

|   |  |  |
|---|--|--|
| <b>Title:</b><br>Credit Union Modernisation and Reform          | <b>Regulatory Impact Assessment (RIA)</b>    |  |
|   | <b>Date:</b> 09/04/2025                      |  |
|   | <b>Type of measure:</b> Primary Legislation  |  |
| <b>Lead department or agency:</b><br>Department for the Economy | <b>Stage:</b> Initial                        |  |
|   | <b>Source of intervention:</b> Domestic NI   |  |
| <b>Other departments or agencies:</b><br>N/A                    | <b>Contact details:</b>                      |  |
|   | DfEcreditunionconsultation@economy-ni.gov.uk |  |
|   |  |  |

## Summary Intervention and Options

|  |  |  |
|--|--|--|
| <b>What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)</b><br>Credit unions have played a critical role in local communities for decades, providing safe and affordable financial services. Despite the critical services they offer, credit unions continue to operate within a legislative framework—the Credit Unions (Northern Ireland) Order 1985—that is now forty years old, and it significantly restricts credit unions' abilities to meet modern financial needs of members.<br><br>Legislation is required to allow credit unions to modernise and meet the changing needs of their customer base. The Minister has promised to strengthen credit unions as per the Department's Economic Vision to promote good jobs and regional balance.  |  |  |
| <b>What are the policy objectives and the intended effects? (7 lines maximum)</b><br>Credit Union modernisation and reform aims to: <ol style="list-style-type: none"> <li>1. Improve local community awareness and accessibility to credit unions.</li> <li>2. Modernise current legislation and expand financial services of credit unions.</li> <li>3. Embrace digital innovation to improve convenience and security for members.</li> <li>4. Ensure sustainability, values and members trust of credit unions.</li> </ol>   |  |  |
| <b>What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)</b><br>Option 1: Do nothing. Ruled out based on outdated legislation which has fallen behind modernised credit union legislation in other jurisdictions and which restricts credit unions from modernising and meeting present day financial needs of citizens.<br><br>Option 2: Introduce legislation. To modernise the credit union legislative framework and enable credit union growth. With Option 2 being the preferred option, it is difficult to determine costings beyond staff time to develop and implement legislation. The legislation will give credit unions the opportunity to enhance consumer products and accessibility. Each credit union should judge costs in proportion to its expected returns. |  |  |
| <b>Will the policy be reviewed? Yes</b>  |  | <b>If applicable, set review date:</b> Five years following introduction |

| Cost of Preferred (or more likely) Option |   |  |   |  |
|---|---|--|---|--|
| Total outlay cost for business<br>£m      | Total net cost to business per<br>year £m |  | Annual cost for implementation<br>by Regulator £m |  |
| De Minimis (Negligible)                   | De Minimis (Negligible)                   |  | De Minimis (Negligible)                           |  |

|  |   |   |  |
|--|---|---|--|
| <b>Does Implementation go beyond minimum EU requirements?</b>    |   | <b>YES</b> <input type="checkbox"/>               | <b>NO</b> x  |
| <b>Is this measure likely to impact on trade and investment?</b> |   | <b>YES</b> <input type="checkbox"/>               | <b>NO</b> x  |
| Are any of these organisations in scope?                         | <b>Micro</b><br>Yes x No <input type="checkbox"/> | <b>Small</b><br>Yes x No <input type="checkbox"/> | <b>Medium</b><br>Yes x No <input type="checkbox"/> |
|  |   |   | <b>Large</b><br>Yes <input type="checkbox"/> No x  |

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.

Approved by: Laurence Rogers Date: 09/04/2025

### ECONOMIC ASSESSMENT (Option 2)

| Costs (£m)    | Total Transitional (Policy) |       | Average Annual (recurring)            | Total Cost      |
|---------------|-----------------------------|-------|---------------------------------------|-----------------|
|               | (constant price)            | Years | (excl. transitional) (constant price) | (Present Value) |
| Low           | £0                          |       | Optional                              | Optional        |
| High          | £0                          |       | Optional                              | Optional        |
| Best Estimate | £0                          |       | £0                                    | £0              |

**Description and scale of key monetised costs by 'main affected groups'** Maximum 5 lines  
De Minimis (negligible) costs for main affected groups.

**Other key non-monetised costs by 'main affected groups'** Maximum 5 lines  
Cost of learning about new legislation.  
Cost of ongoing staff awareness training.  
Cost of educating customer base on new changes.

| Benefits (£m) | Total Transitional (Policy) |       | Average Annual (recurring)            | Total Benefit   |
|---------------|-----------------------------|-------|---------------------------------------|-----------------|
|               | (constant price)            | Years | (excl. transitional) (constant price) | (Present Value) |
| Low           | Optional                    |       | Optional                              | Optional        |
| High          | Optional                    |       | Optional                              | Optional        |
| Best Estimate | n/a                         |       | n/a                                   | n/a             |

**Description and scale of key monetised benefits by 'main affected groups'** Maximum 5 lines  
Monetised benefits are difficult to determine, and it would not be proportionate to attempt a detailed calculation.  
The legislation will allow credit unions the means and opportunity to develop and grow by increasing financial products that can be offered to members.

**Other key non-monetised benefits by 'main affected groups'** Maximum 5 lines  
Improvement in local community awareness and accessibility to credit unions.  
Expansion of financial services of credit unions.  
Updating of digital platforms to increase convenience and security for members.

**Key Assumptions, Sensitivities, Risks** Maximum 5 lines  
Assumption: Modernised legislation will allow credit unions to grow and meet modern consumer expectations.  
Sensitivities: Credit union members accepting change to well-established local institutions, there may be apprehension around a corporatisation of credit unions and loss of present ethos.  
Risks: Offering more products may increase financial risk but it is important to note that credit unions are regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

### BUSINESS ASSESSMENT (Option 2)

|   |                  |             |  |  |
|---|------------------|-------------|--|--|
| <b>Direct Impact on business (Equivalent Annual) £m - nil</b> |                  |             |  |  |
| <b>Costs:</b>   | <b>Benefits:</b> | <b>Net:</b> |  |  |

### Cross Border Issues (Option 2)

**How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland)** Maximum 3 lines  
Credit Union Legislation is expected to mirror recent Financial Services and Markets Act 2023 in GB and Credit Union (Amendment) Act 2023 in Republic of Ireland.

## Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

### Inserting text for this section:

**Text can be pasted from other documents as appropriate.**

|  |
|--|
| <b>Problem under consideration</b>   |
| Credit unions have played a critical role in local communities for decades, providing safe and affordable financial services. Despite the critical services they offer, credit unions continue to operate within a legislative framework—the Credit Unions (Northern Ireland) Order 1985—that is now forty years old, and it significantly restricts credit unions’ abilities to meet modern financial needs of members.   |
| <b>Rationale for intervention</b>  |
| Legislation is required to allow credit unions the opportunity to modernise and meet the changing needs of their customer base. The Minister has promised to strengthen credit unions as per the Department’s Economic Vision to promote good jobs and regional balance.   |
| <b>Policy objective</b>  |
| <ol style="list-style-type: none"><li>1. Improve local community awareness and accessibility to credit unions.</li><li>2. Modernise current legislation and expand financial services of credit unions.</li><li>3. Embrace digital innovation to improve convenience and security for members.</li><li>4. Ensure sustainability, values and members trust of credit unions.</li></ol>  |
| <b>Description of options considered (including do nothing), with reference to the evidence base to support the option selection</b>   |
| <p>Option 1: Do nothing. Ruled out based on outdated legislation which has fallen behind modernised credit union legislation in other jurisdictions and which restricts credit unions from modernising and meeting present day financial needs of citizens</p> <p>With Option 2 being the preferred option, costs are expected to be De Minimis (negligible). The legislation will give credit unions the opportunity to enhance consumer products and accessibility. Each credit union should judge costs in proportion to its expected returns.</p>  |
| <b>Monetised and non-monetised costs and benefits of each option (including administrative burden)</b>   |
| <p><b><u>Monetised costs</u></b><br/>De Minimis (negligible) monetised costs.</p> <p><b><u>Monetised benefits</u></b><br/>Monetised benefits are difficult to determine, and it would not be proportionate to attempt a detailed calculation. The legislation will allow credit union the means and opportunity to develop by increasing financial products that can be offered.</p> <p><b><u>Non-monetised costs</u></b><br/>Cost of learning about new legislation.<br/>Cost of ongoing staff awareness training.<br/>Cost of educating customer base on new changes.</p> <p><b><u>Non-monetised benefits</u></b><br/>Improvement in local community awareness and accessibility to credit unions.</p> |

Expansion of financial services of credit unions.  
Updating of digital platforms to increase convenience and security for members.

#### Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach)

Existing credit union legislation is 40 years old and due to a changed and changing financial landscape and consumer expectations, modernisation is required. The proposed changes have been co-designed with the Irish League of Credit Unions and Ulster Federation of Credit Unions. These organisations are the representative umbrella bodies for the majority of credit unions and are best placed to understand evolving member needs and required changes. In-depth analysis of potential impact on credit unions and customers is therefore not required at this stage and would be disproportionate. Any potential concerns will be analysed and addressed following consultation.

#### Risks and assumptions

Assumption: Modernised legislation will allow credit unions to grow and meet modern consumer expectations. Credit union members accepting change to well-established local institutions, there may be apprehension around a corporatisation of credit unions and loss of present ethos.

Risks: Offering more products may increase financial risk but it is important to note that credit unions are regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

#### Direct costs and benefits to business

Due to the broad range of policy aims and the large credit union consumer base, it not proportionate to attempt to calculate direct costs and benefits to business at present. The overarching aim of the legislation is to improve the financial options and accessibility that credit unions can provide to consumers.

#### Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

Wider impacts will be further considered upon completion of the consultation exercise and prior to further evaluation of policy options.

Wider impacts are expected to include:

Greater accessibility to credit unions for rural communities through online banking and Apps.  
Possibility for greater investment by credit unions into community projects, and sustainability initiatives.

Greater lending opportunities will aid communities at risk of predatory lenders.

Expansion of business lending should aid local businesses and their development.

## **Small and Micro Business Impact Test**

**A - The proposed legislative changes will apply to small and micro businesses (credit unions) and affect the business environment in which they operate – however, the initial presumption is that the implementation of this legislation will bring benefits to the wider business community including small and micro businesses.**

**The characteristics of the small and micro businesses likely to be affected are the credit unions for whom the legislation is being written, and any businesses seeking to borrow from them – this will cover a wide range of businesses with quite a potential variance of characteristics such as size, type, and geographical distribution.**

**B - It is not felt that alternative approaches, complete or partial exemptions, or lighter regulatory regimes are appropriate or necessary for small or micro businesses.**

**C - In due course, the project team intend to contact representative businesses, including small and micro businesses, in order to obtain feedback about the likely effects of the proposal.**

**D - It is felt that any greater impact on the operations and performance of small and micro business in comparison to larger businesses is expected to be nominal.**

**E - In due course, the project team intend to contact representative businesses, including small and micro businesses, in order to obtain data about the likely impacts of the proposal as part of the wider consultation, including costs.**

**F - This RIA will cover the impact of the proposed options on small and micro businesses to ensure that any disproportionate costs are assessed and mitigated as best possible.**