

Credit Unions – Your Questions Answered

What is a Credit Union?

A Credit Union is a financial co-operative run by its members for the benefit of its members – the members are the shareholders and any surplus at the end of each year goes back to them as a dividend on their savings.

What can a Credit Union do for me?

This depends on your personal circumstances – an easy way to save by having your savings taken directly out of your pay, an easy way to borrow, all members are given the same rate of interest 1% per month (12.7%apr) no matter how much they borrow. For smaller loans this is very competitive and may be much cheaper than not paying off your credit card bill or getting a smaller loan elsewhere. There are no arrangement fees and you only pay interest on any outstanding amount. This means no fees for paying off early, if you owe nothing you pay no interest. There is no-cost insurance for members on both savings and loans (subject to conditions), which adds up to an attractive package.

For those who have had financial difficulties in the past it is a way of building up your own credit rating with your credit union to allow you to take advantage of the Credit Union interest rate.

How safe is my money?

As safe as any bank or building society. All Credit Unions are authorised and regulated by the Financial Services Authority and are part of the Financial Ombudsman Scheme and the Share Protection Scheme. Following the trouble with a certain bank recently, the share compensation scheme has come into national prominence and so most people now know the level of compensation. The Government has recently pledged to increase the level of compensation and now gives 100% compensation for deposits up to £50,000.

How can I become a member?

See <http://www.warwickshire.gov.uk/creditunions> for details of local Credit Unions and joining details for the New Central Credit Union.