

**4. BILL FOR SECOND READING**

**4.1. Credit Unions (Amendment) Bill 2017 –  
Second Reading approved**

Mr Shimmins to move:

*That the Credit Unions (Amendment) Bill be read a second time.*

**The Speaker:** Item 4, Bill for Second Reading, Credit Unions (Amendment) Bill 2017 and I call on Mr Shimmins.

5 **Mr Shimmins:** Thank you, Mr Speaker.

The Credit Unions (Amendment) Bill 2017 updates the Credit Unions Act 1993, and allocates responsibility for credit unions' regulatory matters to the Isle of Man Financial Services Authority, which I shall refer to as the FSA. The Bill is one Part, comprising 41 clauses. In summary it has four goals which together seek to ensure adequate protection for consumers.

10 Firstly, the Bill adds to the Credit Unions Act, which I shall refer to as 'The Act', all the constitutional matters relating to credit unions from the Industrial and Building Societies Act 1892. This means that the amended Act will address credit unions and corporation matters in a similar way as company law does for companies.

15 Secondly, the Bill removes all regulatory matters from the Act and provides for these to be addressed in and under the Financial Services Act 2008. Changes to secondary legislation under the Financial Services Act which would be introduced subsequently and be subject to consultation would make credit unions licence-holders of the Financial Services Authority.

20 Thirdly, the Bill enables, but does not mandate, a Credit Union Savings Compensation Scheme to be established by Treasury under the Financial Services Act. Such a scheme would be the subject of separate secondary legislation.

25 Finally, the Bill updates the remaining sections of the Act so that it will provide constitutional and governance legislation for credit unions that is both effective and modern. Bringing credit unions into the FSA's existing regulatory framework will approve the FSA's enforcement and regulatory powers over credit unions to a level consistent with those it has for other regulated activities. The detailed framework would be implemented by secondary legislation which will be subject to public consultation and brought into effect upon the Bill's enactment.

30 The Island's first credit union was authorised in 2016. Although the costs of amending legislation may be considered disproportionate for a sole credit union, the FSA believes the Bill is essential in order to adequately protect the members of that credit union, any future credit unions and the Island's reputation. Transitional arrangements to address existing the credit union will be discussed with that entity. The FSA believes that consumers will not be disadvantaged by the proposed changes to the Act and will indeed be better protected. Negligible income to the Island is anticipated from credit unions but there are expected to be social benefits for the public and for Government. In the medium term these benefits could outweigh the costs of the legislation.

35 Apart from regulatory matters key aspects of the Bill are: (a) to protect children and corporate bodies to save with, but not borrow from, a credit union, as at present adult individuals may both save with and borrow from a credit union within specified limits; (b) to permit a credit union to issue deferred shares in addition to ordinary shares, subject to certain constraints; and (c) to enable the Treasury to establish a dedicated savings compensation scheme should it determine to do so.

The Bill makes no changes to the limits for savings or loans but it provides the FSA with the ability to amend these limits by order with Tynwald's approval. New powers provide credit unions with the ability to appeal against relative decisions of the FSA and of the Department of

45 Economic Development – the Department of Enterprise, as it should now be known – which  
body also has significant powers in the Act.

In 2015 the FSA carried out a pre-drafting consultation on its policy proposals which indicated  
overwhelming support for credit unions in the Island. The draft Bill was also the subject of a full  
public consultation earlier this year and the few comments that were received have been  
50 considered and some changes were made as appropriate.

The Bill also makes a minor consequential amendment to the Company and Business Names  
Etc Act 2012 in respect of names of credit unions.

There is no indication that the Bill will place any additional administrative or financial burden  
on Government or industry, indeed it is expected that the Bill will reduce the administrative  
55 burden on both the FSA and on any credit unions.

Mr Speaker, I beg to move that the Credit Unions (Amendment) Bill 2017 be now read the  
second time.

**The Speaker:** I call on the Hon. Member for Douglas North, Mr Peake.  
60

**Mr Peake:** Mr Speaker, I beg to second this Bill for a Second Reading.

**The Speaker:** I call on the Hon. Member for Glenfaba and Peel, Mr Harmer.

**Mr Harmer:** Thank you, Mr Speaker.  
65

I am delighted to rise in support the Second Reading today of the Credit Union (Amendment)  
Bill. I wish to thank the Treasury and FSA in bringing forward this Bill following the motion in  
February 2015.

I was delighted to see the opening of the first credit union on the Island by Colette Jacob who  
70 pioneered credit unions and to that end we do still have 1993 Act. I wish to thank all those who  
are currently working in delivering the credit union which is being headed by David Talbot.  
Unfortunately as the previous speaker mentioned, the current legislation has not kept up with  
changes in the banking system and puts significant burdens on the credit unions such as having  
to have reserves to cover both deposits and loans, and for the Financial Services Authority there  
75 are insufficient powers to oversee the work of a credit union.

Critically, the new Bill gives powers to amend crucial areas for the credit union, such as the  
maximum saving figures for savings, through secondary legislation without the need for further  
primary legislation. In short, although many have benefited from the growth of our economy  
there are those who are vulnerable with lower incomes who have struggled with the growing  
80 cost of living, or need emergency assistance. There are also those that have no access to the  
banking system. For these people, the only access to finance is through doorstep and payday  
lending.

There are many other benefits to a credit union who can provide small firm and self-  
employment support, community regeneration, financial inclusion and education and schools.  
85 The Manx Credit Union has considerable and growing support. I am delighted with this Bill as it  
further underlines this House's and this Government's commitment to a caring society for all.

Thank you.

**The Speaker:** I call on the Hon. Member for Douglas South, Mr Malarkey.  
90

**Mr Malarkey:** Thank you, Mr Speaker.

I rise to totally welcome this Bill and the admiration for Mr Talbot for pushing this forward  
over the last few years. (**A Member:** Hear, hear.) It has not been an easy voyage or journey for  
him ... Members who were in the last House; this has been several years in the making to get to  
95 this stage and I am really delighted the stand up today and support this full heartedly, and thank

Mr Talbot for what he has done and the efforts he has done to bring this forward to the House (**A Member:** Hear, hear.) and we have got to this stage, Mr Speaker.

**A Member:** Hear, hear.

100

**The Speaker:** Mr Shimmins to respond to the debate.

105

**Mr Shimmins:** Thank you, Mr Speaker, and I am grateful for both of the Members for their support. The Member for Douglas South highlighted the considerable work that has been undertaken by many people to get us to this stage and it was good to receive his wholehearted support. The Member for Glenfaba and Peel was also delighted that this Bill was progressing. He recognised that this was an enormous step forward and it would help support the growth of credit unions on this Island and the social benefits that they can provide. He also pointed out that this is primary legislation and the legislation will cover all credit unions, perhaps as well as the one we have at the moment; and it will then be possible with the support, clearly, and due process to be followed, to amend the details of some of the aspects of this Bill and legislation.

110

So I was delighted to receive those warm words of support and, Mr Speaker, I now beg to move.

Thank you.

115

**The Speaker:** Hon. Members, the question is that the Credit Unions (Amendment) Bill 2017 be read for second time. Those in favour, please say aye; against, no. The ayes have it. The ayes have it.