

FIRST SCOTTISH UNIVERSITY CREDIT UNION LTD

LOAN POLICY February 2022

This policy ensures that the Credit Union follows rules so that the process of making loans to members is fair and equitable.

First Scottish University Credit Union Ltd is a responsible lender. We give every loan application we receive careful consideration and make a decision based on the income and expenditure and overall ability to repay the loan. We have a duty to each loan applicant to ensure that any loan approved does not result in them facing financial difficulties and struggle with repayments. We also have a duty of care to all our members and have to ensure therefore that we take no undue risks with our member's money.

It is important to highlight that as a financial organisation, we reserve the right to decline certain applications. If we do reject an application, this will be following an assessment of the application by our Credit Committee. A loan refusal simply means that on this occasion we feel unable to offer the amount of loan that has been requested. In some circumstances we may offer a reduced amount.

1) *General information*

- a) The Credit Union adheres to the requirements of the Prudential Regulation Authority (PRA), which regulates Credit Unions. The Credit Union will review how to apply these requirements as the PRA changes them.
- b) The Credit Union will only lend money to members who are more than 18 years old.
- c) Eligible members may apply for a loan at any time.
- d) The Credit Union will require members to enter into an agreement to repay their loans in full according to a specified schedule of payments of interest and capital, which the Credit Union will give the member before completing any loan agreement.

2) *Maximum loan amounts, time to repay loans and interest rates on loans*

- a) The PRA currently sets a maximum loan value of £15,000 plus the total Credit Union shares held by the member applying for a loan (e.g. a member with £9,000 shares can apply for a maximum loan of £24,000 [$£15,000 + £9,000$]). The Credit Union will allow loan applications within this parameter, up to a maximum of £25,000.
- b) The Credit Union will allow applications for loans up to the value of five times a member's shares, provided this value lies within the parameters set out in 2.a (e.g. a member with £2,000 of shares can apply for a loan up to £10,000 [$£2,000 \times 5$])
- c) The PRA has set a maximum loan period of 60 months for repayment of credit union loans but FSUCU has set a maximum repayment time of 48 months.
- d) The PRA has set a maximum loan interest rate of 3% per month (42.6% APR) on loans made by credit unions
- e) Outstanding interest on loans will be calculated monthly on the reducing balance.
- f) The Credit Union will require all members entering into a loan agreement to make monthly share deposits of £10 minimum.
- g) The Credit Union will hold a member's shares up to the current value of the member's loan as security when there is failure to make timeous loan repayments. The Credit Union may refuse any request to withdraw shares which would mean that the value of a member's shares would be less than the current value of any outstanding loans.

3) *Applying for a loan*

- a) Members must apply for loans using the Credit Union's website or app – see <https://www.universitycu.org.uk/>
 - b) The Credit Union shall undertake a credit check, using a third party such as a credit reference bureau, to inform decision-making on all loan applications.
 - c) The Credit Union will require applicants to provide supporting documentation deemed relevant in making the loan decision e.g. 2 payslips and a current bank statement all dated within 3 months, or, access permission for Open Banking.
 - d) The Credit Union may also seek further information from loan applicants at an interview.
 - e) Members may apply for a Secure loan that is less than or equal to the amount they currently hold in their savings with us as security over your loan. Savings below the level of the loan cannot be withdrawn during the lifetime of the loan. Secure loans are repaid at a reduced, preferential interest rate.
 - f) Interest rates on loans are advertised on our website and are subject to change.
- 4) *Loan approval*
- a) The Credit Union will assess the ability of each loan applicant to meet the required repayments in full and on time, for all loan types and applications.
 - b) The Credit Union will use automated decisioning software to assist with the loan approval. All loans rejected automatically will be referred to the Credit Committee.
 - c) The Credit Union will appoint employees and directors/volunteers as loan officers onto the Credit Committee. The Credit Committee approve applications for loans.
 - d) The Credit Union may disregard large deposits to shares or loan repayments made immediately prior to an application for a loan to meet lending criteria.
 - e) Loans to officers or employees of the Credit Union shall be reported to the Supervisory Committee within fourteen days of the loan being approved.
- 5) *Rejected applications*
- a) Where the Credit Union decides that it cannot make a loan to a member on the terms originally requested it will explain to the member the reasons for its decision.
 - b) A rejected application does not debar a member from submitting an application for a loan in future.
 - c) Members can ask for a review of a rejected loan application.
- 6) *Top-up loans*
- a) While repaying a loan a member may only make an application for a further 'Top-up loan' if:
 - i) At least 50% of the principal of the outstanding loan has been repaid; and
 - ii) the Credit Union has made no more than two advances without receiving full repayment of the loans.
 - iii) All top-up loans and repayment conditions are at the discretion of the Credit Committee.
- 7) *Loan non-repayment*
- a) Where any member believes they will not be able to make scheduled loan payments, and/or should the member be in danger of entering financial difficulties, the member should contact the Credit Union as soon as possible to discuss their situation.
 - b) The Credit Union will seek to agree an amended payment schedule with any member who cannot keep to the scheduled repayments in the original loan agreement.
 - c) Under any revised repayment schedule, the Credit Union shall seek full repayment of the loan.
 - d) In the event of a member breaking a loan repayment agreement, the Credit Union will take reasonable steps to pursue outstanding debt, including the use of the Sheriff Office to

undertake court action, and the use of debt recovery services where it believes their use to be in the best interests of the Credit Union.

As well as these general conditions applying to its loan provision, the Credit Union will offer the following loans under the additional conditions set out in paragraphs 8 and 9.

8) *Introductory Loan*

- a) New members who wish to take out a loan without first accumulating the required shares balance (as stated in para. 2.b) can apply for an 'Introductory Loan'.
- b) Members wishing to take out an 'Introductory Loan', with no shareholdings must be eligible for payroll deduction and all repayments shall be made through payroll deduction.
- c) Members who are not eligible for payroll deduction can apply for an 'Introductory Loan' once they have saved by standing order or direct debit for their first 3 consecutive months of membership.
- d) The maximum amount for an Introductory Loan for new members is £1,500.
- e) The maximum repayment term of an 'Introductory Loan' is 12 months.
- f) The Credit Union will require members to make monthly share deposits of a minimum of £10 for the duration of the loan.
- g) A member with an outstanding balance on an 'Introductory Loan' cannot apply for any additional loan until the 'Introductory Loan' is repaid in full.

9) *Emergency Loan*

- a) In the case of an emergency, a member can apply for an 'Emergency Loan', even if their application would contradict the requirements detailed in paragraph 6.
- b) The decision to approve an 'Emergency Loan' entirely lies at the discretion of the Credit Union.

10) *Policy review*

This policy will be reviewed annually in February, or sooner if required to allow for any changes in regulation, and/or to reflect a business need deemed urgent by the board.

Approved by Board of Directors at Board meeting dated: 31/1/2022