

Liquidity Requirements

There are already in place very restrictive regulations on credit unions given the current low interest rate environment. Putting a further restriction of 10% in cash or investments with maturities of less than eight days will further impinge unnecessarily on a credit unions ability to earn a reasonable income on invested funds. If liquidity suddenly became an issue for credit unions under Section 32 of the Credit Union Act it states “a credit union may require not less than 60 days’ notice from a member of his intention to withdraw a share” therefore the credit union is not required to have funds available within eight days.

Savings

We don’t understand the rationale behind the proposal to limit savings in a credit union to €100,000. Are any other financial institutions similarly restricted? This restriction has the potential to damage confidence in credit unions as members may assume, if the Central Bank is not prepared to allow credit unions to take savings above the government guarantee, then it has no confidence in the security of credit union savings. It will restrict the potential for growth in credit unions. Enfield Credit Union firmly opposes this proposed limit.

Lending

Clarification is needed in relation to House Loans. Under the proposed new regulations will a credit be able to issue loans for home improvements without requiring a first charge?

The requirement to have related party loans approved by the board will have repercussions for credit unions in that it may make it extremely difficult to attract and retain volunteers. In particular sons, daughters, brothers and sisters of officers are independent of the officer and their right to borrow should not be impinged by the fact that they are related to an officer of the credit union.

Enfield Credit Union is of the opinion that many of the proposed requirements will restrict credit unions from providing a full and comprehensive financial service to members. They will restrict growth and undermine confidence in the sector. This is difficult to understand given the outstanding achievement of credit unions against the backdrop of the worst financial crisis in living memory. When compared with the banking collapse costing the state €64 billion the almost insignificant government funding required for credit unions surely demonstrates that credit unions have by and large been extremely prudent. Credit Unions are part and parcel of communities in Ireland and given the demise of many community services particularly in rural Ireland they should be supported to remain a strong and vibrant part of those communities.

The Board of Enfield Credit would like the Central Bank to give due consideration to our submission and those of other stake holders in the credit union movement.

Simon Devereux
Chairman