Credit Union Resilience Fund: Funding FAQs

What is the Credit Union Resilience Fund?

The Scottish Government have previously announced the creation of a £10m investment fund for credit unions with funding available over a three-year period. A first £2m was made available in the current financial year, with an additional £0.5m available from September 2020.

As a result of the COVID-19 outbreak in Scotland, the initial investments from this fund will be as a Credit Union Resilience Fund, primarily to support credit unions improve their liquidity positions in challenging times.

Who is eligible for the loan?

Credit Unions who are based and operating in Scotland; **and who have not applied** to the Credit Union Resilience Fund before.

What are the terms of the investment?

Investment is expected to be made available either as a simple loan or as subordinated debt (see below).

Loan fund for other working capital:

- Simple and flexible
- Interest free
- No security required
- No arrangement fee
- Amounts of **between £25,000 and £250,000** repayable over a term of 5 years (60 months). We can initially also provide up to 12 months of a capital holiday.
- Following any capital holiday, the principle amount is repaid over a fixed period via regular instalments of capital agreed at the outset of the investment.

How much information do I need to provide?

Alongside the application form, it would be useful to receive the latest set of annual accounts and your most recent quarterly return. We will also have a chat with you to understand a bit more about your current situation as part of the application process.

Will I have to speak to anyone?

Yes. We will give you a call to discuss the implications that Covid-19 is having on your organisation and discuss how this investment could support you.

What is subordinated debt?

Subordinated debt is a relatively unused commodity within the credit union sector. The subordinated loan is normally used to help give time for a credit union to get back into an adequate capital position after an emergency situation as it can be counted towards capital.

From the 4th year the loan is reduced by 20% per annum from the capital calculation. This doesn't mean the loan is repaid by 20% per annum it can remain unpaid until the redemption date. The borrower needs to plan adequately to ensure the capital remains within the criteria once the reductions come into force.

What happens if our organisation cannot afford to repay this investment?

When you take a loan from SIS you receive regular advice and support from an investment manager who will keep in touch with you to make sure things are going to plan. If things don't, then we will do all that we can to support your organisation to get through its challenging time and agree a suitable repayment plan.

Will any of my trustees lose their house if we are not able to pay back our loan?

No. We take no personal liability.

How long does the process take?

Particularly during these times, the team at SIS will work to support you as quickly as they can. You will hear whether your loan application has been successful within 10 working days.

Can I use this loan to repay other debt?

No. This fund exists to support with critical cashflow during the challenges presented due to COVID-19. Funds cannot be used to repay other debt.

Where can I find SIS's Data Protection Notice?

You can find SIS's Data Protection Notice on our website here. By submitting an application for this fund, you confirm that you understand and accept our obligations under the General Data Protection Regulation (GDPR) set out in Data Protection Notice here.

Where can I get more information?

You can find more information on our webpage, the guidance document or by emailing curf@socialinvestmentscotland.com.