



London Mutual

Credit Union

Newsletter

Spring 2012



creditunion.co.uk

Altogether better



News update

New head office

Our head office at 79 Denmark Hill will be moving this summer to a new development in Heaton Road, just off Rye Lane in Peckham. We originally planned to redevelop the existing branch in Rye Lane, but the costs proved to be too high as compared to the amount of space that we would have gained. The new location will have a large new modern branch for our members and office space that will enable us to continue to grow for many years to come. The branch at 221 Rye Lane will be closed and the opening date for the new branch will be announced on our website and in all the branches.

Artist's impression of the new offices in Heaton Road



Pay day loans

For some time the Board has been concerned at the growth of 'instant loans' available on the high street and on-line, at punishing interest rates of up to 4400% We have developed a new Pay Day Loan for our members **CUOK!** with an interest rate of just 26.8% which can be repaid over up to three months, so that our members can manage their money better and not pay high interest rates and charges. This is only available on-line, but we plan to install facilities in branches in the near future to help members who don't have access to the internet.

See how much you could save in interest on a loan of £400 over one month:

	Borrow	Monthly Interest	APR
London Mutual Credit Union	£400	£8.00	26.8%
Typical Pay Day Loan	£400	£125.48	4214%

If you find that you need a pay day loan before every pay day, we would recommend that you consider applying for a longer term credit union loan to try to get your finances in order, so that you don't have to repay on short term loans every month.

We are proud to be the first credit union in the country to offer a pay day loan to its members and in the tradition of co-operation amongst credit unions we plan to work with other credit unions to enable them to do the same for their members.

For a simple, affordable and flexible loan solution until your next payday just go to the website and apply – it really is that simple!

INSTANT ACCESS
CASH ISA

3%
AER
Fixed until 6th April 2013

- Tax free savings earning 3% AER
- Instant access and a great return

New 3% AER Instant Access Cash ISA

Why not invest your tax free savings allowance in our new Instant Access Cash ISA, which is paying 3% AER fixed until April 2013. You can access your savings at any time without penalty.

You could also transfer your existing Cash ISA to us from another provider. Check out what interest you are getting!

Dividend

At the AGM the Treasurer announced that it would be possible to pay a dividend for the year of 1.25%. The Board asked the members if they would forego the dividend due so that the funds set aside for a dividend could be used for the refurbishment of the new Head Office building. The members voted for this proposal and the Board would like to thank the members for giving up their dividend this year to help the credit union grow.

Junior Account and Child Trust Fund Interest

For the third year we have paid 5% interest on our Junior Accounts and Child Trust Fund Accounts, so why not open a savings account for your young family. The interest rate can vary from year to year, depending on the profit of the credit union, but we will always strive to pay the highest possible interest to give our youngsters the best start for their future.

Corporate Accounts

The credit union will soon be able to offer 'corporate accounts' for small businesses and entities like TRAs. Local concerns will be able to deposit their money locally, helping local people – as soon as this service is available we'll put information on our website.

We're expanding in to Westminster!

Following recent changes in the regulations controlling credit unions, we plan to merge with the Pimlico Credit Union, which was in danger of closing. We have been supporting Pimlico Credit Union for some time to run their collections and are delighted that this merger means that their members will now have access to all the services of LMCU.

Very soon we hope to be able to offer credit union services to all residents in the borough of Westminster.



Member Services

The screenshot shows a web browser window with the URL <https://www.cuonline.org.uk>. The page features the 'CU online' logo and a list of services:

- Make payments** – use your debit card to make payments to your savings, loan, or ISA
- Apply for it** – you can apply for loans, open a current account, ask for a statement, change your address
- Check your balances** – you can check your last 12 transactions
- Transfer funds** – you can transfer funds from your Credit Union account to your bank account
- Contact us** – leave a message for any department

Text facility
If you don't have access to the internet, you can check your balance by text – **just text bal to 60060** and you'll receive a free text back giving you your latest balance. To do this we do need your current mobile number, so if you have changed recently don't forget to update it next time you are in the branch.



Member Services

Transfer your Child Trust Fund

Although the Child Trust Fund scheme has been scrapped, you can still transfer your existing Child Trust Fund to the credit union. Interest has been paid at 5% for the third year running – we can't guarantee that rate as it depends on the profit of the credit union and can vary from year to year, but we'll always do our best to pay the highest interest possible on our junior accounts.

E-Newsletter

We are sending out regular E-Newsletters to keep you up to date with what's happening in the credit union. To make sure you receive the latest news just send us an email asking to be included to info@creditunion.co.uk

Please be aware that London Mutual Credit Union will never ask you for your memorable data or password in an e-mail. Never disclose this information to anyone.

Visit us on Facebook

If you are on Facebook then please visit our page for all the latest news and don't forget to 'like' us!



Debit Card Payments

You can now use our secure on-line service to make payments to your credit union account using your debit card – you can say where you want your payment to go –savings, Christmas savings, ISA, to reduce your loan (and remember, there's no penalty for paying your loan up early).

Loans and savings

The most important services that the credit union offers its members are a place for safe savings and the availability of affordable and ethical loans.

As you can see, we are improving our on-line services all the time and the new technology will soon make the on-line loan application easier and faster, with an instant decision facility. As always, we'll keep you informed on the website and in an E-Newsletter.

As a not for profit co-operative, we need members' savings to make loans, which is why we ask you to continue to save while you are repaying a loan, and why you can't withdraw savings until your loan is paid up or you have more savings than loan.

Put very simply, no savings, no loans!

Help us go greener

Have you signed up to be a 'green' member yet? The world can never be paperless, but we can save on paper, printing and postage by sending your annual statement and newsletter by email to: info@creditunion.co.uk Just send us an email to let us know and we can make you go green!





Money matters

Cooker broken down, telly on the blink...?

Before you go to a retailer that offers easy credit, check out how much you could save by taking a small loan from the credit union.

In a local Pay Weekly store, a **Beko 9kg 1400rpm spin washing machine** costs **£606.84** spread over three years – if you take the 'optional' service cover this rises to **£934.44** and remember that if you don't have household insurance you may have to take out their Damage Liability Cover at £1.05 per week, which over three years adds another **£163.80** to the cost of the washing machine.

We compared a similar washing machine from John Lewis, a Beko 8kg 1600rpm spin, which costs **£399.00**, including a free two year guarantee.

If you take a loan for £400 from the credit union for 18 months, the total interest payable is £80.22, so you would pay for the washing machine in half the time and save between **£126.62** and **£618.02**.

This is just one example – there are great deals and washing machines for under £200 in the local area, so don't think that because you don't have a great credit record, or you are unemployed, that you have no choice but to use these expensive options.

A credit union loan is flexible and affordable and means that more money will stay in **your** pocket.

Spread the word

As we all know, it can be hard to get reasonably priced small loans, especially if you're not working, so make sure you tell your friends and family about the credit union. You could save them hundreds of pounds in high interest payments to doorstep lenders and the 'instant' loans on the high street.

Important information about compensation arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a credit union is unable to meet its financial obligations. Most depositors – including most individuals and small businesses – are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £85,000. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000 each (making a total of £170,000). The £85,000 limit relates to the combined amount in all the eligible depositor's accounts with the credit union, including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please ask at your local branch, refer to the FSCS website <http://www.fscs.org.uk/> or call **0800 678 1100**.



Auditors' report

Independent Auditor's Report to the Members of London Mutual Credit Union Limited

We have audited the financial statements of London Mutual Credit Union Limited for the year ended 30th September 2011 on pages 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

Industrial and Provident Society law requires the Board of Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the surplus of the Credit Union for that period. In preparing those financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Credit Union will continue.

As explained more fully above the Board of Directors is responsible for the preparation of the financial

statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2011 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- the revenue account to which our report related, and the balance sheet are not in agreement with the books of account of the Credit Union.
- we have not obtained all the information and explanations we need for the purpose of our audit.

40 The Lock Building
72 High Street
London E15 2QB

APPLEBY & WOOD
Statutory Auditors
Date

Revenue account for the year ended 30th September 2011

	Note	2010		2009	
		£	£	£	£
Income					
Entrance Fees			3,476		2,914
Interest from Loans to Members	1 (b)		1,301,698		1,073,826
Deposit and Current Account Interest	1 (b)		11,017		5,239
Sundry Income - Commission			11,559		9,949
Grants and Donations Receivable	1 (c)		404,480		297,738
Written off Debts Recovered			8,592		6,200
CUCA Fees			262,964		185,684
Other Transaction Fees			10,605		12,899
			<u>2,014,391</u>		<u>1,594,449</u>
Less Expenses					
Occupancy Costs		91,625		48,333	
Stationery and Post		29,861		22,436	
Administration Salaries and NIC		673,045		623,974	
Audit and Accountancy		10,880		9,200	
Bank Charges and Interest		13,526		13,905	
Data Processing Charges and Software		16,757		27,283	
General Expenses		30,094		26,638	
Loans and Savings Insurance		53,362		46,002	
Provision for Bad Debts		233,067		255,356	
Depreciation		78,615		79,826	
Telephone		16,035		15,391	
Insurance - Fidelity Bond		3,383		3,407	
Debt Recovery/Legal and Professional		31,369		20,275	
Training, marketing, promotion and development		21,929		39,339	
Directors' Expenses and Honoraria		22,361		21,254	
ABCUL Dues		14,452		12,348	
FSA Fees		2,748		3,179	
Banking Services		247,808		198,429	
Junior Savers Interest Payable		9,900		4,985	
			<u>1,600,817</u>		<u>1,471,560</u>
Surplus for the year before taxation			413,574		122,889
Corporation Tax	1 (e)		(2,258)		(983)
Surplus for the year before distribution			411,316		121,906
Transfer from/(to) General Reserve-Statutory			(82,263)		(24,381)
Unappropriated Surplus			329,053		97,525
Dividend Paid			(78,260)		(63,110)
Transfer (to) Voluntary Reserve			(250,793)		(34,415)
			<u>—</u>		<u>—</u>

All amounts relate to continuing operations.

The retained surplus for the year was the only recognised gain or loss in the year.

Balance Sheet as at 30th September 2011

	Notes	2011		2010	
		£	£	£	£
Fixed Assets	5		560,246		875,341
Loans Due from Members		7,941,749		7,053,265	
Less Provision for Bad Debts		(596,248)		(465,126)	
			7,345,501		6,588,139
Current Assets					
Prepayments and Debtors		10,815		19,313	
Current & Deposit Account		3,253,849		2,613,724	
Cash in Hand		120,411		138,143	
		3,385,075		2,771,180	
Current Liabilities					
Grants		361,337		303,870	
Provision for Juvenile Savers Interest		9,900		4,985	
Sundry Creditors	9	1,191,075		724,782	
Corporation Tax		2,407		2,348	
PAYE and NIC		17,411		14,242	
		1,582,130		1,050,227	
Net Current Assets					
			1,802,945		1,720,953
			9,708,692		9,184,433
Represented by:					
Child Trust Fund			42,266		21,612
Share Capital			7,059,134		6,447,543
General Reserves	4		2,607,292		743,247
Growth Fund	6		—		1,530,989
Revaluation reserve	4		—		441,042
			9,708,692		9,184,433

Director: **Louis McLeod**

Director: **Heather Crawford**

Secretary: **Karen Michael**

Date: **13/01/2012**

Notes to the Financial Statements

Year ended 30th September 2011

1. Accounting Policies

- a) Accounting Policies
The financial statements have been prepared under the historical cost convention with the exception of the revaluation of freehold properties.
- b) Interest
Bank interest is accounted for when receivable. Loan interest is accounted for, when received.
- c) Grants
Grants and donations are accounted for when receivable.
- d) CUCA Fees
Transaction fees from the CUCA (Credit Union Current Account) are accounted for when received as they are credited directly into Southwark Credit Union Ltd's bank account by the Co-operative Bank Plc.
- e) Corporation Tax
The provision of UK Corporation Tax is based on bank deposit account interest receivable for the period at the relevant rates.
- f) Dividends
Dividends will be accounted for in the year in which the members agree them at the AGM
- g) Comparative Figures
The comparative figures are for the year ended 30th September 2010.
- h) Fixed Assets
- (1) Depreciation has been provided on fixed assets at rates considered sufficient to write them off over their useful lives
- | | |
|--------------------------|--------------------------------------|
| Computer equipment | 17.5% per year on cost |
| Fixtures and Fittings | 10% per year on cost |
| Building & Refurbishment | 2% per year on the revalued amounts |
| Banking Project | 10% per year on cost (see (2) below) |
- (2) ABCUL Banking Services project
This was developed through ABCUL. London Mutual Credit Union Ltd was one of nine credit unions who each contributed the same amount towards setting up a bank current account for people who previously could not get a current account. As new credit unions join the Project, they will each make a contribution: part of which will be paid to London Mutual Credit Union Ltd. Grants of £85,614 have been received towards this cost.
- As it is expected that these costs will be recouped within ten years, they and the related grants are being written off over ten years.
- (3) Grants for capital expenditure
Other grants for fixtures and fittings and the Pay Day Loan Project are being written off over the same period as the related expenditure.
- i) DWP Growth Fund
Growth Fund grants are received from the Department of Works & Pensions to finance loans for people who would not normally qualify for loans under the Credit Union criteria.

2. Statement of Total Recognised Gains and Losses

The retained surplus for the year was the only recognised gain or loss in the year.

3. Historical Cost Profit and Loss

All assets are stated in the financial statements at historical cost.

4. Reserves

	Growth Fund	General Reserve		Revaluation Reserve	Total
		Voluntary	Statutory		
	£	£	£	£	£
Balance at 1st October 2010	—	221,378	521,869	441,042	1,184,289
From Revenue Account for the year	—	250,793	82,263	—	333,056
Transfer (note 6) 1,530,989	—	—	1,530,989	—	—
Revaluation adjustment	—	—	—	(441,042)	(441,042)
Balance at 30th September 2011	<u>1,530,989</u>	<u>472,171</u>	<u>604,132</u>	<u>—</u>	<u>2,607,292</u>

Freehold premises are now shown at cost. The Revaluation Reserve has been closed and the related adjustments have been made in note 5 below.

Notes to the Financial Statements

Year ended 30th September 2011

5. Fixed Assets	Computer & Equipment	Fixtures & Fittings	Freehold Premises	Banking & Pay Day Loan Project	Total
	£	£	£	£	£
Cost/Valuation:					
Balance b/forward 1.10.10	229,315	215,003	665,200	109,241	1,218,759
Additions	10,494	97,343	31,786	64,939	204,562
Revaluation adjustment	—	—	(452,982)	—	(452,982)
Balance c/forward 30.9.11	<u>239,809</u>	<u>312,346</u>	<u>244,004</u>	<u>174,180</u>	<u>970,339</u>
Depreciation:					
Balance b/forward 1.10.10	163,841	70,177	65,704	43,696	343,418
Depreciation for the year	25,675	30,642	4,880	17,418	78,615
Revaluation adjustment	—	—	(11,940)	—	(11,940)
Balance c/forward 30.9.11	<u>189,516</u>	<u>100,819</u>	<u>58,644</u>	<u>61,114</u>	<u>410,093</u>
Net Book Value 2011	50,293	211,527	185,360	113,066	560,246
Net Book Value 2010	65,474	144,826	599,496	65,545	875,341

6. Growth Fund	2011	2010
	£	£
Balance b/f 1.10.10	1,530,989	1,657,615
Received - grants	—	223,000
transfer to Reserves (note 4)	(1,530,989)	—
Less bad debts written off	—	(20,626)
transfer to General Revenue (as agreed by DWP)	—	(329,000)
	<u>—</u>	<u>1,530,989</u>

With the ending of the Growth Fund contract on 30th April 2011, the Fund balance has been transferred to Reserves but still shown separately as recommended by the DWP.

7. Related Party Transactions

Loans are issued to directors on the same terms as those on offer to other members.

8. Capital Commitments

	2011	2010
	£	£
Capital expenditure contracted for, unpaid at the end of the year and not provided for in the financial statements.	<u>NIL</u>	<u>60,000</u>
Capital Expenditure authorised by the Board, but not yet contracted for	<u>975,000</u>	<u>—</u>

This expenditure will be financed from the Credit Union's own funds and by a mortgage from its bankers.

9. Creditors and Accrued Charges

CUCA bank balance	1,139,773	704,477
Other creditors and accruals	51,451	20,305
	<u>1,191,224</u>	<u>724,782</u>

10. Operating lease commitments for land and buildings

The annual total commitments are as follows:-

leases expiring after 5 years	<u>38,700</u>	<u>12,750</u>
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Stop press

AGM 2012

Thanks to all our members who came to the AGM on the 24th February 2012 – it is important that members take an active part in the decisions affecting the future of your credit union. The AGM is held in February each year and we'll put notices in the branch, send an E-Newsletter and announce the date on the website.

Mrs Frances Bussy was the winner of this year's raffle prize of an LCD portable TV with built-in DVD player.



Frances Bussy and Lucky Chandrasekera, CEO, at the AGM

Would you like to receive this newsletter and your annual statement by email? Just send us an email and we can make you a **green** member

Branches and opening hours:

79 Denmark Hill
Camberwell
London SE5 8RS

221 Rye Lane
Peckham
London SE15 4TP

10 Acre Lane
Brixton
London SW2 5SG

Open Monday – Friday:
9.30am – 4.30pm

18 Pilgrimage Street
Borough
London SE1 4LL

Open Monday – Wednesday:
9.30am – 4.30pm

4 Heaton Road
Peckham
London SE15 3TH
(Opening summer 2012)

