



The Social and Solidarity Economy: From the Margins to the Mainstream

Case study

Credit unions as essential service providers in Ireland during the Covid-19 pandemic

Olive McCarthy

Credit Union Researcher, Practitioner and Policy Advisor, Centre for Co-operative Studies, University College Cork



Credit unions as essential service providers in Ireland during the Covid-19 pandemic

Author: Olive McCarthy, credit union researcher, practitioner and policy advisor
Centre for Co-operative Studies, University College Cork, Ireland
o.mccarthy@ucc.ie

This case study focuses on policies, initiatives and practices of the credit union sector in Ireland during the Covid-19 pandemic. It will demonstrate how the strong local connectedness of credit unions as important social economy actors, aided by policy and regulatory flexibility, offered critical financial, personal and moral support to members and their communities at a time of great economic uncertainty.

Ireland has a little over 220 independent credit unions, geographically spread throughout the country. Credit unions are established with the sole purpose of serving their members and supporting the wider community. On the 28th March 2020, as Ireland moved to a full lock-down in response to the rapid spread of Covid-19, the Irish government produced a list of essential service providers (Government of Ireland, 2020), that is, businesses which were permitted to remain open for business while all others were to close. Credit unions were included on the list and proceeded to put a range of business continuity measures in place. While many bank branches closed temporarily – and some permanently – as a result of the pandemic, credit unions began to emerge as the local heroes of essential and affordable financial services, keeping their offices open throughout the crisis.

Each credit union is an independent, member-owned co-operative, governed and financed by the members. As a result, it is embedded within the fabric of the communities it serves and is uniquely positioned to identify, understand and meet the needs of its members. At a local level, individual credit unions showed themselves to be highly capable, flexible and resilient in supporting their members, their staff and their communities through the crisis. Some credit unions designed new services, including emergency loans, to support members who experienced sudden reduced earning capacity or increased expenses as a result of the pandemic. Others made direct personal contact with vulnerable members, to offer assurance and support. Many credit unions, recognising their central role in the communities they serve, reached out to support frontline workers and social economy organisations supporting vulnerable members of society. All credit unions enhanced their online service offering to enable members to conduct their business fully online if they chose to do so.

Recognising that many credit unions were under organisational stress as they adjusted their operations to the realities of remaining open during the pandemic, the Central Bank of Ireland implemented temporary regulatory flexibility measures (Central Bank of Ireland, 2020) to allow credit unions to focus on serving their members and the wider economy. Such measures included extensions to reporting deadlines. It was also recognised at a regulatory level that loan forbearance arrangements were necessary for some members who might be experiencing illness or loss of income and reporting requirements on such arrangements were relaxed. At a policy and legislative level, a significant change to credit union legislation was introduced by government to permit credit unions to hold virtual annual general meetings.

Donore Credit Union in Ireland's capital, Dublin, is Ireland's oldest credit union and is a first-rate example of a credit union that knows its members and understands their individual circumstances. It contacted members individually by telephone to offer reassurance that the credit union was open, active and listening. This courtesy extended beyond those who had been advised to cocoon, to include any members with on-going physical and mental illness, financial difficulty, disability and addiction. This was directly driven by its close relationship with and knowledge of its members, offering a lifeline for those living in isolation, needing additional supports or eager for a listening ear. The credit union's Chief Executive Officer commented that: *'Sometimes members just want to hear a comforting voice or have someone to listen to them. Not only are we reaching out to update members on supports and services, but we actually care about how they're doing. We want to know they are ok and they can see that'* (ILCU, 2020a).

The Health Services Staff Credit Union, serving health services employees and their families nationwide, offered a 'stay at home loan' at a preferential rate to support emergency borrowing for those worried about making ends meet. It also helped to provide food to hundreds of homeless and elderly individuals by sponsoring a charitable food bank and funding a delivery of food to frontline staff. Athlone Credit Union in the Mid-West of the country donated personal protective equipment to local frontline staff (ILCU, 2020b). Core Credit Union, also in Dublin, offered a delivery service for members who had emergency financial needs but could not leave their homes. This was supported by the Irish police, An Garda Siochana, as a security measure (ILCU, 2020b). Others offered a "drive-through" service or a member authorisation system where nominated individuals could access services on behalf of more vulnerable members. Two credit unions in the North East, Dundalk Credit Union and Cúchullain Credit Union, launched a Covid-19 Community Response Fund to offer financial assistance to social economy organisations and groups that were supporting the needs of the community in response to the impact of the pandemic (Money & Mooney, 2020). Many credit unions launched special loan products to support small and medium enterprises on favourable terms to support business survival and re-opening.

In the spirit of co-operation between co-operatives, credit unions also began to work closely together in regional groups to support one another through the crisis. These groups of credit unions offered practical advice and support to one another, including arrangements whereby neighbouring credit unions could offer temporary support to maintain services should a cluster of Covid-19 cases have emerged in a credit union. A group of 12 credit unions joined the government's Covid-19 Credit Guarantee Scheme, which offers reduced interest rates on loans of up to 5 and a half years to businesses responding to the impacts of Covid-19 (Government of Ireland, 2021).

Among the key success factors for credit unions in supporting citizens through the pandemic has been their deep level of connectedness with their members, rooted as they are, in their local communities. About 90% of credit unions in Ireland have community common bonds, meaning they can only serve members who live or work within a specified local area. This enables credit unions to understand, appreciate and be responsive to the needs of their membership. As co-operatives, credit unions are owned and run by their members, enabling services to be designed and delivered by those who will use them. The ethos of credit unions puts people before profit. This focus on the needs of real people rather than private investors works to ensure that affordable financial services are made available to

all who need them and often in situations where those private investors have withdrawn. It also means that meeting the needs of the wider community in which their members live is a key priority.

The evidence for the positive impact of credit unions is clear. Credit unions emerged as Ireland's most popular brand for customer experience (CX) during the pandemic, according to a report by CXi Ireland released in October 2020 (CXi, 2020). This is the sixth consecutive year that this accolade has been won by credit unions. In May 2021, credit unions were recognised as the most highly regarded financial services organisation in the Ireland RepTrak® (2021) study carried out by The Reputations Agency. Meanwhile, in March 2021, one of Ireland's two pillar banks, Bank of Ireland, announced the closure of 88 branches. Two further banks, Ulster Bank and KBC Bank announced in early 2021 that they were withdrawing from the Irish market.

A key lesson for Ireland and for other countries is the importance of policy, legislation and regulation that protects and nurtures the emergence, growth and development of social economy actors to provide tailored, meaningful and sustainable alternatives to more conventional service offerings. In the case of Ireland, the presence of a widespread credit union network operating in every community ensured the continuation of locally-based and locally-tailored financial services for all in a crisis, which comes into sharper focus in the context of a contracting for-profit banking sector. National governments and international agencies and organisations must continue to be responsive to the needs of social economy organisations for legitimacy, modern and enabling legislation and tailored regulation.

References

Central Bank of Ireland (2020) Correspondence with Irish credit unions

<https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/reporting-requirements/covid19-circular-regulatory-flexibility-rcu.pdf?sfvrsn=6>

CXi (2020) Ireland Customer Experience Report. Dublin: The CX Company.

<https://thecxcompany.com/wp-content/uploads/2020/10/2020-CX-Report.pdf>

Government of Ireland (2020) List of essential service providers under new public health guidelines.

https://www.gov.ie/en/publication/dfcb8f-list-of-essential-service-providers-under-new-public-health-guidelin/?fbclid=IwAR2HAfhHYwSZUPrLsteBXcRay0siUqFWgKX-dAHN0w2JA5Ow-0dtQ_XZDXQwww.gov.ie

Government of Ireland (2021) 12 Credit Unions join €2bn COVID-19 Credit Guarantee Scheme.

<https://www.gov.ie/en/press-release/5ece7-12-credit-unions-join-2bn-covid-19-credit-guarantee-scheme/>

ILCU (2020a) Donore Credit Union's Support Praised by Families. Dublin: Irish League of Credit Unions. <https://www.creditunion.ie/blog/donore-credit-union-praised-by-families/>

ILCU (2020b) How Five Credit Unions Are Helping Communities. Dublin: Irish League of Credit Unions. <https://www.creditunion.ie/blog/how-five-credit-unions-are-helping-communities/>

Ireland RepTrak® (2021) Ireland RepTrak® Report. Dublin: The Reputations Agency.

Money, N. & Mooney, D. (2020) The Credit Union Difference: Responses to COVID-19 in Ireland. Dublin: Centre for Community Finance Europe. https://cfcfe.eu/wp-content/uploads/2020/09/202001_CFCFE015_Credit_Unions_COVID19_Ireland.pdf



This paper was prepared by Olive McCarthy in the framework of OECD Global Action “Promoting Social & Solidarity Ecosystems”.

The opinions and arguments expressed herein are those of the authors and do not necessarily reflect the official views of the OECD or its member countries nor can they in any way be taken to reflect the official opinion of the European Union.



OECD | Promoting
Global Action | **Social & Solidarity**
Ecosystems



This project is funded
by the European Union

