



**London Capital Credit Union**  
the savings & loans co-operative

# Mutual Benefits for Employers & Employees



***Salary Savings Scheme***



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## Section 1

### What is the salary savings scheme?

#### About The Credit Union

London Capital Credit Union is a not for profit savings & loans co-operative tracing its roots back to 1962 and re-launched in its current form in 2007. Members have since accumulated approaching £20,000,000 in savings and the credit union has a loan book of nearly £12,000,000 with membership now over 16,000 and rising rapidly.

#### Credit Union Services

Anyone who saves with the credit union automatically becomes a member of the co-operative, and savings can be withdrawn upon demand. Any member can apply to borrow from the pool of money formed by the members' savings. Because it is a mutual, loans are low cost and flexible.

#### Ethics, Values & Principles

The primary objective of the credit union is to promote sound financial management by encouraging people to save rather than borrow in order to avoid debt. Our 'Saver Loans' allocate part of any repayment to the member's own savings account, so as the loan is paid off, the member accumulates savings. Over time members build up savings and end the cycle of borrowing. The credit union also offers a range of information and support for members in financial difficulties or with a poor credit history.

#### Salary Savings Scheme Includes:

- Savings payments deducted directly from salary
- Separate budget accounts available to savers
- Young Savers accounts for children
- Christmas Club and holiday accounts
- 'Salary Subsidy' loans for new starters
- Low cost loans, no set up fee, no early repayment penalty, no minimum loan sum and repayment periods to suit the employee.

All services are managed directly by the credit union and we accept full liability for the operation of the scheme. All enquiries and savings withdrawals are made through the credit union office, and a clear distinction is made between the employer and the Credit Union savings scheme. Any surpluses are distributed back to members as a dividend on savings or a rebate on loan interest paid.

#### Financial Security

The credit union is authorised and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The regulation is the same as for other banks and building societies, requiring robust financial systems, training of staff, and internal/external audit systems. Insurance policies protect member's savings from fraud, theft and dishonesty. Ultimately the members' savings are protected against business failure by the Financial Services Compensation Scheme up to £85,000 per person.



## Section 2

### Benefits to the employer

The Credit Union payroll savings & loans scheme can help reduce your staff turnover and absenteeism costs associated with financial stress of employees as well as meeting your corporate social responsibility objectives. Being a good employer is good for business.

#### Costs Of Staff Turnover & Absenteeism

It costs over £30K to replace a staff member. A report by Oxford Economics revealed that replacing members of staff incurs significant costs for employers: £30,614 per employee.

HR Review 2014

When staff are pre-occupied by money worries they are not focusing on their work and performance will suffer. Requests for salary advances and loans from employees under financial strain create difficulties for organisations as well as more work for payroll officers if the requests are granted (see footnote 1).

#### Financial Wellbeing & Healthy Happy Staff

Stress poses a risk to most businesses and compensation payments for stress are increasing. It is important to meet the challenge by dealing with excessive and long-term causes of stress.

Chartered Institute of Personnel and Development

#### Corporate Social Responsibility (CSR)

The era of CSR reporting being relegated to a single page at the back of the annual report is long gone. Increasing numbers of businesses, from small independent firms to global corporates, are putting more weight behind their CSR strategies and there is also a moral imperative, partially driven by customer interest, to ensure a business proactively contributes to the creation of sustainable communities. Increasingly, there is also significant interest from within companies. Employees are now one of the driving forces of popular cause-related and employee volunteering initiatives, in which staff 'give back' to communities.

Institute of Directors, 2015



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1 Kim, J., Garman, E. T. (2003) Financial stress and absenteeism: An empirically derived model. Financial Counseling and Planning, Volume 14(1)

## Section 3

### Benefits to the Employee and Employer

The Credit Union can help employees in a number of ways, primarily by encouraging saving as a way of preventing over indebtedness. It offers support to staff who need assistance with things such as budgeting, and crucially, offers a low cost source of credit which can greatly reduce the cost of borrowing at those times when it's necessary.

A study from the Royal College of Psychiatrists found that half of UK adults in problem debt are also living with mental ill-health. Much of debt-related anxiety can be due to a lack of support from creditors and from the individual's surrounding family, friends and employers.

[www.mentalhealth.org](http://www.mentalhealth.org) April 2019

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Statistics show that each UK household has an average of £2,688 unpaid on credit cards, with the Money Advice Service saying that 8.3m of us are over-indebted.

Money Advice Service – January 2019

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£59,552 Average total debt per UK household in February 2019

The Money Charity – February 2019

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Average real wages have fallen by -5.9% since pre-crash peak in February 2008.

The Money Charity – February 2019

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Stress is, for the first time, the most common cause of long-term sickness absence for according to this year's Chartered Institute of Personnel and Development / Simplyhealth Absence Management survey.

[www.TheHRDirector.com](http://www.TheHRDirector.com) - February 2019

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One in four adults will have a mental health problem at some point in their life. One in two adults with debts has a mental health problem. One in four people with a mental health problem is also in debt. Debt can cause - and be caused by - mental health problems.

Royal College of Psychiatrists – April 2019

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UK businesses are losing 6.9 days a year per employee due to absenteeism, which is costing the British economy £100 billion. UK employees missed 131m days in total in 2014, while absenteeism is estimated to cost the average UK business £554 per employee.

[www.recruitment-international.co.uk](http://www.recruitment-international.co.uk) – April 2019

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## Section 4

### Employers already providing the service

Many major UK employers are already offering their staff a payroll deduction savings & loans scheme through a credit union. including:

- BAE Systems
- British Airways
- Go-Ahead Group
- Royal Mail
- Stagecoach
- Tata Group
- The NHS

London Capital Credit Union provides this facility to dozens of employers as part of their employee benefits package, including:

- Barnet, Hackney, Haringey & Islington Councils,
- BPP Education
- Bright Horizons Childcare
- Central NW London NHS Trust
- Clarion Housing
- Citizens Advice
- City & Islington College
- City of London Corporation
- East London NHS Foundation Trust
- Financial Services Compensation Scheme
- Fremantle Trust
- Great Ormond Street Hospital
- Guardian Media Group
- Homes for Haringey
- Hyde Housing Group
- Jewish Care
- Linklaters LLP
- London Metropolitan University
- Moorfields Hospital
- Southern Housing Group
- St Pauls Cathedral
- The Dorchester Hotel
- University College London Hospital
- Veolia Environmental Services
- Whittington Hospital

These employers find that the credit union's work in promoting savings amongst employees reduces employee absenteeism, sickness and staff turnover as well as meeting their responsibilities as a good corporate citizen.

The credit union takes all responsibility for the operation of the scheme, with the employer just facilitating monthly deductions from salary. All contacts and queries are dealt with by the credit union, making it administratively simple for employers. A full list of employers working in partnership with London Capital Credit Union can be found at [www.credit-union.coop](http://www.credit-union.coop)



**1 Does it cost the employer anything?**

No. The credit union provides this service to your business without charge.

**2 Does it cost our employees anything?**

Apart from interest on any loans, there are no other fees or charges for an active credit union savings/loans account.

**3 Is it a lot of work for our payroll staff?**

All enquiries of any kind at all are dealt with by the credit union office. The employer need not be involved in anything but a single monthly exchange of data and BACS funds transfer.

**4 What if an employee leaves?**

The employer does not need to do anything. Once the payroll deduction stops the credit union contacts the member to offer alternative payment options.

**5 Can members access their account online?**

Yes, members can register for online access at our website [www.credit-union.coop](http://www.credit-union.coop) People can check balances, request withdrawals and apply/sign for loans online or via our mobile devices App. We also provide telephone, email access and have a well located accessible office for personal enquiries.

**6 Is the money safe?**

Savings are protected by the Financial Services Compensation Scheme, currently up to £85,000 per person.

**7 What rate of interest do you charge on your 'Saver Loans'?**

Our interest rates start at 2.9% apr but the typical rate is for our 'Saver Loan' which is 12.7% apr charged on the reducing balance. A £1,500 loan paid back in 12 months will incur a total interest of only £101.

**8 How much interest do you pay on savings?**

We pay a 'dividend' rather than a fixed rate of interest. Any surpluses are distributed back to members as a dividend on savings or a rebate on loan interest paid.

**9 Do members have to give notice to withdraw money?**

No. We can transfer savings to the member's bank account by BACS. Most BACS transfers are completed the same day.

**10 How do people pay into the Credit Union savings accounts?**

Many employers allow staff to save directly from salary. Members can also pay by direct debit, standing order, bank transfer or cheque. There is no minimum savings payment, unless the member has a loan.

**11 How much can a member borrow?**

We currently offer loans of up to £20,000 but all loans are considered based on affordability. The loan sum may be greater if the applicant has already saved with us or has borrowed from us previously.

**12 When can someone borrow?**

Members can apply to borrow at any time but we give priority to those members who have saved for short period and/or are using a payroll deduction scheme.

**13 Do you use credit reference agencies?**

Yes, but past difficulty repaying loans will not automatically prevent applicants from borrowing from us. We may use a credit reference agency to verify ID and address.

## SALARY SAVINGS SCHEME PROCEDURAL GUIDE

## Section 6

### Employer's guide to operating the scheme

1. The credit union and the employer will provide a single point of contact (plus deputy) for each organisation.

<b>LCCU Main Contact</b> Mr Steve Baland tel. 020 7561 1786 finance@credit-union.coop	<b>LCCU Deputy Contact</b> Ms Lucidia Rodrigues tel. 020 7561 1786 info@credit-union.coop
<b>Organisation Main Contact</b>	<b>Organisation Deputy Contact</b>

2. The credit union will provide an Excel spreadsheet list of any changes to salary/wage deductions by the  each month.
3. The credit union will obtain a signed mandate for salary deductions or changes.
4. The employer will provide an excel spreadsheet or CSV file, listing all deductions for the month on the  (not later than the last working day of each month). The excel spreadsheet will show the first name, last name, payroll number, value of individual deduction, and total value of all deductions for all employees.
5. On average credit union members make one change to payments per year.
6. The employer will transfer the full value of all salary deductions to the credit union account by BACS transfer not later than  each month.
7. Employees savings will be credited to their account on the first working day after the monthly excel spreadsheet notifying of payments is received.
8. The deduction is made after tax, and should appear on the payslip simply as 'Ldn Capital Credit Union', with no cumulative figure shown to avoid confusion over savings balances.
9. All enquiries about credit union accounts by employees should be directed straight to the credit union office.
10. Our account details for transferring funds deducted are as follows;  
Account held with The Co-operative Bank in the name of;  
London Capital Credit Union Ltd  
Sort Code : 08.92.50  
Account Number 67003299

London Capital Credit Union,  
Jeremy Hopgood Rooms,  
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129 St John's Way,  
Archway,  
London N19 3RQ

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Email: info@credit-union.coop  
Web: www.credit-union.coop

Authorised by the Prudential  
Regulation Authority and regulated  
by the Financial Conduct Authority  
and the Prudential Regulation  
Authority.  
Firm No. 214094  
Reg. No. 513c

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