



Credit unions: transforming Ireland's financial landscape

Chartered Accountant **David Malone**, Chief Executive of the Irish League of Credit Unions, believes that credit unions are uniquely positioned to fill the gaps left by the departure of major banks and cater to the needs of small businesses and individuals, offering a personalised and community-focused approach

Having recently achieved the top ranking in the Ireland RepTrak 2023 study of corporate reputation, credit unions are now poised to provide a real alternative to traditional retail banks for the full range of financial services products.

The credit union sector's strong local presence with over 500 locations across the island of Ireland demonstrates a clear community focus now combined with soon-to-be-enacted new legislation, which will see credit unions unlock their full potential to become the country's primary financial services institution of choice.

David Malone, Chief Executive of the Irish League of Credit Unions (ILCU), an advocacy body for credit unions in Ireland, believes the unique ethos and DNA of credit unions place them in a strong position to fill the void left by the departure of KBC and Ulster Bank, as well as other service gaps.

"There have been significant changes in the financial services sector since the global financial crisis," he says. "Twelve retail banks were operating in Ireland back then. It's down to three now. That has led to a lack of customer choice, particularly in the mortgage and SME lending markets, where competition is highly concentrated between the three pillar banks.

"Along with that, we have seen bank branch closures, decimating Irish towns and even where branches remain, decision-making has migrated from the local branch to the centre."

That centralisation has created problems for customers, says Malone.

"For example, small businesses have a real challenge trying to get loans from banks," he notes. "There is limited interaction with local bank branch managers. Many such loans are turned down. A small business owner can visit their local credit union and sit with staff to explain their business and its needs. Our staff have that vital local knowledge and will understand the specific needs of the business that, in many cases, can help in providing the appropriate loan finance."

Building relationships

Malone joined the ILCU as Head of Finance and Deputy CEO seven years ago, after spending over ten years in audit and assurance with PwC.

"I trained as a Chartered Accountant with PwC after doing my degree in Accounting and Finance and Masters in Accounting at DCU," he says. "I am now a Fellow of the Institute. It's a great qualification, providing a real platform for your career.

"At PwC, I worked with a wide range of clients, from large Irish plcs to SMEs to Irish subsidiaries of multinationals. Going into different businesses and seeing how they are run was fascinating."

Auditing is much more than a numbers game, he explains. "You have to build relationships with audit clients. You are there to add value and recommend improvements to the client's financial processes."

He was drawn to the business world as a student during his summer job. "I worked for five summers in my aunt's business, which was a busy tour operator during the 90s. I learned all about customer service and how the true value of timely and reliable financial information is key to decision-making and strategic direction."

Malone was appointed ILCU CEO in July 2022.

"In conjunction with our board, I had been leading the transformation programme for the organisation prior to that," he says. "The programme aims to deliver on our new purpose to lead, support and sustain the development of credit unions on the island of Ireland.

"Our areas of focus include facilitating collaboration of credit unions, repositioning the credit union brand, and effective advocacy to government and regulators. We also provide a significant suite of professional services to member credit unions in areas such as risk and compliance, legal, human resources and training."

The evolution of credit unions

"Our transformation has brought significant additional expertise into the organisation with a number of new skill sets adding huge value as we deliver our purpose," Malone notes.

Malone is excited by the evolution of credit unions. "Credit unions have a 42 percent share of the personal lending market. They have issued close to half a million loans in the last year. In addition, credit unions in over 200 locations across the country are now providing current accounts that are potentially accessible by over two million credit union members. These can be accessed through an app and support Apple Pay and Google Pay. Credit unions now account for over 10 percent of new current accounts opened."

The new legislation, the Credit Union Amendment Bill, is a game changer, Malone says. It allows for the establishment of Credit Union Service Organisations (CUSOs) by groups of credit unions. These CUSOs enable credit unions to pool resources to invest in back-office infrastructure that will enable more credit unions to provide a wider range of financial services, particularly SME lending and mortgages.

The new legislation also allow credit unions to provide services to members of other credit unions where the credit unions agree and allows credit unions to pool loans and risk between each other.

"Credit unions have significant funds to lend," says Malone. "They are not relying on the wholesale money markets for their funding. Instead, members continue showing confidence and trust in credit unions by depositing their savings.

"A number of credit unions now offer some of the lowest interest rates in the mortgage market. Credit union mortgage lending has increased by 25 percent in the last year. There is circa €11 billion of funds in credit unions that is available to be lent and can be used to fund small businesses, help people buy their homes, and support



David Malone

community organisations. The new legislation will help credit unions significantly increase their footprint in these areas.

“Digitalisation presents great opportunities,” he explains. “Credit unions embrace technology by providing online payments, digital membership and loan applications. However, there is an important difference: credit unions are not digital only; they are digital with the essential human touch. Credit unions are omnichannel, so you can go into a branch or call on the phone and get an answer in real-time.”

There is also the issue of financial exclusion. “People still need access to cash, and with banks closing branches and removing ATMs around the country, credit unions have an important role to play in providing that access.”

Trusted organisations

Malone believes that personal service is the chief reason for credit unions’ top ranking in the Ireland RepTrak 2023 study of corporate reputation.

“We got under the bonnet of that ranking, and we found the key contributors are our human, friendly and authentic service. The study emphasises attributes such as trust and respect, which are core to the ethos of credit unions which are locally owned and managed. We are proud to be at the heart of communities nationwide working towards a more inclusive society, where no one is left behind.”

That contrasts sharply with some of the other lenders in the market. Malone is concerned about the impact of ‘buy now pay later’ (BNPL) and personal contract purchase (PCP) products on borrowers. “People don’t realise they are accumulating significant amounts of small debts with these products,” he says. “When people get a loan from the credit union, it’s very transparent and open. We want a lifetime relationship with members. It’s not short-term. Credit unions have helped members consolidate debts to deal with issues created by those products.”

He explains that credit union loans are very different to other loans.

“For example, credit union loans provide flexibility, including no early repayment penalties. There is also loan protection insurance that effectively repays the loan in the event of a member’s death. This is a unique credit union benefit that you won’t get with the bank.

“I recently learned about a young person in their twenties whose parents had died. The parents had bank and credit union loans. The credit union loans were paid off automatically as they were covered by the insurance. The bank offered a repayment plan. Our approach is so different to other credit providers. We genuinely care about our members.”

That membership is ultimately the critical point of difference, he believes.

“Our members are much more than customers; they are part owners of their credit union. They have a say in how it’s run. Members can volunteer to be on the board and committees. The boards are made

up of community volunteers who have the locality’s best interests at heart. They selflessly give their time to credit unions. I would encourage any Chartered Accountant to consider becoming a credit union director, as it is enormously rewarding.

“We see credit unions becoming primary financial institutions of choice migrating from the periphery to the front and centre of the financial services landscape,” he continues. “We are building on over sixty years of service to communities around Ireland. We are here to stay, not retrenching or closing – quite the opposite. We are growing and moving forward. We are building on a great reputation and great customer experience. We are offering a much wider range of products and services across the country, and that’s great news for members and the people of Ireland.”

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