

EXAMPLES OF LOANS TO FINANCIALLY DISADVANTAGED

- 1) A Care Home worker was about to receive a visit from the bailiffs because of unpaid Council Tax from several years earlier. This lady had been assured by a member of Council staff that she would not be liable to Council Tax during the period in question due to her being in receipt of Income Support and Housing Benefit. This was incorrect advice as the period to which the bill related was not the same as the period of incapacity. Although she is lowly paid the Credit Union has been able to help the individual with a loan after accompanying her to the Council Offices and arranging deferment of action by the bailiffs.
- 2) Another care worker needed a loan of £1,500 for justifiable reasons and had borrowed this amount from a loans company that was charging her 3½% per MONTH interest and had sold her protector and life insurance for which the premiums totalled £600 for the period of the loan. The Credit Union repaid this loan and lent to the member at 0.8% per month with free life insurance. The significance of the payment protector cover was explained, as were the limitations of such insurance, and the member decided not to take out protector insurance on the Credit Union loan choosing to save the amount that would have been expended.
- 3) A car body shop worker, originating from Ghana, was granted a loan of £3,000 from a loans company at 49.7% APR. After approaching the Credit Union and providing evidence of earnings the Credit Union granted the loan at 12.68% APR and the loan from the Loans Company was repaid within seven days and without penalty.
- 4) A Royal Mail employee incurring bank charges of £170 per month in interest, excess borrowing fees, direct debit return fees, cash withdrawal fees on his credit card and payment protector insurance on both his bank overdraft and credit card balance has taken a loan from the Credit Union to repay both his Bank and his Credit Card account. The loan repayments are substantially less than the £170 per month and the member is delighted to have received the financial advice and to be shown how his 'modus operandi' was an expensive way of running his finances.
- 5) An application for a loan was received from a non-member who had taken a 'doorstep' loan of £400 over 14 weeks. The total repayment was to be £560 at an APR of around 300%. The Credit Union agreed the loan at 12.68% APR.
- 6) A current borrowing member did not think that the credit Union would consider lending her another £700 when her car engine needed replacement. Desperate to have her vehicle back on the road she borrowed the £700 from a 'doorstep' lender under terms that meant she had to repay £980 over 14 weeks at £70 per week – an APR of c. 300%. She had already repaid some of her existing loan with the Credit Union and we took out her 'doorstep' loan saving her most of the interest that she would have paid.
- 7) A Farepack agent in Harpenden had lost approximately £875 between herself and her two 'customers' when the Company collapsed. The Credit Union saved their Christmas by giving a grant of £25 and a loan of £750 over 6 months. She expects to save with the Credit Union for this Christmas!
- 8) A new member who is a widow had 4 Provi loans totalling £755 at the usual 200%+ rate of interest. She is in receipt of c. £800 per month State Benefits and has a Motability car. Her payments to Provident were £92 per FORTNIGHT but the Credit Union took over the Provi loans at 2% per month interest and spread repayment over 12 months. She will repay the Credit Union at £71 per month and has signed a bankers order for £100 per month thus saving £29 in her share account. This still leaves her £90 per month more than previously to meet her household expenses. She is thrilled and promises to recommend us to all her friends and family although perhaps not with the intention that we give loans to the two young grandsons who she was taking to swimming lessons after the Loans Officer left!
- 9) I visited a Zimbabwean lady immigrant who approached the Credit Union for a loan of £600. She was £255 in arrears with her rent and needed winter clothes and blankets for herself and her two teenage sons. On investigating the income and expenditure on her loan application it was apparent that she had not included all her outgoings because she appeared to have a surplus of income over expenditure indicating that she would have had sufficient funds to pay her rent. On perusing her bank statements I identified that she had not included several Direct Debits on her expenditure and wrote to her asking her to review her outgoings. As a result of my comments she found that her Bank had been debiting Direct Debits that were not hers to the extent of over £100 per month and agreed to give her a new bank account that would only only receive the direct debits that she had authorised and the Bank would refund the £300 that had been debited to her previous account without authority. As a consequence the refund will bring her rent up-to-date (she had been making some inroads into the arrears) and I was able to lend her £300 for the warm clothes and blankets. The repayments would be no problem as she now has £100 per month spare following the cancellation of the 'rogue' direct debits.
- 10) A Nigerian lady, living in St Albans, works in IT for a Local Authority. Her husband is currently at Harvard University; supplementing his doctorate with an MBA. He sends her a small amount each month towards the cost of running their home where their daughter lives with the mother. They have a son in Nigeria who finances himself but also have a son at University in the UK studying Mathematics and Accountancy. He received no grant funding during his first year at University and his mother helped finance him by taking out loans from whatever source she could. However this included 'Payday Loans' one of which was a loan of £550 for one month on which she had to pay £147 interest at 2450% (two thousand four hundred and fifty per cent!). The Credit Union has consolidated her borrowings and granted a loan that she can afford to repay. Her son is also now in receipt of a student grant and loan.