Scotland had been initiated, these services were unlikely to be available for at least another year.

Stephen added that, even had such an arrangement been an option, it would be unlikely to address SCU's key challenges: our difficulty generating increased interest income (which is required to deliver financial independence in the medium to long term), and our stretched capacity: we cannot continue to rely on the goodwill of volunteers to drive forward demanding and critical operational functions, such as online marketing, IT strategy and development, compliance, and so on.

- **Do the Board of Directors expect improved dividends from the merger?**

Frances explained that Scotwest Credit Union allocate dividends on a quarterly basis, based on the performance of the credit union and the prevailing economic financial situation. As with all credit unions, dividends are dependent on financial performance and cannot be guaranteed. However, she explained Scotwest is committed to paying dividends to members.

#### **19. Voting**

The special resolution was agreed unanimously by electronic poll.

It was noted that a second general meeting of the members of Stirling Credit Union will be required between 14 and 28 days of today's date to confirm the passing of the special resolution.

**Therefore, a follow SGM to ratify the approval would be held on Tuesday, 19<sup>th</sup> September 2023.**

#### **20. Close Meeting**

There being no other business the Chair concluded the meeting by thanking the members present for their support and attendance.

# Minutes of Special General Meeting

## 19<sup>th</sup> September 2023

*Online meeting, hosted by Jackie Littlewood from ABCUL*

### **21. Welcome and Apologies**

The Chair, Stephen Worgan, welcomed staff, directors, former members to the online Special General Meeting. In particular, the Chair welcomed the founder members, past board members, volunteers and invited guests, Jackie Littlewood, ABCUL, Frances Mc Cann, Chief Executive Officer, Scotwest Credit Union and Noel Cunningham, Project Manager.

Jackie Littlewood of ABCUL briefly outlined the online format for reports, questions and electronic polling.

Apologies were received from Lorraine Marshall, Janice Hill, Katherine O Donnell, Emma Brown and Mack Lindsay.

Jackie Littlewood (ABCUL) confirmed the meeting was quorate.

The Chair noted that the SGM is a single item agenda to confirm the Special Resolution in relation to the Transfer of Engagements to Scotwest Credit Union.

### **22. Objective of meeting**

The meeting had been called to ratify of the Special Resolution passed at the Special General Meeting of 5th September 2023. The special resolution was for Stirling Credit Union to begin the process of strategic merger with Scotwest Credit Union.

### **23. Approve Minutes of the Special General Meeting held on 5th September 2023**

The Chair noted that the minutes of the Special General Meeting held on 5th September 2023 were available on the ABCUL website and were approved by electronic poll.

There were no matters arising from the minutes.

### **24. Special Resolution**

The meeting has been called to meet the requirements of strategic merger rules as per ABCUL guidance, which are, that any special resolution decisions require ratification within four weeks but no earlier than two weeks. The Chair asked attendees if further clarification is required with regard to the merger.

*This meeting of members of the Stirling Credit Union hereby resolve to transfer the whole of the stock, property, and other assets and all engagements of the credit union to the Scotwest Credit Union in consideration of the Scotwest Credit Union issuing to each member of the Stirling Credit Union paid up shares equal to the amount standing to the credit of each member in the share ledgers of the Stirling Credit Union on the date when the transfer of engagements becomes effective.*

### **25. Voting**

The special resolution was agreed unanimously by electronic poll.

### **26. Close Meeting**

There being no other business the Chair concluded the meeting by thanking the members present

for their support and attendance.

# Elections: 15<sup>th</sup> April 2024

## Introduction

All director appointments follow a documented process that includes interviews with board members and obtaining employment or character references. Appointment of directors is subject to approval from the Financial Conduct Authority and subject to a basic Police Scotland criminal record check.

Our rules requires that

1. Directors appointed during the period since the last AGM must be voted to the board at the first AGM following appointment.
2. Directors must stand for re-election every third year of tenure.

## Directors Standing Down

### **Allan Stevenson.**

Allan joined the board in March 2020, bringing extensive experience of IT and financial services.

Unfortunately, his work commitments changed post pandemic with the result that he found himself travelling abroad with work. As a result, because he felt unable to contribute as he would have liked, in December 2023 he stepped down from the board.

## Director Election Nomination

### **Lyndsay Condie.**

Lyndsay joined the board of Stirling Credit Union in March 2023.

She is the current Director of Operations at Forth Valley College - taking up her role in September 2021 and is part of the College's Leadership Management Team. She has responsibility for delivering the College's Communications and Marketing Strategy, improving the student journey to meet Outcome Agreement targets and driving forward cross-college transformational change projects.

Previously, Lyndsay was the Head of Communications and Marketing from 2015 and Communications and Marketing Manager from January 2005. Prior to joining Forth Valley College, she worked at Glenrothes College as a Marketing Officer. Her qualifications include a BA (Hons) Marketing Management, CIM Postgraduate Diploma in Strategic Marketing Management and a CMI Certificate in Strategic Management and Leadership.

Outside of the College, Lyndsay was a former trustee of the Board for FRSAC (Fife Rape and Sexual Assault Centre). She is also a Member of the College Development Network Steering Group – Marketing and Communications, and a steering group member of the Choose College National Group.

In her spare time, Lyndsay enjoys live music, spending time with friends and family and keeping fit.

Lyndsay has been an asset to the board, bringing extremely relevant expertise and experience.

**Jonathan Midgley.**

Based in Edinburgh, Jonathan is a Senior Managing Consultant with Mastercard Advisors, the consultancy arm of Mastercard.

Jonathan is Global Head of the Credit Risk Practice that includes 20 Credit Risk subject matter experts within the Mastercard Advisors Consultancy Service Team. Advising major financial services providers and banks across the globe, he specialises in the optimisation of credit risk strategies to maximise lending. This includes offering recommendations relating to product design (e.g. interest rates), processing and account management.

Jonathan has been an active member of the board, offering valuable insight based on his highly relevant expertise in financial services, credit risk and fraud.