

## Order of the Day

### 1. Credit Unions (Amendment) Bill 2017 – Third Reading approved

Mr Henderson to move:

*That the Credit Unions (Amendment) Bill 2017 be read a third time and do pass.*

**The President:** Hon. Members, we open our business at Item 1, with the Credit Unions (Amendment) Bill and I call upon the Hon. Member of Council, Mr Henderson to move the Third Reading.

5 **Mr Henderson:** Gura mie eu, Eaghtyrane.

As described in the clauses reading, 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 Financial Services Authority'.

10 In moving the Third Reading I would like to thank Hon. Members for their support in taking the legislation thus far. I also thank Members for the questions raised at the clauses stage and I will respond to those shortly.

The Bill has four main purposes which together seek to ensure adequate protection for consumers. These are: firstly, to add to the Credit Unions Act 1993, 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 will enable the amended Act to address credit unions' incorporation matters in a similar way as company law does for companies.

15 Secondly, to transfer all regulatory matters from the Act to the Financial Services Act 2008 and secondary legislation under the Financial Services Act. Subject to consultation on the changes to secondary legislation, credit unions would become 'licence holders' of the FSA.

20 Thirdly, to enable the Treasury to establish a credit unions' savings compensation scheme under the Financial Services Act, if required. Such a scheme would be the subject of separate secondary legislation.

25 Finally, to update the remaining sections of the Act so that it provides constitutional and governance legislation for credit unions that is both effective and modern.

The FSA already has a framework for regulating 'regulated activities' and it plans to bring credit unions into this existing framework following the Bill's enactment. The framework is largely prescribed in secondary legislation and is subject to public consultation. Transitional arrangements to address the existing Credit Union will be discussed with that entity before implementation. Likewise, any future plans to introduce a statutory savings compensation scheme, which would replace the Manx Credit Union Limited's current savings protection arrangement, would be fully consulted on before implementation.

30 Eaghtyrane, when considering clause 20 of this Bill, the Hon. Member, Mr Anderson asked about credit unions' general reserves. I confirm that the FSA will determine the appropriate level of reserves when the secondary legislation is drafted, which will be after the Bill has completed its passage through the Branches. The level set may reflect that in the UK which specifies capital as a percentage of total assets. However, the FSA will work with the existing Credit Union to ensure that any requirements are reasonable in the circumstances.

35 Also, Eaghtyrane, the Hon. Member, Mrs Poole-Wilson queried the wording in clause 33 of the Bill and whether it was correct or not, or flowed grammatically. I am pleased to advise that Mrs Poole-Wilson has confirmed she is content with the existing wording of that clause

following consultation with our legislative officer, Mrs Woolard. Mrs Poole-Wilson was able to see the Keeling Schedule that sits behind the construction of this Bill which shows how the amendment wording implants itself into the 1993 Act and clearly shows a comma in the right place, and then the sentence in the affected clause flows correctly, as it should. And I think we are on board with that.

Eaghtyrane, this Bill gives a clearer and more flexible regulatory regime for credit unions and is expected to bring benefits for credit unions, their members, for Government and society in general.

Gura mie eu, Eaghtyrane, I beg to move.

**The President:** Mr Coleman.

**Mr Coleman:** Thank you, Mr President. I beg to second.

**Mr Anderson:** Thank you, Mr President, and I would like just to put on record my thanks to the officer, Mrs Woolard, who has sent me a helpful email regarding the query I raised, and this has been explained as well by the mover. So I am happy with the explanation in relation to required reserves of any credit union.

However, I did ask at an earlier reading of this Bill were the Manx Credit Union happy with the Bill and the mover at that time indicated that they were. However, I have received an email since that reading, from the Manx Credit Union stating that in fact they are not happy about the limited interest rate that is being applied. I will read it for completeness:

Thanks for asking the question of Bill Henderson as to whether MCU were happy with the changes to the Credit Union legislation.

His answer was ill informed as the true position was explained in the email sent out by our company secretary, just to politicians ... outlining our concerns as to what was being proposed.

The Bill is basically bringing credit unions under the control of FSA but does little to address the commercial considerations which had been discussed endlessly with FSA ...

We can live with the fact for the time being that the limits on savings and loans are one third of what they are in the UK but would have liked the simple alteration to the interest rate that we can charge on loans which has not been altered from the 1% rate (this is applied monthly on the reducing loan balance) which is again one third of what the limit is in the UK.

I went in to all this at the meeting you were present at when I addressed Tynwald members. It is not that we immediately want to triple the cost of our loan rates, which would be suicide on the business front, but it would have given us flexibility in the development of our loan products going forward. There are two sides to this equation — if we have exceptionally low interest rates on loans there is a corresponding reduction on the dividend we can pay to savers. We have to be fair and competitive in the market place.

What the Bill does do is to give powers to the FSA to bring forward an 'order' rather than it being subject to primary legislation if we can present a good case for the change. We thought we had done this during the previous three and a half years of discussions/consultations which resulted in the FSA sweeping aside any maximum on interest rates in previous drafts of the Bill only to be reintroduced at the last minute ...

So I think it is fair to say they are far from happy in relation to this. I realise that this interest rate can be changed by bringing forward an order but I just wanted it, Mr President, to be put on record that they were not completely happy with the legislation as it is framed. However, I believe it is a step forward, this legislation, and for that reason I will be supporting the Third Reading.

**The President:** Mr Henderson.

**Mr Henderson:** Gura mie eu, Eaghtyrane.

I thank the Hon. Member for his interest in this matter. I can advise the Hon. Council that the Credit Unions (Amendment) Bill has been brought forward as a result of the incorporation of the Manx Credit Union, and has been brought forward as a helpful measure because we can see the deficiencies and discrepancies as I have been describing all the way through the First and Second

clauses stages of this legislation in relation to regulatory issues, and the fact of referencing the incorporation of a credit union by way of having to utilise a Victorian out-of-date Act.

80 So the Bill was progressed in good spirit and in all good faith in full consultation with MCU – many meetings. I think it is fair to say that in general terms the MCU were happy with the overview of the Bill and what it is striving to achieve here, inasmuch as that we have modern day legislation to cope with the regulation and incorporation matters of a credit union.

85 I must stress to Hon. Members that this is the Credit Unions (Amendment) Bill, so it is not just for MCU, which I have the highest regard for, but it is also for any future credit unions that may wish to incorporate here in the Isle of Man. So thereby I would urge caution to the points raised by the Hon. Member – which in fact has been raised at consultation level by our staff to MCU as well – that we need to be careful how we progress our legislation; and it may be wise to leave the rates and percentages as they are for the time being and see how the legislation beds in going forward, how MCU progresses itself and indeed if any other credit unions become active as well.

90 I think we are erring on the side of caution here, Eaghtyrane, which I would say was a sensible course of action for the time being: get the legislation through, get it enacted and get the foundations laid for moving forward is how I would answer those points to the Hon. Member. He is correct, the FSA will have the regulatory power via secondary legislation to bring orders forward in the future so that rates can be adjusted. But that is the point, Eaghtyrane and Hon. Members, that the rates *can* be adjusted going forward in the future and with consultation with MCU and/or any others that may become apparent as we go forward.

95 So that is the basic reasoning behind Treasury's logic in this matter. This has been discussed – and Mr Anderson is quite right – at length with the Manx Credit Union, but we feel moving forward at a sensible pace with this is the way to do things, and to get the legislation enacted in the first place so we have the general rate regulatory framework, we have the incorporation matters extracted from a Victorian Act and implanted into a modern-day framework that is far more workable and less confusing. Then if there are issues flowing on from that as we go forward, as I say, the FSA and Treasury are open to consultation and dialogue, and certainly there is the power there to alter things if needs be. So there is flexibility built into this, Eaghtyrane.

100 In answering Mr Anderson's commentary, I would then just like to sum up for the end of the Third Reading. I would like to thank Hon. Members for their support and I would like to thank them for their questions because it has been an interesting route and an interesting situation to examine; or I have certainly found it so. I would also like to thank my seconder, Mr Coleman, and for his interest in this as I know it is a matter close to his heart, for the people it is intended to help. I would also like to register my thanks to the legislative officer involved with this Bill, Mrs Susan Woolard for her invaluable help and assistance and my persistent questioning of various aspects of this Bill during the carriage of this Bill through the House of Keys and this hon. place.

105 Also to Mr Duane Allen, legislative drafter with responsibility for this Bill. Eaghtyrane, I would just like to beg the patience of Council for a moment. It would be totally remiss of me not to mention the main reason for being at this legislative juncture with the Credit Unions Bill, not just because we have for the first time in the Island's history an incorporated credit union – which is a great tribute to the volunteer founders – but the Bill we are amending to allow for this achievement is down to the hard work and foresight of former Tynwald Member, Lieutenant Colonel Dr Edgar Mann, who in 1993 placed a Private Member's Bill to the House of Keys, which went on to become the Credit Unions Act 1993.

120 Edgar was a Tynwald stalwart commanding great respect with his colleagues and community alike. It was his social conscience and single-minded determination that drove his Bill forward, recognising a time when the Island was not in such a fortunate position and unemployment was far higher than today. He appreciated, for all the same reasons we have articulated for the amendments to this Act some 25 years later, the same social benefits and rationales for having a credit union and was well aware of the plight of the less well-off in our community. I am sure

130 without doubt that Edgar, my friend and mentor, would be justifiably pleased as to where we  
are now.

Eaghtyrane, I beg to move.

**The President:** Thank you, Mr Henderson. I put the motion that the Credit Unions  
135 Amendment Bill be read for a third time. Those in favour, say aye; against, no. The ayes have it.  
The ayes have it.