



Looking forward to the Future – Policy Position

Credit Unions serving members and their communities

General Election Manifesto

November 2024



Table of Contents

➤ Executive Summary	3
➤ Introduction	4
➤ A Solid Foundation: Building on the Credit Union (Amendment) Act 2023	5
➤ Realising Full Potential and Purpose of Credit Union (Amendment) Act 2023	6
➤ Establishment of a Statutory-Based Credit Union Council	7
➤ Education in Deposit Interest Retention Tax (DIRT)	8
➤ Conclusion	9



1. Executive Summary

Credit unions in Ireland, with 3.6 million members across 187 institutions, as social financial enterprises are vital to community financial wellbeing. Built on the "Members First" principle, credit unions prioritise member benefits over profit. The Credit Union Development Association (CUDA) supports 50 of Ireland's leading credit unions, advocating for policies that enhance their role in financial, social, and environmental welfare. This paper presents CUDA's vision for the sector, urging government support for initiatives that strengthen credit unions' ability to serve their members and communities.

The Credit Union (Amendment) Act, 2023 has provided essential reforms, allowing credit unions to better serve individuals, SMEs, and communities. CUDA calls for the new administration to fully implement the Act, particularly Phases 4 and 5, which will facilitate expanded credit union cooperation, building on the measures already commenced like loan referrals. The establishment of a Corporate Credit Union (CCU), a credit union for credit unions, to manage liquidity more effectively, allowing access to funding mechanisms such as repurchase agreements utilising Irish government bonds. CUDA urges the Government to enable this infrastructure to ensure long-term sector viability.

CUDA recommends forming a Credit Union Council appointed by the Minister for Finance, comprising representatives from key state agencies, credit union bodies, and regulators. This council would serve as a central platform for collaboration, ensuring that credit unions can meet both domestic and EU regulatory standards while preserving their community-focused mission.

To promote financial resilience for people, CUDA proposes abolishing the Deposit Interest Retention Tax (DIRT) on credit union savings below €10,000. This would encourage low- and middle-income members to save, align with government goals on financial responsibility, and reduce reliance on debt.

CUDA urges the Government to support these initiatives to enable credit unions to thrive as community pillars in Ireland's financial landscape. With legislative backing, strategic partnerships, and a focus on sustainable finance, credit unions can continue to address societal challenges while promoting financial inclusion across Ireland.

2. Introduction

In Ireland, there are 187 credit unions with 3.6 million members. At end June 2024, the credit union sector had a total of €6.9bn in loans to members, and €17.9bn held in members savings. Credit unions are founded on the 'Members First' principle, where benefits flow directly to Members and their communities, not investors.

The Credit Union Development Association (CUDA) is a forward-looking development association supporting progressive credit unions with a strong voice, leadership and value-creating solutions. Incorporated in 2003, CUDA has a 21-year track record of success in representation, training, digital and lending solutions.

CUDA is credit union owned and proud to serve 50 of Ireland's most progressive credit unions with a strong voice, leadership and value-creating solutions, which enhance strategic and operational capabilities.

CUDA delivers using collaborative, not-for-profit shared services, which create economies of scope, scale and replicate best practice. Being member owned, benefits flow directly to credit unions and their members, not to commercial interests or shareholders.

CUDA's core mission is to support member credit unions in 'Improving the financial, social and environmental well-being of credit union members and their communities'. CUDA member credit unions in turn serve over one million members. Our General Election proposals will benefit all 3.6M members of Credit unions in Ireland.

As Ireland continues to face significant societal challenges, including in areas such as financial inclusion, sustainable growth, and regional economic development, credit unions are now, more than ever, uniquely positioned to address these needs. Building on our core values of community service and ethical finance, we have set out a vision. Our vision is outlined in this manifesto, which includes a number of practical initiatives, for consideration by the next administration.

3. A Solid Foundation: Building on the Credit Union (Amendment) Act 2023

The Credit Union (Amendment) Act, 2023 was signed into law in December 2023. It marks the culmination of a long process of engagement between the sector and the Government, with the support of both Houses of the Oireachtas Éireann. From the perspective of the sector it provides the legislative underpinning for the cooperation and evolution of credit unions in a way which best serves our members and their communities.

The Impact of the elements of the legislation that have been enacted (Phases 1, 2 and 3) has been of immediate benefit to members, SME's and their communities, and include :

Phases 1 and 2:

- Easier membership processes.
- Expanded membership eligibility for SMEs within the credit union's locality.
- Increased nomination amount (€27,000) and Small Death Payment amount (€18,000).
- Reduced operational burden on volunteer directors, moving some functions to Management and allowing the Board to focus on governance and the future direction of their credit unions.
- Simplified loan access for members, including immediate online loan options for eligible members (in line with other financial institutions).
- Affordable short-term loans with maximum of 2% monthly interest rate, offering a competitive alternative to other lenders.
- Cost and environmental savings through online delivery of annual accounts and AGM booklets through their websites.

Phase 3:

In order to foster greater cooperation and growth, work has commenced on the opportunities presented by the recently commenced Phase 3 of the Credit Union (Amendment) Act, such as loan referral, syndication, and participation. The implementation of these measures will further promote cooperation among credit unions and which will serve to maintain and consolidate the sustainability of their business model and their physical presence in both urban and rural communities throughout Ireland.

The implementation of this is critical to the continuation of the vast footprint of credit unions around Ireland. It enables a partnership model between credit unions, that facilitates different business models while ensuring that our vision of all people, small businesses and communities throughout Ireland can have access to all credit union services.

Call for Action:

To complete the achievement of this vision it is essential that the final phases 4 and 5 are commenced in 2025 by the new administration.

4. Realising Full Potential and Purpose of Credit Union (Amendment) Act 2023

CUDA is seeking a commitment to ensure the early commencement of Phases 4 and 5 of the Act within the first year of the new administration. Implementation of Phases 4 and 5 will provide the legislative underpinning for the establishment of a Corporate Credit Union (CCU), as outlined in the Act. A CCU is a “credit union for credit unions”, that will provide centralised services and supports that are not achievable on an individual credit-union basis. One of the significant differences this can bring is the creation of a Centralised Liquidity Mechanism.

Unlike banks or other financial institutions, credit unions cannot use their high quality assets, such as their Government Bonds, Bank deposits and bonds, and EEA State Securities, to access funds at ECB rates. This is because they do not satisfy all of the criteria to access Eurosystem policy operations. To meet this challenge, and to provide a prudent solution, the ability to establish a CCU provides the necessary scale, and appropriate risk level, for credit unions to broaden their funding base. For example, this could be through a Contract for Repurchase (Repo) of their high quality liquid assets such as Irish Government Bonds through a relevant state entity. The structure and regulatory underpinning of a CCU will provide a secure single point of contact for that entity.

We believe that, when fully implemented, this fit-for-purpose Credit Union (Amendment) Act, 2023 will provide the essential legislative and prudential underpinning to ensure the viability of the credit union sector. In turn, this will enable credit unions to continue to play a constructive role in their communities, and to respond to the contemporary needs and challenges of their members. This will include an expanded role for credit unions in three key areas:

- Financial – access to affordable credit; business lending; lifetime financial planning
- Social – social and affordable housing; retirement security; community rewards
- Environmental – energy efficient housing; clean mobility; sustainability

Call for Action:

- CUDA is calling for full implementation of the Credit Union (Amendment) Act, 2023, through the commencement of Phases 4 and 5 within the first 12 months of the new Dail.
- State enablement of a tailored Credit Union Contract for Repurchase (Repo) mechanism. This will create a new source of funds allowing credit unions make effective use of their high quality liquid assets such as Irish Government Bonds and ensure consistent provision of credit to their members.

5. Establishment of a Statutory-Based Credit Union Council

We recommend that the incoming government establish a statutory Credit Union Council to support the future direction of the credit union movement and to continue to review the optimal regulatory structure for credit unions. This structure should reflect their not-for-profit mandate, volunteer-driven ethos, and strong community focus, while ensuring full protection of members' savings and upholding financial stability.

The Credit Union Council would be appointed by the Minister for Finance and chaired independently, with representatives from key state agencies, including relevant Government Departments (such as Finance, Social Welfare, and Enterprise), the Central Bank of Ireland, and credit union bodies such as the Credit Union Development Association (CUDA). This would also build on and consolidate the constructive engagement between the Government and the sector during the drafting and enactment of the Credit Union (Amendment) Act 2023.

This Council would serve as the central platform for collaboration between the government, regulators, and the credit union sector. It would focus on a schedule of reviewing the effectiveness of the regulatory framework that supports credit unions in achieving their full social and economic potential, while ensuring compliance with evolving EU directives and contributing to broader societal goals.

The Credit Union Council would focus on supporting the sector reach a common position and implementation of EU directives such as

- FIDA (Financial Instrument Directive and Accessibility)
- AML (Anti-Money Laundering) Regulations
- PSD3 (Payment Services Directive)

This would help ensure that credit unions remain compliant while protecting their community-focused ethos.

Call for Action:

CUDA is calling for the establishment of a statutory-based Credit Union Council by the Minister of Finance in the next administration.

6. REDUCTION IN DEPOSIT INTEREST RETENTION TAX (DIRT)

We believe that building financial resilience has never been more important than it is today. Recent market surveys reveal that a significant cohort of society do not have savings to fall back on in the event of unexpected occurrence. Getting into the savings habit is the best thing a person and/or small businesses can do for themselves and their future financial wellbeing. To support and encourage this, CUDA proposes that the next government will reduce the deposit interest retention tax (DIRT) on credit union savings for deposits under €10,000.

This would:

- Encourage rainy day savings for low- and middle-income earners.
- Support thrift and financial resilience for credit union members.
- Align with the government's goals of promoting financial responsibility and reducing reliance on debt for everyday needs.

Call for Action:

CUDA is calling for abolition of DIRT on credit union savings below €10,000.

7. Conclusion

Credit unions are uniquely positioned to address key societal and economic challenges in Ireland today. By building on the recent enactment of the legislation, establishing a Statutory Credit Union Council, creating strategic partnerships, and embracing a progressive role in areas such as sustainable finance, digital inclusion, and local economic development, credit unions can make a significant and lasting impact on the lives of their members and the country as a whole. This includes supporting Government to meet the national climate action plan targets.

We ask political parties to support these initiatives and work with us to build a fairer, more inclusive, and sustainable financial infrastructure for all Irish citizens. Together, we can ensure credit unions continue to serve as a cornerstone of Irish communities while adapting to meet the needs of a changing world.



CUDA Contact details

Improving the financial, social and environmental well-being of credit union members and their communities



Person

Kevin Johnson, CEO
kevin.johnson@cuda.ie / 087 2653066



Website

<https://www.cuda.ie/>



Phone

[+353 49 952 6444](tel:+353499526444)



E-mail

info@cuda.ie



Address

Block 5, High Street, Dublin 24, D24 YK8N