

THE UNIVERSITY OF HULL

Financial exclusion and inclusion: credit union development in Kingston upon Hull

being a Thesis submitted for the degree of PhD

in the University of Hull

by

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January 2000

Summary of Thesis submitted for PhD degree

by Duncan Fuller

on

Financial exclusion and inclusion: credit union development in Kingston upon Hull

Within the flourishing area of new economic geography, increased attention is currently being paid to a variety of 'alternative' sources of credit and finance. As one of these forms, British credit unions are currently particularly 'sexy'. One reason for this status relates to increasing interest (both within the academy and outside) in the role(s) credit unions can play in relieving the effects of financial exclusion and poverty throughout Britain. In the context of the growing concerns of 'New Labour' about these issues, credit unions are progressively being posited as one route to a more inclusive society, both in social and economic terms. However, through an analysis that positions credit unions as 'civil', embodied, institutions in the specific context of their development in Kingston upon Hull, this thesis proposes that the achievement of such a goal is not a straightforward issue. This work questions the extent to which British credit unions have historically contributed towards financial inclusion, finding that such evidence remains partial and somewhat underlain by a 'faith' in the merits of the credit union model. As a consequence, it emphasises that in taking the route to a more financially included society through increased usage of credit unions, a number of barriers to their development and growth will have to be surmounted. These barriers are highlighted within this work through an exploration of a prevailing credit union discourse, which draws attention to the linkages between the structural features of the British credit union environment, and the manifestations of these features within localities such as Hull. In so doing, it concludes by outlining a number of challenges and changes facing the British movement that are reflective of a growing awareness of these barriers and their effects. It is argued that these features will broadly affect (and effect) the contribution made by credit unions within a more (financially) inclusive society in the years to come.

Acknowledgements

I would like to thank Andy Leyshon and David Sibley for their supervision during the course of this work; at the very least it has confirmed my belief that 'geography matters'! Many thanks are also due to those who have contributed critical advice to the various sections within, and the related papers that have emanated from it. Of these there are too many to mention, but Andy Jonas and Rob Kitchin deserve special mention. Thanks are also due in no small part to the staff from GEM at the University of Northumbria, both for their faith in non-Ph.D.-holding applicants (well, you could have re-advertised!), and their support since May 1998. However, this study could not have been undertaken without the members of the credit union movement in Hull. In particular, I am thoroughly indebted to Charlie McNeilly for making that call, and for Loraine Downs being on the end of the line. The help you offered, Chuck, has been astonishing, good fun, and more than I could ever have wished for (make sure you keep Colin well clear of any suitcases in future though). Thanks are also due to the members of Hull Credit Union Forum, and Hull Northern Credit Union for their constant and continued interest in this work, and the unyielding and critical support they have offered throughout its duration. Its also about time I thanked my mum and dad for their unwavering support through the university years (especially when that 'E' appeared), my beloved Ingrid, who helps keep my feet on the ground, Billy and Katy for their moments of madness, and of course, my FMs. Finally, this would not have happened without the inspiration derived from Roger Smith, who taught geography as it should be taught. I continue to be haunted by visions of those ties though...

Abstract

Within the flourishing area of new economic geography, increased attention is currently being paid to a variety of 'alternative' sources of credit and finance. As one of these forms, British credit unions are currently particularly 'sexy'. One reason for this status relates to increasing interest (both within the academy and outside) in the role(s) credit unions can play in relieving the effects of financial exclusion and poverty throughout Britain. In the context of the growing concerns of 'New Labour' about these issues, credit unions are progressively being posited as one route to a more inclusive society, both in social and economic terms. However, through an analysis that positions credit unions as 'civil', embodied, institutions in the specific context of their development in Kingston upon Hull, this thesis proposes that the achievement of such a goal is not a straightforward issue. This work questions the extent to which British credit unions have historically contributed towards financial inclusion, finding that such evidence remains partial and somewhat underlain by a 'faith' in the merits of the credit union model. As a consequence, it emphasises that in taking the route to a more financially included society through increased usage of credit unions, a number of barriers to their development and growth will have to be surmounted. These barriers are highlighted within this work through an exploration of a prevailing credit union discourse, which draws attention to the linkages between the structural features of the British credit union environment, and the manifestations of these features within localities such as Hull. In so doing, it concludes by outlining a number of challenges and changes facing the British movement that are reflective of a growing awareness of these barriers and their effects. It is argued that these features will broadly affect (and effect) the contribution made by credit unions within a more (financially) inclusive society in the years to come.

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Introduction

1.0 Credit unions and financial exclusion

Recent years have witnessed increasing documentation and analysis within geography of a variety of 'alternative' sources of credit and finance. This increased interest can be traced to an 'awakening' within human geography concerning the question of money and finance within capitalist society (Pratt, 1995). More specifically, Leyshon and Thrift's (1996) editorial for *Environment and Planning A*, and their subsequent compilation of papers, 'Money/Space' (Leyshon and Thrift, 1997), has marked a significant watershed in the discussion of the geographies of money and finance within geographical academic literature. Whilst these issues have only really been taken seriously in the last ten to fifteen years or so, '[t]his work, which constitutes a now recognisable sub-branch of economic geography has helped forge a new awareness of the dynamics of money and finance and has made an important contribution to our understanding of uneven economic development (Corbridge and Thrift, 1994; Leyshon, 1995)' (Leyshon and Thrift, 1996:1150).¹

In general terms this developing body of work has illustrated the manner in which, as a consequence of complex global financial processes and pressures, the British financial system has undergone profound restructuring in recent years. It has documented the manner in which the late 1980s onwards has been a period during which the financial services industry has been beset by large scale redundancies and major financial losses. The consequences of such events have led to recognition of a developing 'flight to quality' amongst financial services firms in developed countries, alongside the introduction of widespread elements of exclusion and closure within their operations (Leyshon and Thrift, 1993).

During the early to mid-1980s developing countries' debt crisis banks abandoned developing countries and began to seek out new customers in the developed world (Leyshon, 1994). As Leyshon and Thrift (1993: 239) have noted, 'a process of financial infrastructure withdrawal took place on an international scale, as credit and offices were withdrawn from the developing countries, with disastrous economic and social consequences (United Nations Centre on Transnational Corporations, 1988)'. More recently, a 'developed countries' debt crisis' has become apparent with the 'process of withdrawal and exclusion...repeating itself, but this time within the space economies of the developed nations' (ibid.). This has been characterised by the redirection of credit and financial capital within developed countries, away from poorer groups and areas towards a 'middle-class heartland'. Certainly such processes have been increasingly observable in Britain (Leyshon and Thrift, 1993; 1994; 1995; 1996), with certain sections of the community finding it increasingly difficult to gain access to the financial system.

As is suggested above, these matters have led to an recognition within geography of issues of both exclusion and inclusion in relation to the financial system. Reflecting broader trends within human geography, geographies of financial exclusion and inclusion increasingly demonstrate the intermixing and interdependent nature of the social, cultural and the economic. This relates to an acceptance that a wider movement of re-evaluation and reassessment of the role of money and finance now exists which 'is intent on bringing it back to the social and cultural realm from which it should never have been allowed to escape' (Leyshon and Thrift, 1996: 1155). For instance, within this flourishing area of new economic geography five main sub-areas of study can now be distinguished (ibid.). Alongside themes of regulation (Christopherson, 1993), institutional response to this regulation (for example, MacDonald, 1996), and the local geographical consequences of these responses (for example, Dymski and Veitch, 1996), the fourth and final strands of this sub-branch of economic geography revolve,

¹ That such a sub-branch is now discernible comes as quite a relief, this being a timely answer to the

to varying degrees, around the notion of 'embeddedness' and are characterised by 'the inevitable mixing of social and economic relations' (Leyshon and Thrift, 1996: 1153). It is within these final two strands that this work is situated.

The former theme concerns issues of poverty and appropriate public policy responses (both in the United States and in the UK), whilst the latter illustrates what Gunn and Gunn (1991) have termed 'alternative institutions of accumulation' (AIA's). Although these institutions are varied in scope and scale, at least four main types have been identified (Leyshon and Thrift, 1996): community development banks (see Taub, 1988; Barnekov and Jabber-Bey, 1993; the Economist, 1993); rotating savings and credit associations (ROSCAs) (see Geertz, 1962; Ardener, 1995; Bornstein, 1996; Counts, 1996; Ghazi, 1996); local exchange and trading systems (LETS) (see Lee, 1996; Thorne, 1996; Williams, 1996; Aldridge *et al*, 1998; 1999), alongside credit unions. Some of these sources undoubtedly provide a range of facilities to those marginalised from the 'mainstream' financial services sector in recent years. It is also clear however that such sources also represent alternatives to those inside the mainstream sector, if customers so choose (Ford and Rowlingson, 1994; 1996). Either way, such alternatives have the potential to play important roles within the geographies of financial inclusion, and there is a clear need for such roles to be fully explored.

2.0 AIA's, credit unions and the geographies of financial inclusion

Analysis of the geographies of financial inclusion is important for a number of reasons (Pratt, Leyshon and Thrift, 1996). On a general level, access to cheap, limited credit has perhaps become a minimum requirement of living in a western economy (Berthoud and Kempson, 1992; Leyshon and Thrift, 1995), or at least a 'social necessity' (Leyshon and Thrift, 1993: 2).

most frequently asked question relating to my research, 'but I thought you were doing geography?'.
3

This is most clearly expressed in relation to the increasing use of bank and building society accounts for the payment of bills and wages, and the need for credit when 'extraordinary payments' are required (Pratt, Leyshon and Thrift, 1996: 3). In this manner, the need to be 'financially included' continues to grow. From the perspective that over one quarter of the UK population may currently be without access to basic financial services (Pratt, Leyshon and Thrift, 1996), many of these alternative financial services increasingly appear to go where the 'mainstream' financial services either fear or are reluctant to tread. In effect therefore, they may be important financial service providers within specific local spaces. Most specifically, the clearest potential for their growth relates to the increasing new geographies of financial exclusion - the large areas of the United States (and now the United Kingdom) being faced with the closure and withdrawal of banking infrastructures - and the associated 'catastrophic economic consequences' and resultant deepening uneven development (Leyshon, 1995).

It can be suggested that in the absence of cheap(er) sources of credit and finance, any credit will have to do. Consequently one main need for analysis of these various alternatives relates to the wide variety of forms encompassed within such a term, and for their relative social and economic merits to be fully explored. For instance, this broad categorisation of alternative sources of credit and finance (to which other alternatives such as moneylenders, both legal and illegal, pawnbrokers and checktraders amongst other forms can be added) obviously incorporates a range of ideological standpoints upon which their operations are based and conducted. Distinctions can be drawn between these various forms relating to the aims, objectives and general *raison d'être*s for each alternative form's existence and operation. This can be conceptualised in terms of two inter-related continua, concerning whether the organisations are in private or social ownership, and secondly, whether their economic activity is used for primarily a financial and/or social return (UK Social Investment Forum, 1998). In such terms, these alternatives can also be viewed as more or less 'predatorial' in outlook

(Leyshon and Thrift, 1995). Here for instance, a working distinction can be considered between moneylenders and check-traders at one (primarily financial return, privately owned - 'more predatory') end of the 'alternative spectrum', and credit unions (social/financial return, social ownership - 'less/not predatory') at the other. Whether defined as 'predatorial' or not however, many, if not all of these forms are currently playing some role (at varying levels of economic and social cost to the consumer) within the geographies of financial inclusion. As such, there is a need for these roles, and their geographical consequences to be explored.

Clearly, such alternative sources may also represent an alternative choice to more 'mainstream' sources - people may (and do) actively choose to use their services, sometimes in addition to those from banks and building societies. This notion derives from Ford and Rowlingson's (1994; 1996) assertion that institutionally-led processes of financial exclusion 'may not be the whole story' (1996: 1347); that there is also a need to acknowledge the agency of those individuals who find themselves outside the banking system (or who indeed may not), and the "embedded", substantive social relations' (Leyshon and Thrift, 1996: 1152) that inform processes of financial exclusion and inclusion.

As a consequence, this work considers British credit union development as one form of alternative institution of accumulation. Specifically, it explores the development of credit unions within the city of Kingston upon Hull. Credit unions are mutual financial co-operatives which provide convenient and accessible savings and loans to their members (National Consumer Council, 1994). They are non-profit-making institutions owned and run by these members, each of whom share a 'common bond' based on the geographical area in which they live (or work), their occupation, or association (such as religion, or ethnic group). The members contribute regular savings to a central pool, which is subsequently used to provide low cost loans to members. There are over 600 registered credit unions across Britain, ranging

in size from as few as 50 members to in excess of 12,000. In geographical terms, the movement is particularly well represented in large urban centres in the north of England (as in Manchester and Newcastle) and Scotland (such as Strathclyde), in addition to a growing number of credit unions developing in cities and towns in the South. In all areas however there is vast potential for further growth.

This work considers three main issues of importance for the credit union movement in Britain (and Hull) today. First in noting the current sexiness of credit unions beyond the academy, it critically analyses the potential for credit unions to play a positive role in countering both social and financial exclusion. Secondly, and as a consequence of this analysis it considers the main barriers to achieving these aims, as observed on both a national, and local basis. Thirdly, and in light of these previous two issues, the potential for the growth of the credit union movement in terms of any future role within a more inclusive (and expanding) financial services market is also assessed. This assessment is made in light of a number of clear challenges and ‘calls for change’ that have emanated from both within the movement and outside in recent months (Fuller and Jonas, 1999a; 1999b; 1999c).

3.0 Outline of the thesis

As this work will highlight, credit union development in Britain is surrounded by as many concerns, as it is hopes, and the structure of the remainder of this work hopefully reflects these issues. It also hopefully stresses the importance of viewing credit unions as ‘embodied’ institutions, rather than uncontested spaces of purely economic consideration (for example, Fried *et al*, 1993; Barron *et al*, 1994; Kaushik *et al*, 1994; McKillop *et al*, 1995; Barham *et al*, 1996; Desai *et al*, 1996; and Spencer, 1996). This is emphasised from the outset of this

work, as it becomes clear that the author has been somewhat immersed within the inter-relational and social space of the credit union world throughout this study (Fuller, 1999).

Chapter One provides some form of response to the increased concern of how we, as academics, 'do' new economic geographies.² It elucidates upon the methodological issues encountered during the course of this research project, and which ultimately pervade the subsequent chapters of this work. It documents the project's 'untidy evolution', from an initial focus on bank manager practices in a number of British cities, to the eventual focus on credit union development in Hull. In particular however, it reflects upon the realisation that my own positionality and situatedness had to be continually engaged with throughout my research, largely as a consequence of my role as Public Relations Officer on Hull Credit Union Forum whilst my research was being 'conducted'. Despite continuing work within feminist research concerning issues of political commitment and critical forms of engagement, and an increasing desire within geography to effect social change through our privileged positions as academics, active, committed collaboration with groups involved in forms of social action continues to be underlain by ambiguity and anxiety. In this chapter I consider the potential role of the 'researcher as activist' within the sphere of financial exclusion, through documentation of my 'learning to cope' with the interaction and repositioning of my 'academic' and 'activist' identities as I became involved in credit union development within the city. I hope to illustrate how maintenance of a critical, multi-positioned (and repositioned) identity should be seen as a reflexive learning experience for researchers operating within ethnography, and participant observation in particular, and which can also be of benefit in the analysis of new economic geographies more generally.

² This relates to concerns epitomised by the Economic Geography Research Group session convened for the RGS/IBG 2000 conference entitled 'New economic geographies, new methodologies?'

Chapter Two highlights the developing interest in the geographies of financial services over the last decade. It begins by tracing back to early work on 'financial infrastructure withdrawal', and its links to wider processes of restructuring within the global financial services industry. It exemplifies such interest through a 'traditional' analysis of the process of financial infrastructure observable within Kingston upon Hull. The chapter then considers the critique of this institutionally-oriented work, and documents the transformation of 'financial infrastructure withdrawal' into the study of 'financial exclusion' with its increased recognition of consumer agency. As noted, within this sub-theme of new economic geography lies current work on AIAs, and the remainder of this chapter documents the international history of credit union development, as one form of AIA.

Chapter Three acknowledges the current sexiness of credit unions. Mirroring the increasing awareness within geography, recent years have also witnessed alternative sources of credit and finance increasingly being associated outside the academy with playing a key role in the alleviation of the effects of poverty within wider British society. Within a developing emphasis at national governmental levels on the effects of social and financial exclusion since the rise to power of 'New Labour' in 1997, the use of LETS and credit unions in particular have been identified as routes to a more inclusive society, both in social and economic terms (see Social Exclusion Unit, 1998; Fitchew, 1998; HM Treasury, 1998; HM Government, 1999). However, since the 1997 election these pronouncements have sat more and more uncomfortably alongside an absence of clear supporting evidence and practical exemplification of how British credit unions may have achieved these (or similar) goals in the past. In light of these perceived roles and unsubstantiated claims, this chapter analyses the extent to which British credit unions can be shown historically to have contributed towards sustainable development and the tackling of financial and social exclusion in Britain. In light of evidence documented over the last two decades it considers the extent to which credit unions have tackled poverty and reduced

inequalities, strengthened local economies, impacted positively on local employment levels, and incorporated environmentally-friendly schemes that have possessed an environmental, in addition to socio-economic focus. In all cases the potential for furthering such impacts is also considered.

In light of this analysis, chapters Four and Five consider reasons why the potential credit unions have been considered as showing has not yet been realised, utilising the author's participant observation within both the credit union movement in Hull, and nationally. In drawing on a recent influential (and controversial) commentary on the current state of the credit union movement (Jones, 1998b), these chapters argue that the barriers to credit union development in Britain may be considered as operating on two interconnected levels. Further, they argue that these barriers can profitably be considered within the notion of a prevailing 'credit union discourse'. Chapter Four concentrates on the two main 'structural' barriers to credit union growth and development; the slow and problematical development of the 'most restrictive credit union legislation in the world' (Fitchew, 1998: 1) and weak and disunited British credit union trade representation and organisation. Whilst there is a general acknowledgement within the movement (National Association of Credit Union Workers (NACUW), 1996) that such factors have had negative effects on the development of credit unions in Britain, these structural issues have often not been considered in any real depth. By contrast, this chapter suggests that these factors have combined to represent a 'non-facilitating environment' in which credit unions have strived to develop in Britain, and as such this 'environment', its historical development, and its resultant effects deserves increasing analysis than has hitherto been the case.

In this way, Chapter Five considers how the structural features outlined in the previous chapter have (directly and indirectly) manifested a set of 'paths of action' for credit union development

on the ground. As highlighted by Jones (1998b), and exemplified in the work of Fuller (1997, 1998), these 'paths' can be thought of as incorporating (and structuring) the ways credit unions are perceived within wider society, the role(s) they are considered as performing, and the organisational principles to be engendered within their operational development. They are reflected through such inter-related issues as credit union image, promotion, volunteer recruitment and training, local development strategies and relations to local structures of governance, and credit union operational characteristics. In many ways their effects can subsequently be expressed as a range of more 'qualitative', and localised barriers to development. These issues are explored in the context of credit union development in Hull.

The concluding chapter draws together these various findings, and (re)interprets them within the discussion of a number of fundamental challenges the credit union movement faces over the next few years. These challenges are likely to strongly influence the contribution credit unions can and will make towards financial inclusion. First, attempts are currently being made within the movement to transform the nature of credit unions as more widely used local providers of credit and finance (Jones, 1998a; 1998b). Second, and as noted above, the Government has been keen in recent years to highlight the positive impacts credit unions can make in terms of combating social exclusion and financial withdrawal (Fitchew, 1998; Social Exclusion Unit, 1998). Finally, in line with this support, two major developments are under way. First, the Credit Union Taskforce and the Social Exclusion Unit's Policy Action Team 14 (whose 'brief' lies in widening access to financial services) have recently published their reports designed to explore ways of helping more people on low incomes gain access to financial services. Secondly, progress is being made on the reform of British credit union legislation, 'the most restrictive credit unions legislation in the world' (Fitchew, 1998:1). Whilst being contentious in nature (Fuller, 1999), it is clear that all of these measures and challenges confronting the credit union movement are likely (if not intended) to influence the ways in which the movement

evolves, and in particular, which vision of the role of credit unions in British society takes hold in the future. Indeed, this work concludes by noting that these challenges and changes may have important consequences for the 'alternative' nature (and future) of the credit union model *per se* in years to come.

This work also contains three appendices.

Appendix One provides details of current credit union legislation. Appendix Two contains the main recommendations from the Inter-Association legislative Liaison Group, entitled 'Common ground: national goals for improving the laws governing credit unions. Appendix Three is intended to supplement the methodological discussion contained within Chapter 1 of this work. It expands on the discussion of the active and engaged methodological style employed within this work, something I will call 'participant integration', provides more specific methodological details of how this study was undertaken, and briefly comments on the narrative style which characterises this work.

Chapter 1

Methodological considerations: Part of the action, or 'going native? Learning to cope with the 'politics of integration'

1.0 Introduction

This chapter provides the methodological context for this study. It begins by documenting the historical development of this research project, and discusses the relevance of Kingston upon Hull as a focus for this study. However, the main aim of this chapter concerns an analysis of the role of the ethnographer in studying new economic geographies, through discussion of my own experiences as a participant within credit union development in Kingston upon Hull. In so doing it considers the potential role of the 'researcher as activist' through documentation of my 'learning to cope' with the interaction and repositioning of my 'academic' and 'activist' identities as I became involved in credit union development in Kingston upon Hull. It illustrates how maintenance of a critical, multi-positioned (and repositioned) identity can be seen as a beneficial reflexive learning experience for researchers operating within ethnography, and participant observation in particular, and for the research itself.

Within a discipline that has displayed sporadic interest in matters of 'relevance', 'social responsibility', and 'academic activism' (see Johnston, 1997), limited attempts have been made to address the 'politics of integration' within a 'researched-community' - issues and worries that arise (Blomley, 1994) when the researcher (sometimes unexpectedly, sometimes through choice) becomes actively involved within the community or group that (s)he was supposed to be 'studying'. When such active involvement occurs, anxieties ensue. There is perhaps a tacit notion that to be 'committed', to be *inside* the group, to work *with* it, results in the wholesale adoption of an uncritical, unquestioning position of approval in relation to that

group and their actions; thus the 'standard' of the research becomes questioned, its 'validity' threatened (Stanley and Wise, 1993). The inclusion within the research of the 'researcher as person' is interpreted as an apparent inability to distance him/herself from the events in which (s)he is participating, ultimately undermining the authority of the voice of the 'researcher as academic'. However, through the course of this chapter I will suggest that thoughts of these kind arise because the commitment associated with such integration requires the overt intersection of a researcher's (apparently separate) 'professional' ('researcher as academic') and 'personal' ('researcher as activist') identities.

In simple terms, such issues have at their core the process commonly referred to as 'going native'. This is indicative of the development of a sense of 'over-rapport' between the researcher and those 'under study' (Armstrong, 1993; 18). Hobbs (1988), Armstrong (1993) and May (1993) have all recounted how they were 'saved' from reaching such a point by 'going academic', but whilst such a move might be seen to be preferable in relation to their potential new careers (as petty criminal, football hooligan, and probation officer respectively), this chapter, and indeed this work in general, argues for greater awareness of another route through such 'troubles'. I hope to illustrate how mixing and manipulation of the researcher's various identities, and the transparent and overt recognition and awareness of the researcher's multiple positionality (as 'person', as 'academic', as 'activist') can instead benefit geographical ethnographic research within new economic geography in three main ways.

First, I want to suggest that the process of achieving such an aim, of being comfortable within the integrated position, and of being assured that the integrity of the research, and the social group in question is not being compromised, is a journey laden with difficulties of both a personal and professional nature. Consequently, this chapter seeks to elucidate upon this journeying, as I believe such transparency of thought and reflection will improve the design, implementation, and documentation of ethnographic research within geography. I consider

the political, emotional, and ethical issues that have arisen through my involvement as Public Relations Officer inside the credit union development movement in Kingston upon Hull (the 'researched community'), and the process of 'learning to cope' with the constant repositioning of identity, reassessment of motives, and the multiplicity of roles necessitated by such involvement ('the politics of integration'). Secondly, and as a consequence of this reflexive practice, I argue that a further layer of professional accountability is subsequently added to the research project, as the researcher interacts with his/her positioning and role(s). Thirdly, I note that this critical engagement may also allow academics to play a greater role in effecting social change – a role that has perhaps been limited by the degree to which such allegiances are condoned within wider academic circles as methodologically and contextually 'acceptable'.

1.1 From 'the couch' to credit unions - the 'untidy evolution' of a research project

The original theme of this research project was to apply psychoanalytical theory to understand the practices of bank managers and key personnel in the banking communities of Leeds, Birmingham and Newcastle. This was to involve multiple in-depth interviews with people whom I termed the 'purifiers of financial space'; those who accepted or excluded customers from access to 'formal' financial services. This theme was proposed in a submission for funding to the Economic and Social Research Council (ESRC) at what was perhaps the height of work into the process of financial infrastructure withdrawal (Leyshon and Thrift, 1993, 1994, 1995). Along with much work at this time it made little reference to the wide-ranging alternatives that financial service customers are presented with, and their ability to make a proactive choice in light of these alternatives. However, after accepting the position of Graduate Teaching Assistant within the Department of Geography at Hull, and failing to receive funding from the ESRC, the first few months saw a gradual shift in focus for my research towards a more critical, and perhaps more practical topic.

This shift was influenced by an early draft of Janet Ford and Karen Rowlingson's paper on financial exclusion (Ford and Rowlingson, 1994; 1996), and the need to reflect the importance of consumer agency within research on financial services generally. The central focus on bank managers, and use of psychoanalytical theory were altered to an investigation concerned with the prevalence and operational characteristics of alternative institutions of accumulation (Gunn and Gunn, 1991) within the city of Kingston upon Hull. In particular, my work would assess the degree to which such forms could take their place within a geography of financial inclusion within the city.

Focusing the project: the relevance of Kingston upon Hull

In retrospect the lack of a focus on Hull in my initial research topic is inexplicable. Kingston Upon Hull is Yorkshire's (and the old 'Humberside's') only maritime city. Both geographically and culturally the city is 'by itself' (Priestly, 1949), and has been variously described as 'unpressured', 'elusive', 'independent', 'parochial' and 'inward-looking' (Markham, 1991; Chester, 1996). As a recent City Regeneration Strategy (Hull City Council, 1994) argued, '[w]ith a strong educational sector, long-standing links with Europe and the rest of the world, attractive development opportunities and a unique heritage from medieval times, Hull is an attractive city in which to live and work'. However, and of strong importance to this study, the city is also characterised by a range of inherent problems, largely revolving around issues of poverty.

Forrest and Gordon (1993) have noted that, within the city, 'poverty in its broadest sense is widespread', with Hull having the 18th worst social deprivation and 20th worst material deprivation in England. Only eight local authorities ranked above Hull in both indices. A recent study of the image of the city noted that, 'the city, at least as constituted within its present boundaries, is relatively poor; census data confirm that it is still a predominately

working class city, characterised by serious levels of material and social deprivation', and that 'poverty and deprivation need to be tackled - a huge agenda in itself' (Spooner et al, 1995: 7-8). The 1994 City Regeneration Strategy noted how 'poverty blights the lives of many people living in Hull' (1994: 20). As some form of indication, figures concerning the allocation of the Social Fund, intended to help those already in receipt of income support, for the period April 1996 - March 1997 indicate the Hull population was in receipt of over £3 million in grants and loans during this period.¹ The 1991 Index of Local Conditions identified Hull as having the 13th highest unemployment in England, and the highest in Yorkshire and Humberside, with particular concentrations in the inner city and outer estate areas (Hull City Council, 1994). For those in work, wage levels are roughly 11% lower than the national average (Hull Economic Development Agency, 1996), and part-time working is common. Educational aspirations and achievements are also low when compared to national figures. Compared to 41% of school leavers who leave with five or more GCSEs graded A-C nationally, Hull has an estimated 18.7% (Hull City Council, 1994), whilst the percentage of Hull pupils aged 16 or over who stay on in education was 23.9% lower than the national average in 1992. Crime rates are higher in Hull than nationally. When national rates are indexed to 100, Hull's rate (in 1992) for 'all crime' was 200, and for burglary, 202.

Importantly however, and in addition to these general problems, a clear geography of inequality is also apparent within the city. Whilst the latest Index of Deprivation issued by the Government ranked Hull as 31st in the table of most deprived local authorities, it also noted how some 40% of it's population are in the worst 10 % of wards nationally (Hull Economic Development Agency, 1998). In 1994 an analysis was undertaken at enumeration district level using 13 indicators associated with social and material deprivation (Hull City Council, 1994). This analysis illustrated high levels of multiple deprivation on the city's

¹ Social Fund payments cover: Community Care grants, to help people lead independent lives in the community; Budgeting Loans, for those who have trouble in paying intermittent expenses; and Crisis Loans, to help meet expenses in an emergency, in addition to Maternity, Funeral and Cold Weather

outer estates (Orchard Park, Bransholme, North Hull, and Old Bilton Grange), and in the Thornton estate area to the west of the city centre. In addition, such a pattern of inequality, and clustering of deprivation can be further illustrated through a range of other indicators derived from the 1991 census. For example, in terms of owner-occupied housing Orchard Park, Bransholme, Old Bilton Grange and the Thornton Estate are all areas in which less than a quarter of housing was privately owned, most being Housing Association or Council-owned housing. In addition, most of these areas have less than 12% of their population employed in professional occupations, whilst there is also a clear clustering (of over 15%) of inactive residents in these areas. A good proportion of these areas are also characterised by low levels of car ownership.

Hull may therefore be described as a relatively poor city, with areas of severe social and economic deprivation. This observable geography of deprivation and inequality within the city boundaries became even more relevant when attention focused on the continuing process of financial infrastructure withdrawal observable within Hull, especially in the context of Dymski's (1994) comments concerning the linkages between presence or absence of financial infrastructure, and current and future levels of economic development. Analysis of this process was conducted through a combination of archival work, data derived from bank and building society material, and 'ground truthing' undertaken during 1996-97. It is considered in more depth in Chapter Two, but suffice it to say that with branch withdrawal levels approaching over 30%, the relevance of Hull to this study became increasingly apparent as the study progressed.

This observable and pervasive process of financial infrastructure withdrawal undoubtedly provided some context for the development of alternative institutions of accumulation within the city. However, an important early methodological consideration for this study involved

payments. As such, the size of the overall budget may be indicative of the financial standing of at least a proportion of the population as a whole.

the relationship between these 'mainstream' and 'alternative' forms, and the implications for how their use and development should be interpreted. It became clear early on that many of the 'alternative' financial systems and institutions observable within the city occupy a somewhat paradoxical position in relation to the withdrawal of 'mainstream' sources of finance and credit. Whilst attention has often been focused on their potential roles in countering financial (and social) exclusion, many (including credit unions) can be characterised as developing outside of these wider parameters and concerns (Ford and Rowlingson, 1994; 1996).

For example, reasons behind local credit union development may often be articulated with little apparent direct consideration of the current local provision of, or access to, local bank and building society branches, yet alone by reference to the local implications of wider, global restructuring and strategic developments within the financial services industry as a whole (as the next chapter will highlight). Similarly, the activities of the high street's 'major players' often (seemingly) have little direct impact on the strategic development of such alternatives within any location. However, there is an obvious thread binding these considerations together, most notably in terms of the increasing need for individuals to have access to some form of 'cheap' and affordable credit provision within modern society (Berthoud and Kempson, 1992; Leyshon and Thrift, 1995).

Clearly therefore, this combination of 'mainstream' and 'alternative' sources of finance and credit, and the geography of inequality and deprivation within Hull provided an 'obvious' environment in which to study financial exclusion and inclusion in a specific local context. The issues raised above also had implications concerning how the study was to be conducted.

1.2 Researcher as person / researcher as academic - active research within financial exclusion

How to undertake this work was partly informed by previous approaches that had been undertaken within this burgeoning field (Leyshon and Thrift, 1996). Leyshon and Thrift argued that increased awareness and elaboration had already illustrated the manner in which a number of these alternative financial systems had developed 'bottom-up', from 'largely practical initiatives' or 'institutional templates moving from the Third World to the First World'. This, they argued, had acted as a humbling of the academic gaze which tended 'to ignore social developments that are practical in nature, and therefore often not written down' (1996: 1154). In this context, it became clear over time that there were a number of methodological implications relating to research within this field. There was a need to 'get close' to the action; to use a method of analysis that would allow as faithful and 'accurate' an understanding of how these organisations developed 'on the ground' as possible. This related not only to the depth of the academic gaze, but to the methodological 'eyes' through which we would seek to uncover (yet alone understand) these alternative forms.

As Sibley argues, '[i]n the case of some minorities, the importance of agency may be underestimated, by academics and policy makers, because of a lack of knowledge and a failure to recognize other *knowledges*...which may be hidden from the view of the observer. (1990: 483). This seemed to have particular resonance for these forms of alternative financial systems, in that many of them appeared 'invisible' in the sense that they are constructed through networks of people, and not simply (or wholly) based around 'visible' points of reference within the city landscape. In order to uncover the system, there was a need to be able to identify the network through which the system works, and the people who made up that network. In short, 'if the world view of the group lies beyond the observer, it becomes

necessary to use a method of analysis which allows a faithful representation of that world view' (Sibley, 1990:484).

In the case of my own research into financial exclusion and inclusion in Kingston upon Hull, and the alternative forms of credit and finance available to the city's inhabitants, it was felt that the best route to a more faithful representation would come through use of ethnography. However, at the outset (and for long periods of the study) I had underestimated the degree to which 'I' would be an inclusive part of this approach. Further, the precise focus of this work, credit union development, was not to be arrived at until well into the prescribed period of study, and developed in a similarly untidy manner.

Getting to know you: making contacts and developing 'the focus'

Initial interviews concentrated on the general theme of what alternatives were available to the city's inhabitants. They commenced via two 'contacts' known to one of the lecturers within the geography department at Hull. One was named as a money advice worker who was employed by the Citizen's Advice Bureau on one of the city's estates, Bransholme. He was known to be actively involved with the development of alternative sources of finance, and in particular the local exchange trading system on that estate. The other was 'somebody from the Leisure Services Department' within the local Council, and was my first point of call. At that meeting I discovered that the worker's remit revolved specifically around credit union development within the city, and he knew considerably less about other alternative sources of credit and finance operating in Hull. As such the current state of credit union development at that time was discussed, and the existence of the Hull Credit Union Forum was revealed. This was described as a strategic body comprised of representatives from all the credit union working groups operating in the city, alongside other interested and committed individuals. He commented that there would be no problem in me observing any of their subsequent

meetings. I decided this would be highly beneficial for my work, and that I would contact the group in due course.

A week later, after a number of failed attempts to contact the money advice worker, a meeting was finally arranged. This was interesting because he worked on one of the city's estates that during my student days had possessed a highly negative image, at least amongst the student community. Although much of this negative image was no doubt constructed by people who had never been there, nor were ever likely to, it still made me nervous. It was also my first visit to a CAB office, and I didn't really know what to expect. On the day of the meeting I arrived quite early and went into the waiting room, introduced myself to the receptionist and sat down and waited for my contact to finish with his last 'case' of the day. It was a desperate place, a bit like a doctor's waiting room, with nobody speaking louder than a whisper, and everyone avoiding everybody else's eyes (or was it just me?). It was as if there was a stigma attached to being there, nobody wanting to be recognised or engaged with. It struck me immediately, the difference between 'me' and 'them', but I knew this was a factor borne largely out of my unfamiliarity first with the area, and secondly with the situation.²

Soon my contact 'rescued' me, and we had a long discussion about the development of LETS in the area, and his involvement with credit union development. He proved to be a very articulate, and theoretically very aware interviewee, particularly with regards to LETS. He was also useful in terms of his desire to 'publicise' the levels of deprivation that characterised

² I have never really had any money troubles - always had my parents to bail me out when debts got too big; safe in the knowledge that my days at university would provide me with a secure, high-paying job at the end of my time there (!). Unashamedly middle-class, though the first person in either of my parents' families to go to university, the whole interaction with people who were obviously less 'advantaged' than I was was a sobering and humbling experience. Don't get me wrong, my family certainly aren't rich. It's just that when you start talking in terms of not being able to afford to pay bills, pay the rent, or even buy food, it was definitely a side of the world that I had not encountered before.

the estate he worked on.³ At that meeting however he also provided a further contact whom had been a central figure in the development of a credit union working group on another of the city's estates. Whilst I was there, he rang her up, and in the best tradition of losing control over an interview plan handed the phone over to me! As a stroke of good fortune, the credit union working group was to hold a meeting the following night, and I was cordially invited to attend. I happily accepted the invitation totally unaware at the time of the impact this one phone call would have on my research as whole.

Before the meeting started the following evening the worker informed me that one of the reasons she was going to help me was that she had once been a geography student in the Department at Hull. Although the names of lecturers she gave me meant absolutely nothing to me (and still don't, but I haven't had the courage to ask her if she in fact meant the place next door (the University of Humberside), and risk breaking 'the spell'), this common link seemed of immense benefit in terms of her being immediately approachable on the one hand, and being eager to help on the other. It was the proverbial gift-horse, and which ultimately led to the focus of my work narrowing to the specific issue of credit union development within the city. However, in so doing, it led to a range of 'problems' that I had not foreseen (or considered) at the outset of the project. Specifically, these related to issues of researcher positionality and situatedness.

1.3 Positionality, situatedness, and 'relevance'

My early interactions with the credit union community in Hull largely represented the 'textbook style' ethnography of the detached observer: sitting and observing at various meetings, making no comment. However, as Stanley and Wise have argued, 'reasonable people behave in ordinary and everyday ways - unless they are odd or peculiar in some way'

³ Others described this feature variously as an obsession, or as a chip on is shoulder, but it was certainly borne out of the view that the estate had been severely ignored within Hull as a whole.

(1993: 156), and looking at me, looking at them, I certainly felt out of place. Certainly, part of feeling 'odd' was that I could walk away at the end of any meeting or gathering, and return to my own social and economic 'normality' or milieu. However, the implications of my academic identity would also surface in time. Despite these obvious differences in experience I had obviously done something right, as my relations with the credit union development community in Hull developed over a period of months. Relationships that had commenced on a 'professional' basis became increasingly personal, as I would receive (and accept) invitations to social gatherings that seemed to go hand in hand with post-meeting synopsis. Although it was clear that different venues and circumstances for these gatherings elicited varying information to that which I accrued in normal meetings, the 'social side' also allowed discussion of non-credit union related activities and experiences.

I was becoming increasingly aware that 'the personal is the political' (Stanley and Wise, 1993). Routledge (1996) has noted how political awareness can come through personal involvement, and that strategies of involvement and integration enable the deconstruction of the all-too-apparent barriers between the academy and 'the lives of the people it professes to represent' (Katz, 1994:73). In such a manner, academics can strive to ensure that 'scholarly work interprets and effects social change' (ibid.).

Clearly, concern for the role, situatedness and positionality of the researcher is hardly new (see Johnston, 1997 Ch 9). The interface between geographical research and social action was explored to some extent within the 'radical' geographies of the early 1970s, with the 'revolution of relevance' (Dickinson and Clarke, 1972) and the 'revolution of social responsibility' (Prince, 1971). Smith (1976: 84) noted at the time how, '[w]e are beginning to realize that masses of numerical data and sharp analytical tools are not in themselves enough: basic mechanisms for resource allocation and real-income distribution must be changed if spatial inequality/discrimination/injustice is to be reduced or eliminated. This, in

its turn, requires changes in personal and professional values. We cannot retreat into abstract analysis and ethical neutrality. The real world requires involvement in social change, for we are among the 'actors' ourselves. As part of the problem, we must participate in the solution.' In many ways however, it was the ability to influence policy in particular that was a main focus and goal, with geographers seen to be, 'the best equipped intellectually to interpret social goals in terms of planning outcomes' (Blowers, 1974: 36). 'Participation', specifically related to notions of action and activism appeared somewhat restrained, particularly in terms of direct contact and co-operation with those traditionally deemed to be 'under study'.

Bunge (1971; 1973a; 1973b) represents one exception to this general rule, as a member of the academy who did take the step 'onto the streets', and in so doing helped identify and embody many of the issues that can arise when such a move is made.⁴ In developing his 'geobiography' of his home area in Detroit, it was argued that what Bunge had achieved was a 'redefinition of the research problematic and intellectual commitment of the researcher away from a smug campus career, to one incorporating a dedicated community perspective which pivots around what Howe (1954) in another context called a 'spirit of iconoclasm'' (Merrifield, 1995: 57). This redefinition however was an uncomfortable process. Bunge's 'critical positioning' (Merrifield, 1995: 52) manifested itself through an awareness that his 'life had been spent buried in books' (Bunge, 1979: 170 cited in Merrifield, 1995: 53). As Merrifield highlights, the interaction between Bunge and the Detroit locals, his integration with them, became defined in terms of survival, or 'the fragile thread binding logic, ethics and politics' (1995: 54). Through his awareness of his positionality in relation to the Detroit community, he questioned the ability of the researcher to empathise and situate him/her self within an impoverished community. This was encapsulated within his acceptance of the 'big important gaps' that would exist as a result of his inability to situate his-self outside of his

past. In particular, the route through this survival would involve emotional difficulty, an honest political and intellectual commitment to the expedition, and dogged determination (Merrifield, 1995); part of the learning was coping.

This desire to effect social change through our privileged positions as academics is revealed more recently by the works of Blomley (1994), Katz (1992), Kitchin (1999) and Routledge (1996). In calling for a greater degree of engagement between those within the academy and those on the 'outside', these works are underlain by the belief that academic disengagement is tantamount to complicity in oppression:

To ignore our implications in the strategies of domination that inhere in all modes of representation is not only irresponsible, but ultimately disables political engagement with the structures of dominance and power (Katz, 1992: 456).

In order for the academic to actively counter oppression, she/he must occupy a space in which the situatedness of our knowledges and our positionalities is constantly renegotiated and critically engaged with. This space necessarily involves the removal of artificial boundaries between researcher, activist, teacher and person, and proposes instead movement between these various identities in order to facilitate engagement between and within them. (Routledge, 1996). This critical engagement involves a continual questioning of the researcher's social location (in terms of class, gender, ethnicity and so on), in addition to the physical location of their research, their disciplinary location, and their political position and personality (Robinson, 1994). Use of this 'space of betweenness' (Katz, 1994) allows the framing, manipulation and intermixing of questions and work of substantive, theoretical, and practical significance:

⁴ Whilst the context here is situated in terms of the methodological insights that can be derived from his work, Bunge's relations with the academy itself can also be viewed as indicative (to some degree at

By operating within these multiple contexts all the time, we may begin to learn not to displace or separate so as to see and speak, but to see, be seen, speak, listen and be heard in the multiply determined fields that we are everywhere, always in. In this way we can build a politics of engagement and simultaneously practice committed scholarship' (Katz, 1994: 72).

As Katz's quote alludes however, at the heart of these anxieties lies a strange paradox. In our daily lives we are constantly repositioning and renegotiating our identities and personalities in line with different situations, different spaces, and different people, and we seem to do so relatively unproblematically; we are 'different people' in different circumstances, we have different identities or roles in different spaces or places. When confronted with the seemingly straightforward task of moving between academic and activist identities and activities, however, a range of anxieties seemingly come to the fore. For instance, Blomley (1994) has noted that the relationship between activism and the academy continues to promote feelings of anxiety. In considering the 'unexplored bifurcation' in his political-academic life, Blomley talks of being 'increasingly embroiled in political activism outside the academy'. He has struggled with the linkages between the academic world and his community activism, and argues that consideration of such issues 'takes us to the heart of many knotty and unsettling questions that also relate to academic inquiry and critical theory' (1994: 383).

It can, however, be suggested that such feelings of anxiety are not really surprising, in that (to turn Stanley and Wise's statement around) 'the political' is unavoidably 'the personal'. Political actions, and the subsequent movement between the academics' various identities are informed by, and reflective of, a range of personal and emotional issues and consequences. These issues and the need to interact with them should be viewed as inseparable to wider methodological considerations. However, and as Katz also suggests, the ability to achieve

least) of the perils of merging academic and activist roles.

such movement forms part of a learning process for the researcher, a task encapsulated within the following quote from Routledge (1996: 407):

This involves what Probyn (1992) refers to as placing the experiences of our selves, and of our differences, to work where our voices may be able to reach, touch, change others, to the centrality of theorizing through one's feeling in and through another. It involves creating heterogeneous affinities with resisting others that are not merely confined to conferences, reading groups, and specialty groups, but which articulate alternative geographies (both personal and collective) in landscapes of our own choosing.

The constant renegotiation of positionality required within such engagement is not an easy experience to come to terms with personally or professionally, either in practical or theoretical terms. This is particularly the case when the researcher finds her/himself thrust into a participative or integrative position that had not been foreseen, intended or planned for at the outset of their work, for when this happens, the resultant effects (at least in my own experience) include the development of an almost persistent questioning of my self. Theorising this experience has not been met by sudden revelation (Doel, 1998); instead, it is a painful, abject journey, most notably through the continuous possibility that I may have been affecting/effecting my own research agenda. However whilst claims to objectivity and detachment are perhaps the easiest routes out of this conundrum ('going academic?'), an alternative route is for this journeying to be made more transparent, to be highlighted as an integral (or unavoidable) part of the research process. Such thoughts must pervade the research as it is undertaken, and continue to hover (Kristeva, 1982) long after any withdrawal has been made. This is part of the learning process - as much reflection as it is action.

Put simply, the researcher needs to learn how to move between his/her various identities, and to be aware (to be able to read) the effects of this movement on his/her research as a whole. As a consequence, there is a clear need for such skills and their acquisition/development to be highlighted as an integral part of the 'learning' and documentation of the ethnographic method. From the supposition that the experiential nature of ethnographic work is part of its inherent strength as a research method, such anxieties can be understood (at least in part) as a product of the lack of the inclusion of the researcher as person within such work, and a lack of awareness of the necessary learning required in coming to terms with this inclusion.

Such a process can be placed in the context of coming to terms with, or being more aware at the outset of, the implications of these roles within our more general identities as academics. There is a need for the researcher to consider his/her place within the research process, not least because his/her inclusion in this process is both undeniable and unavoidable. Considerations of such issues and the process of learning must form as important a part of the research project, as any 'data' recorded in 'the field'. Yes, there is a danger of over-stressing the importance of the researcher as person within our work. However, I would argue that such a danger is incomparable with the false and misleading presentation of the researcher (and research itself) as inert, detached, and neutral.

Consequently, the remainder of this chapter explores (and exemplifies) such issues concerning the potential role of the researcher as activist within the sphere of financial exclusion through documentation of my learning to cope with the interaction and repositioning of my academic and activist identities. Through this exploration it seeks to develop the notion of a learning experience within the need to maintain a critical, multi-positioned (and repositioned) identity.

1.4 Becoming part of the action

My relations with the credit union actors in Hull developed from those initial meetings and social gatherings over time to the extent that in 1996 I was invited to stand formally for a place on Hull Credit Union Forum's Committee, an umbrella organisation that brings together existing and developing credit unions in the city in order to share issues of common concern and develop resources, training materials, publicity and other shared activities. At the time I did not perceive that acceptance of this position would present any major problems for my work; indeed I thought it would probably improve my understanding of events and views in Hull, and enable me to be closer to the action. However, after the main positions on the Committee had been elected discussion began around the potential for a new role of Public Relations Officer, to handle the publicity aspect of credit union issues within the city. I admit I suggested the role, as it seemed a logical idea to have someone specifically charged with raising public awareness, and, after everyone had agreed that such a post would be beneficial I was nominated and seconded to carry out the duties. This was also a task I happily accepted. My reaction was that I was now in a position to repay the community, not in terms of any lofty academic intervention, but through more 'relevant' attributes such as writing and presentation skills, and the use of links I had developed with a variety of other influential actors within the city. I could also act as a facilitator for linking wider practical and theoretical considerations from national and international development with local strategies. As such I was pleased that I would have the opportunity to be 'useful' to them, but certainly not in any heroic sense.

However, as time progressed, my position within the community was becoming more aligned to activism that it was to observing that activism. The 'political' had developed through the 'personal', requiring an increasing degree of reflection on the way my own thoughts and actions were incorporated within the operations of these groups. I began to assess my

motives on virtually every decision that I took relating to my work within the Forum, and every question I raised (am I *genuinely* helping them, or am I exploiting them?). This growing anxiety surrounding my role(s) was epitomised in January 1997, when it was announced that the entirety of Hull City Council's Leisure Services department, including the city's two part-time credit union development workers, had been given 90-days notice as a result of huge savings the council were looking to make before April 1. One part of me was absolutely shocked, not to mention extremely annoyed that the council were apparently willing (as I perceived it) to sacrifice the interests of the credit union development community within the city (Fuller, 1997). However, on hearing the news I could not help another part of me thinking of the great 'copy' such an announcement would make – this was exactly the kind of material that would benefit my research story. These thoughts soon passed when the realisation of what the situation actually meant, not only in terms of its possible effects on the credit union movement in Hull, but also in terms of the effect on all the workers involved, and I was quite quickly ashamed of having had those thoughts in the first place.

Learning to cope with the 'politics of integration'

In terms of the methodological issues involved I was becoming increasingly aware of the conflict between the 'detached observer' and the unavoidable inclusion of the researcher. This conflict became increasingly apparent the closer I came to the groups and ideas I was studying.⁵ My initial attempts at understanding these feelings were encapsulated in the oft-quoted analogy of wearing different 'hats' in different circumstances. However, as the situation became more complicated, with more of my time being spent working with and for the groups, this thought changed to me having two 'heads', one the researcher's, the other the 'normal me', a problem vividly described by Stanley and Wise (1993: 156):

[H]ow [can we] tell 'when we are experiencing things as a researcher' and 'when we are experiencing them as a person' [?] We are encouraged to believe that there is a difference between these two states of being - that we do different things, conduct ourselves differently, in each of them. If we fail to recognize our research as suitably 'objective', 'scholarly', 'non-directive', then we may fail to recognize when the research has 'begun'. Frequently research students doing ethnographic work report that none of the expected events and stages that they have read about have occurred to them while many that are taboo have (Georges and Jones, 1980). 'Rapport' does not occur, 'overinvolvement' does, 'detachment' is lost sight of. And after this comes the problem of coping with yourself as a 'failed researcher' - usually at the point when your research has to be written up and presented in such a way that your credibility is maintained'.

Over time however, and as my experience with the situation grew, the 'hat and head' problem seemed to ease, as both 'heads' came together. I was learning how to position myself so as to be both committed and critical. At meetings, I became aware that I was not treated differently, as perhaps I had been before - I was no longer an outside observer, but was 'inside' making a contribution. Views, opinions and strategies expressed at meetings and gatherings would be represented sympathetically but critically. Where I did not agree with what other members were saying, or directions they were taking, I voiced such concerns, whereas before I would perhaps have observed and criticised in the safety of my notebook. I was also becoming aware that the other members at such meetings were also moving through a learning experience in terms of their (inter-)relations with me, as my label changed from 'the researcher/academic' to 'fellow member'. The growing awareness of this enabled me to place my anxieties concerning my positionality in some form of context; for me, anxieties arose through the relationship between me, the group, and my research; for them, anxieties

⁵ For 'apparent', read 'confusing'. 'distressing'. 'unloving'...

were cast in terms of the impact on their lives of my being there, and the positive and negative effects that my work could potentially represent. Indeed, initially the impacts were largely perceived as negative. However, over time, and as my commitment to credit union development increased (essentially, as I proved myself) they became aware of the positive effects that using my position and research could potentially bring.

This was exemplified through my interaction with one study group in particular. After my election as public relations officer, I found it particularly difficult (especially during the long period when I was uncomfortable with my new role) to develop strong links and relationships with one of the city's study groups. This was mainly due to their belief that the Forum failed to serve any beneficial role for study groups prior to their registration, and, as I had now taken on the forum label (rather than simply being an outside researcher) I was perceived as representing and endorsing the views and beliefs of the forum. This was a specific problem of access that I had not previously encountered.

However, as I became more comfortable with my position(s), and learnt how to negotiate between my various roles, I undertook an examination of what this group felt the Forum lacked in terms of facilitating study group development. Through increased contact over a period of weeks I attempted to emphasise my 'researcher-identity' over my Forum role, restoring their vision of me as the external researcher, probing their likes and dislikes and enabling them to articulate concerns that perhaps they would not have shared with another Forum member. With this information, I would then gradually re-articulate their views through my Forum role, allowing them to understand (and learn) how to use my various identities to voice their concerns.

1.5 Conclusions: Putting our-selves on the line?

From my initial, pre-thesis perception of research as 'smooth,...neat, tidy and unproblematic' (Punch, 1986: 13-14), I have gradually moved towards Fraser's assertion that critical social theory (and critical geography) should frame 'its research program and its conceptual framework with an eye to the aims and activities of those oppositional movements with which it has a partisan, though not uncritical identification (1989: 113, cited in Routledge, 1996). Indeed, Routledge goes further, arguing for engagement and collaboration, 'a situation of critical thought as action-oriented and engaged with the claims, goals, and actions of social movements (1996: 406), and I would agree with such sentiments. Where feasible, geographers should attempt to make an active/direct difference, or at least not consciously avoid being in a position to be able to do so. Clearly there are implications concerning the relationship between researchers and those social movements or groups with which they have no apparent sympathy, or for researchers working in areas of the subject where the scope for increased synthesis of academic and activist perspectives appears more limited. However it is better to engage with these implications, than to use them uncritically in order to justify political neutrality and inactivity.

Such engagement, and the development of a committed, collaborative approach to political issues (in its broadest sense) ought to represent few problems, in that such aims are common features of many forms of normal social interaction (Katz, 1994). However, during the course of this chapter I have suggested that becoming 'part of the action' within a 'researched-community', and specifically those associated with forms of social action, is fraught with difficulties. Such difficulties are related on a general level to the way in which such an integrated position - the combination of professional and personal identities - is generally viewed in a negative manner within academic circles. This is indicated by attempts to steer researcher involvement away from the dreaded consequences of 'going native': the

apparent loss of validity, integrity, criticality, necessary distance, formality, and ultimately reputation. In this context, the integrated position is a position of anxiety, an uncomfortable position in which the researcher is faced with the realisation that through being incorporated within the research community that (s)he was supposed to be studying, (s)he has effectively 'failed', as Stanley and Wise (1993) have noted.

Faced with such a situation however, I have argued that 'going academic' represents only one alternative. There is a space in which constant reassessment, renegotiation, and repositioning of a researcher's various identities allows the development of a collaborative position from which "the construction of flexible, practical relations of solidarity"[Pfeil, 1994:225] [can be] constructed through various forms of dialogue and struggle" (Routledge, 1996: 414) between those in the academy, and those involved in effecting social change. However, the achievement of such an aim itself is fraught with difficulties of both a professional and personal nature, with anxieties developing as the personal and professional spheres of the researcher/activist are combined, intertwined, manipulated, and recast. Specifically, it represents a learning process of 'coming to terms with', of coping, with such multiple positionality and repositioning, that is comparable with the learning of so many other integral facets associated with the effective use of ethnographic or participant observation approaches to research.

As such, this chapter has sought to make awareness of such issues more transparent through my own experiences working 'inside' the credit union development movement in Hull, and the documentation of my own learning process. In so doing, it may also provide a route for academics to play a greater role in actively striving to effect social change, within a discipline that, as Blomley (1994) has argued, appears to be complicit in the paradox of educating students in the simultaneous existence of the political and the theoretical, when our actions

(or lack of them) as academics often seem to indicate otherwise. Surely this is an ideal that is worth striving, learning, and putting our-selves on the line for?

With these thoughts permeating my research, I turn now to a consideration of how recent work concerning the development of credit unions, and other 'alternative' financial institutions can be traced back through the recent development of the now discernible sub-theme of economic geography, financial exclusion (Leyshon and Thrift, 1996). The chapter illustrates how this sub-theme itself has roots in the documentation of the process of financial infrastructure withdrawal that has become increasingly prevalent within Britain, and Kingston upon Hull, today.

Chapter 2

From Financial Infrastructure Withdrawal to Financial Exclusion

2.0 Introduction

This chapter provides an overview of the developing interest in geographies of financial services over the last 10-20 years. It begins with documentation of the process of financial infrastructural withdrawal (FIW) and its links to wider, global forces and processes, illustrating this style of analysis with reference to its manifestation within Kingston upon Hull. It then considers its subsequent 'reinvention', following a critique of the institutional-centred nature of much FIW work (Ford and Rowlingson, 1994; 1996) as the geographies of financial exclusion and inclusion. It is within this latter sub-discipline of new economic geography (Leyshon and Thrift, 1996) that an increased awareness of alternative institutions of accumulation (Gunn and Gunn, 1991) has developed in recent years. The variety of forms within these terms are again highlighted through analysis of their provision in Hull. As one such type of alternative, the remainder of the chapter then focuses on credit unions. It documents the international and British history of credit union development, and briefly reviews the main philosophical standpoints that characterise the British movement (Berthoud and Hinton, 1989)

As noted in the last chapter however, the link between such alternatives and wider processes of financial service restructuring is often not as direct as it may seem. Thus, this chapter progresses from two related acknowledgements. First, that although increased interest in these alternatives is documented here and elsewhere (see Leyshon and Thrift, 1996), quite logically, as forming part of a developing theme within new economic geography, the development of alternative institutions of accumulation on the ground does not always

proceed from a desire to specifically provide access to those already denied from other sources (that is, those specifically 'affected' by these wider concerns). Secondly, this logical documentation, and the manner in which it highlights the interconnectedness of processes and manifestations at different scales (from global forces, to national manifestations of 'the problem' (FIW), to local responses) also to a certain extent belies the manner in which many of these initiatives develop from, and are theorised as grounded, bottom-up strategies independent of these wider issues. Yes, there are undoubted important linkages and recurring themes, but they may not be as direct as the literature (including this chapter) may sometimes imply.

2.1 Global forces, local consequences

In the wake of global restructuring of the world's financial markets during the early 1980s, the emergence of a 'new international financial system' (Thrift and Leyshon, 1988), the developing country debt crisis of the late 1970s and early 1980s, and the more recent developed countries debt crisis, geographers have paid increasing attention to the manner in which the financial system has effectively been remade through the reactions of international banks to these events.¹ Initial interest focused on the manner in which much of the developing world was consequently excluded from the international financial system as a consequence of the developing countries debt crisis. The 'global' financial system became increasingly concentrated between the three regional blocs of the industrialised world, North America, Europe, and South East Asia (O'Brien, 1991; Hirst and Thompson, 1992), with three 'centres of financial co-ordination' or 'financial command posts' of note: London, New York, and Tokyo (Leyshon et al., 1987; Sassen, 1991; Amin and Thrift, 1992). This reorientation of

¹ It is not my intention to replicate material concerning this restructuring of the international financial system that exists in greater detail and depth elsewhere. To these ends, I would direct the reader towards Leyshon and Thrift (1993), Leyshon and Thrift (1997), *The Economist* (1993), Moran (1991), and the Bank for International Settlements (1992).

credit flows was followed by the closure of the offices of international banks in developing countries, with between 1980 and 1985 the world's 100 largest banks closing 24 per cent of their offices in these countries (United Nations Centre on Transnational Corporations, 1988).

As banks abandoned the developing world, they turned increasingly to the developed countries for their new customer base. Through these new markets, the 1980s became characterised as a period of rapid growth within the financial services industry, and witnessed the initiation of a credit boom. Large amounts of credit were provided for construction industries, for the purchase of property (Warf, 1994), for increasingly aggressive rounds of corporate restructuring (Clark, 1989), and for personal loans and other credit facilities in order to support the consumption of goods and services (Berthoud and Kempson, 1992; Ford, 1988; 1991). However, as the 'credit bubble' burst, and the Government was forced to stabilise wage inflation and increase interest rates, Britain entered into a second recession in the space of a decade (Peck and Tickell, 1992; Leyshon and Thrift, 1993).

The 'developed countries debt crisis' was founded in non-performing personal and corporate property loans (Warf, 1994; Berthoud and Kempson, 1992; Ford, 1988; 1991). These led to a sharp increase in indebtedness within the core capitalist countries, so that by the late 1980s household indebtedness levels were more than 90% of disposable income in both the United States of America and Japan, and more than 100% of disposable income in the UK (Bank for International Settlements, 1991: 107). As a consequence, financial service firms were forced to rediscover the merits of caution. In 1993, Leyshon and Thrift noted how, '[c]redit lines are being withdrawn or reduced, and much greater attention is being paid to risk management and risk reduction (B.I.S, 1992)' (1993:230).

There has been a general re-direction of credit away from poorer social groups towards richer groups as part of a strategy of risk avoidance, 'an insidious and largely unremarked upon

assault by financial capital upon poorer and disadvantaged groups' (Leyshon, 1994: 2). Reflecting this re-direction was the process of 'financial infrastructure withdrawal' (Leyshon and Thrift, 1994) which became increasingly discernible within developed countries during the late 1980s and early 1990s. Documentation of this process in the UK however was foregrounded by the fact that similar activity had been observable in the United States for some time.

Financial infrastructure withdrawal in the United States

In the wake of rapid technological change in the US retail financial services industry, the crisis of the savings and loans industry, a downturn in the US economy, and increasing competition between retail financial firms, financial services firms found it necessary to focus their attention increasingly on the costs incurred in their businesses and the risks taken during the course of this business. As a consequence, the financial services industry retreated to a largely middle-class heartland, characterised by predominantly white, suburban communities, in the search for fee-income and investment accounts (Mitchell, 1990; Christopherson, 1993). As a corollary, the industry started to selectively withdraw its services from certain poorer communities:

For some firms, retail banking has changed from an industry in which the central activity is the provision of services to a wide range of customers to one in which the central activity is the sale of financial products to a narrow range of customers (Rankin, 1990). (Christopherson, 1993: 279-280)

Leyshon and Thrift (1993) have noted how as much as 15% of some bank branch networks were closed down, most of which were in low income inner city areas, and usually those particularly associated with minority ethnic groups:

New practices have come about as banks attempt to withdraw or increase revenue from routine transactions-intensive markets and focus on market with the potential for higher value-added transactions. As banks have established minimum account balances and imposed fees on small accounts, increasing numbers of people, especially in poor neighbourhoods and communities, have had to forgo basic banking services, such as checking accounts. This change is visibly apparent in the burgeoning growth of cheque cashing services in poor neighbourhoods and in the closing of branch banks (Obermiller, 1988; New York Times, 1992). (Christopherson, 1993: 280)

Similar strategies had been occurring within other financial institutions, such as the savings and loans, and insurance industries. In the savings and loans industry the desire to reduce costs led to reduced access to residential mortgage finance in poorer areas, and occasionally redlining (Dymski, Veitch and White, 1991). Work on insurance industries (Squires and Velez, 1987; Squires, Velez and Taueber, 1991) highlighted the existence of similar redlining strategies.

In this way, there has been increasing documentation of the way poorer inner city and rural areas of the United States were, and have continued to be stripped of even the most basic financial infrastructure (Haas, 1992; Christopherson, 1993; Lash and Urry, 1993). Christopherson (1993) in particular has highlighted a number of studies (Towle, 1990; Harrigan, 1989; New York Times, 1992) that help illustrate the prevalence of the process of withdrawal in the United States. Towle (1990) had documented how Manufacturers Hanover targeted a market that constituted approximately 40% of the total population they originally provided with banking services, citing better services and more convenience as their main

aim. Towle noted how branches were also automated, with a consequential loss of 24% of the workforce over 5 years, and a related decline of 15% of the branch network (in 'unfavourable market areas'). Harrigan (1989) had studied branch openings and closings in the New York metropolitan area in the late 1980s. He noted that 55 full-service bank branches were closed in New York City between 1985 and 1989 while 34 opened. These closures had a notable geography, with seventeen closures occurring in predominantly minority neighbourhoods, while only two (small, low-capital) banks opened in these areas. A third study included by Christopherson, conducted by the New York City Affairs Department (noted in the New York Times, 1992) concerned branch closures in the poorest fifth of the neighbourhoods in Brooklyn and the Bronx. In these areas 30% of bank branches in Brooklyn had been closed between 1978 and 1990, whilst figures for the Bronx showed closure rates of around half the branch network. Christopherson (1993: 281) again draws attention to the micro-geography behind the closures, alongside their wider geographical prevalence:

Although mergers and acquisitions have resulted in branch closings everywhere, the pattern of closings is uneven. During the same 1978-90 period, only 15% of existing branches were closed in affluent areas (New York Times, 1992). These findings have been replicated across a range of large US cities (Campen, 1992).'

Dymski, for example has documented changes in the provision of financial services within the Los Angeles area, with similar consequences:

[T]he renewal going on within minority-dominated communities within L.A. is, ultimately, selective. Overall, the lack of a banking infrastructure generates perverse financial and growth dynamics, leaving many of L.A.'s

residents without capital, without credit, and without hope of escape in a web of power over which they lack control' (1992:35).

The rationale behind such selective closures has also been analysed. Christopherson noted Rankin's (1990) account of how the neighbourhood branch 'operates as a drag (upon the bank) unless the branch is located in the neighbourhoods where the 'cream' of the market reside', whilst Dennis' (1984) study highlights the transformation occurring within the banking sector as, again, the targeting of the 'cream of the market' has replaced the nurturing of long term customers.

Despite the relative paucity of research concerned with such issues in Britain (notable exceptions being Patel and Hamnett, 1987; Toporowski, 1987; Ford, 1988; 1991; Berthoud and Kempson, 1992; Jones, 1992; Mitchell, 1992; Leyshon and Thrift, 1993; Leyshon et al., 1993; and Leyshon, 1994), many of the trends observable in the financial infrastructure of the United States have also developed apace in Britain.

Financial infrastructure withdrawal in Britain

The 1980s in Britain was a period in which the re-regulation of the financial system initiated a higher degree of competition amongst financial service firms. Increasing numbers of people were drawn into the financial system as it became 'easier' to obtain credit. This is reflected in levels of outstanding personal debt, which increased from £9.8 billion in 1980 to £52.5 billion in 1993 (or from £23.1 billion to £50.7 billion at constant 1990 prices)(Leyshon, 1994). As Leyshon notes, the British financial system 'began to reach into nooks and crannies of the British social fabric which it had previously shunned (1994:4). Moves were made for instance, into the housing market, leading homeownership to rise to unprecedented levels (67% of all housing being owner-occupied in 1989 (Leyshon, 1994)). By contrast the 1990s

have seen the recompensing for this over-extension of credit during the 1980s. The financial system has not only rediscovered the merits of caution, but has made it a competitive strategy in its own right, with support for a wider process of restructuring (Leyshon and Thrift, 1993).

As Leyshon and Thrift note:

British banks, building societies and insurance companies have been subject to many of the same pressures of static or declining markets, technological change and increasing competition to which their competitors in the United States have long had to respond. It should therefore come as no surprise that in response to these pressures British financial institutions have increasingly begun to adopt similar strategies, especially so far as cost-cutting is concerned. (1994: 10)

The British financial services industry entered the 1990s beset by a crisis that was manifested in three main ways. First, the re-regulation of the financial services industry led to a marked increase in the number of firms participating in the financial markets. Barriers to entry, which had previously restricted the number of firms allowed to compete in any particular market were lowered (Gentle, 1993). This situation had relatively little effect all the time the volume of business in the financial markets carried on expanding as the number of market participants had relatively little effect on the financial services firms' profit levels. However, when the financial markets began to contract from 1989 onwards 'financial services firms began to suffer the effects of a more crowded market place, and a phase of destructive competition was ushered in' (Leyshon, 1994:5).

The second manifestation of the crisis concerned the operating costs borne by firms in the financial services sector (which are higher relative to other sectors). It was estimated that during the 1980s this accounted for as much as 65% of gross income (OECD, 1992). As the

reforms of the 1980s swept away the legacy of the structural regulation which had served to insulate financial markets and institutions from one another, the more competitive market place made it increasingly difficult for the financial services firms to make a profit. As a consequence such firms began to investigate and implement methods of reducing the burden of such heavy operating costs.

Thirdly, as noted earlier, during the early 1990s the levels of debt within the UK surpassed 100% of net income. The financial services industry was plagued by problems caused by this overhang of debt, much of it bad debt (Davis, 1992). During this period demand for debt-related financial products fell sharply. Many people were unwilling to continue funding purchases with credit. In addition a significant proportion of the credit advanced during the 1980s, was destroyed in the wake of numerous corporate insolvencies, personal bankruptcies, and mortgage defaults which reached epidemic proportions during the early 1990s (Leyshon, 1994). Banks have consequently become more circumspect in their lending behaviour, not least because the new regulatory environment requires banks to maintain capital asset ratios of at least 8%. The financial services industry has begun to increasingly concentrate on investment-related products which offer the greatest prospects for growth.

As a result of this crisis, manifested through problems of competitiveness and high operational costs financial services firms have undergone both extensive labour market restructuring, alongside the redesigning of their corporate structures and cultures (ibid.). This has involved several rounds of redundancy and the introduction of more 'flexible' systems of working for those who remain (Cressey and Scott, 1991; 1992; Halford and Savage, 1993; 1994; Leyshon and Thrift, 1993; Leyshon et al., 1993; O'Reilly, 1992a; 1992b). One consequence of these moves has been an emphasis on the branches of financial services firms. Despite being the distribution points from which the bulk of retail financial services are sold, they are also responsible for generating most of the costs incurred. Whilst *The Economist*

reported in 1992 that probably only one-tenth of bank branches do not cover their full costs, branch restructuring programmes have been quickly undertaken. These have been developed due to the perceived need to reduce operational costs, reduce indebtedness and develop investment-oriented markets:

[B]etween 1989 and 1992 Midland Bank closed 320 branches (16 per cent of its 1989 branch network), while over the same period National Westminster closed 456 branches (15 per cent), Barclays closed 364 branches (14 per cent) while Lloyds Bank closed 300 branches (14 per cent). The story is similar in other banks (Cressey and Scott, 1992) and a parallel pattern of bank closure is beginning to be found amongst building societies. There have also been large increases in insurance premiums charged to small businesses, house and car owners, which have been concentrated in inner city areas. (Leyshon and Thrift, 1994: 10)

Such closures have often been 'informed by a sensitivity to spatial variations in costs and profitability and in levels of debt and perceived risk' (Leyshon, 1994:5).² In practice there has been a faster rate of branch closures in rural areas than in urban areas, as a result of the higher relative costs per capita of serving customers in rural as opposed to urban areas, and a faster rate of branch closure in the south than in the north since indebtedness is generally higher in the south than in the north (Gentle and Marshall, 1993). In addition, the geography of branch restructuring in urban areas has reflected, in part, an existing pattern of income and class (Leyshon and Thrift, 1993; 1994b). For example, Conaty (1993) has noted the selective pattern of branch closure in Birmingham. By the early 1990s five of the city's 39 electoral wards had already lost all their bank and building society branches, while a further six wards

² For a full account of the theoretical underpinnings of the process of financial infrastructure withdrawal, see the following works by Gary Dymski and John Veitch (1991; 1992; 1994).

contained only a single branch. The wards affected by this pattern of closures contained approximately 28 per cent of Birmingham's population, among them some of the areas poorest inhabitants.

Not only are financial services firms less willing to lend money to customers with low incomes and meagre financial resources than they were in the 1980s, such customers can also be expensive to service. As a consequence banks have given increased consideration to the reintroduction of charges for those who fail to run balances high enough to generate enough interest to cover the costs of running their accounts. These are in addition to the current charges levied against overdrawn customers, and in sharp contrast to the free-banking environment experienced in the 1980s. As noted above banks have also made a conscious move away from debt-related products towards investment related products. In so doing they have sought to move their customer base more upmarket, to refocus on higher-income and wealthier social groups. Such a move has been exemplified by the increasing attention paid by financial services firms towards prime' or 'premier' banking services. Here preferential services such as higher rates of interest on deposits, or increased levels of 'customer care' are provided to those who can afford them. As a direct consequence of these actions, less emphasis is being placed by banks (but also insurance companies) on the remaining sections of the population:

This development is representative of a more explicit form of socio-spatial risk-pricing within the financial services industry, and of a greater commodification of the relationship between financial services firms and their customers (Leyshon, 1994:6)

There are an increasing wealth of examples of firms introducing practices that exclude and/or discriminate against certain individuals. Reports such as the 1993 National Association of

Citizen Advice Bureaux (NACAB) have provided a grave indictment of the ways in which banks and building societies are currently policing the boundaries of the financial system:

What is clear is that many of those brought 'inside' the financial system during the 1980s are, in the 1990s, finding themselves on the 'outside', as they are expelled through the simple device of banks closing their accounts, or as they leave 'voluntarily', by closing their accounts to avoid the punishing charges incurred when overdraft limits are exceeded (Leyshon, 1994: 6).

Such issues can be exemplified through an analysis of the process within Kingston upon Hull.

Financial infrastructure withdrawal and Kingston upon Hull

As Leyshon (1993) has noted, national rates of closure are often more starkly reflected within the geography of bank and building society branch withdrawal in Britain's urban centres. This is certainly the case with the city of Hull, which has suffered a loss of over 30% of its banking and building society branch infrastructure since 1981. Table 2.1 highlights the steady decline in bank branch infrastructure over the last two decades. However, it is apparent that the greatest rates of loss have been witnessed during the 1980s and 1990s, with a loss of almost one fifth of the city's bank branches since 1992. Even between 1996 and 1997, the figures show a decline of almost 4%. For building societies the trend is slightly more complicated as branch numbers increased steadily into the early to mid 1980s. Branch numbers then experienced a loss of over 20% between 1985 and 1992, followed by a more steady decline of 9% over the next five years. It is interesting to note how, after these periods of growth and decline, the representation of building societies within the city still exceeds 1970's figure by 25%. Over the same time period bank branches have been reduced by

Banks						
	1997	1996	1992	1985	1981	1970
	49	51	61	71	77	68
Losses (%)						
from 81	36.36	33.77	20.78	7.79		
from 85	30.99	28.17	14.08			
from 92	19.67	16.39				
from 96	3.92					
Building Societies						
	1997	1996	1992	1985	1981	1970
	20	20	22	28	24	16
Losses (%)						
from 81	16.67	16.67	8.33	-16.67		
from 85	28.57	28.57	21.43			
from 92	9.09	9.09				
from 96	0.00					
Total						
	1997	1996	1992	1985	1981	1970
	69	71	83	99	101	84
Losses (%)						
from 81	31.68	29.70	17.82	1.98		
from 85	30.30	28.28	16.16			
from 92	16.87	14.46				
from 96	2.82					

Table 2.1: Financial infrastructure withdrawal in Kingston upon Hull, 1981-1997
(Source: Authors archival work).

almost 28%. However, such figures clearly mask dramatic spatial reorganisations within the bank and building society industries within the city of Hull over the last two decades. This spatial patterning highlights an increasing concentration of branches in and around the city centre area, and a gradual withdrawal of branches from outlying areas of the city (and especially the city's outer estates).³

As a consequence, by 1997 just over 40% of all bank branches, and 75% of building societies were located in the city centre. These figures compare to 1981 when 27% of bank branches, and 83% of building society branches were located in this area, illustrating the general centralisation of bank branches, and a degree of dispersal amongst the building society branches. Whilst this undoubtedly means that just under 60% of bank branches continue to be based in areas outside this central area, it is clear from Figure 2.1 that these are not spread evenly, with equality of access from all areas of the city. Instead, they are clustered, often with different firms serving the same market area.

There are three main clusters observable outside of the city centre. Two are linear in form, based around arterial routes which have retained shopping facilities for highly populated local areas, whilst the third, despite being more dispersed, can still be identified as serving a specific market as its main focus. The first cluster lies to the west of the city centre on Hessle Road. This area was the focus of the fishing industry, and would seem to be an anomaly for bank interest as both local and trade traffic decreased as the fishing industry declined. However, Gill (1987) noted the attempts to include the area in the continuing development of the city's 'maritime' theme, with it being accorded Shopping Centre Status, second only to the city centre. In addition, Gill argues that the area's future must be regarded in the context of

³ Interestingly, the pattern for building societies appears to be the reverse. At the beginning of the 1970s, all building society branches were contained within the city centre area. Over the next three decades the building societies have dispersed outwards from this base, albeit with a re-emphasis on city centre operations in recent years.

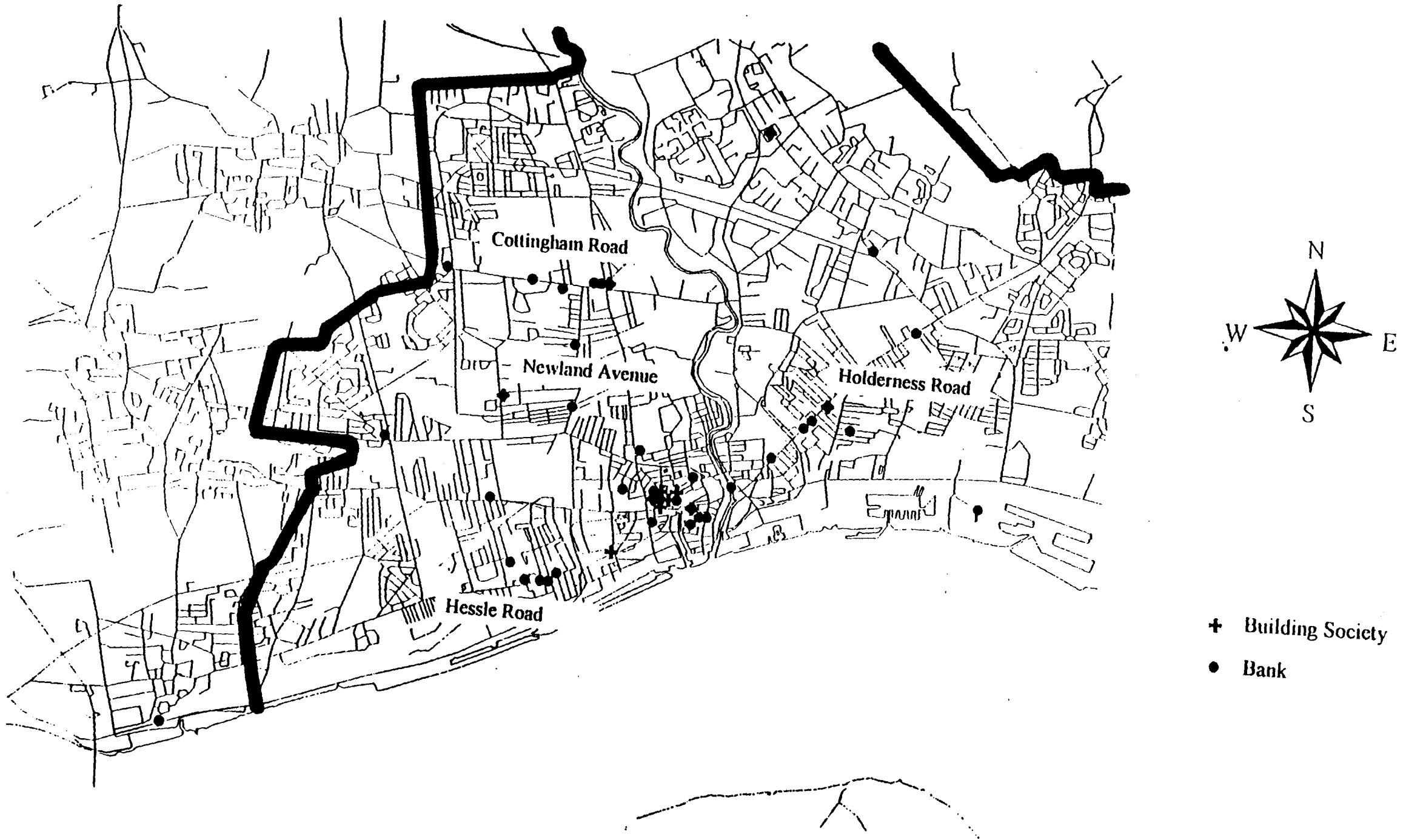


Figure 2.1: Spatial distribution of bank and building society branches in Kingston upon Hull, 1907

wider changes at the Marina, and development of a major leisure and retail park nearby. Secondly, in east Hull there is a similar clustering along Holderness Road, one of two main routes east to the coast. Again this area can be characterised by a long shopping 'centre' heritage, and dense local population - almost a village in itself. It is also the centre of the city's car-sales industry, with garages and showrooms flanking both sides of the roads out of town. The third, if less compact cluster can be found two to three miles north-east of the city centre, in the 'Newland Avenue/Cottingham Road' area. This can be subdivided into branches based around the city's two universities, and branches based around the main student accommodation areas.

Outside of these clusters however, bank and building society representation is not so complete. There is one branch in west Hull, one bank and building society servicing Bransholme, and two branches for the rest of East Hull. However, two of these three bank branches are owned by the company that has systematically reduced its representation from other outlying areas of the city. Bilton Grange, Orchard Park and North Hull, and Gypsyville to the west of the city are all without branch infrastructure. Interesting comparisons can be made between these patterns of representation, and the census data and deprivation index scores outlined earlier. Although the areas characterised by the highest total deprivation scores, unemployment, and lowest proportions of professional workers and owner occupiers are not totally devoid of branch infrastructure, the picture is still a depressing one. As noted earlier, Noddle Hill ward (which encompasses Bransholme) has one bank and one building society for the whole estate, based in the central North Point shopping centre. Orchard Park and North Hull estates are completely devoid of bank and building society branches, the nearest branches being found almost a mile south by the Universities. Marfleet ward in the east of the city has one bank, but this is located on the port complex, and is not directed towards local trade. The Myton ward to the immediate west of the city centre is similarly poorly served.

From such an examination, the implicit negative consequences of this withdrawal for the inhabitants of these areas (and indeed the city as a whole) is apparently clear. However this style of analysis, with its marked concentration on the bank-oriented process of financial infrastructure withdrawal, was challenged by an early draft of Ford and Rowlingson's paper on financial exclusion (1994; 1996). The ideas contained in Ford and Rowlingson's work had a strong impact on the direction and emphasis of subsequent work within this burgeoning field of enquiry within new economic geography.

2.2 A Change in Direction

Ford and Rowlingson argued that work concerning financial infrastructure withdrawal (Leyshon, 1994; Leyshon and Thrift, 1994; Conaty, 1993) had characterised the financial system in 'narrow' terms. A distinction had often been drawn between what were viewed as 'formal' sources of credit such as retail banking services, insurance and mortgage companies and occasionally credit from major retailers and finance houses, and an unregulated sector to which people were 'expelled'. One illustration of this distinction came in the manner in which the term 'mainstream' had been used to refer to the regulated sector, as exemplified by the following extract:

In the short term it means that individuals and households in such communities have to look outside the formal 'market regulated' financial system to satisfy their financial services needs. In the absence of suitable alternatives, such as non-market regulated services provided by credit unions and community development banks, or unregulated, non-market financial services such as family or friendship networks, then communities may become a breeding ground for exploitative and predatory un-regulated

market financial services (Leyshon, 1994: 7, quoted in Ford and Rowlingson, 1994:3)

On the contrary evidence from studies of individuals' and households' access to financial resources draws attention to a far greater range of financial institutions within the regulated market than banks, insurers, mortgage companies, and major retailers. Ford and Rowlingson emphasised the role played by such institutions as hire purchase companies, local shop credit, check traders and mail order firms, pawnbrokers, money lenders, and family or friendship networks:

All of these institutions provide retail financial services, money or credit, as do the banks and building societies, albeit usually at a higher cost, yet typically they are at best peripheral to the financial exclusion debates and at worst ignored entirely (1994:4)

Such services (and their users) had been marginalised within these debates. This is surprising considering the widespread existence of these forms of credit (Berthoud and Kempson, 1992), and the fact that their level of use was (and probably continues to be) not insubstantial but currently underestimated (Ford, 1991). In addition, when more informal sources of credit had been included within discussions on financial infrastructure withdrawal they had been perceived as a last resort, as places where customers had turned when they had been rejected from all other sources (Ford and Rowlingson, 1994). For example, much of the information surrounding moneylending was characterised by anecdotal evidence and media images which have subsequently tended to 'sensationalise moneylending, portraying moneylenders as the exploiters of the vulnerable, as usurers who make large profits on the backs of the poor and the weak' (Daly and Walsh, 1988). As a consequence Ford and Rowlingson argued that it was no wonder that these types of services had been seen as the domain of those with no other

option, a situation made worse by the lack of literature able to either substantiate or refute such suggestions.

However, Ford and Rowlingson argued that people possess, theoretically at least, a degree of choice and scope, with an ability to express a preference between mainstream sources, and those which are regarded largely as 'informal'. There had been a 'tendency to focus primarily on institutional structures and processes, whilst little attention, if any, has been devoted to households' custom and practice with regard to financial management' (1994:4). Only a partial view of the choices and services open to financial service customers had been documented, with the minority group making use of the informal sector (and it could be argued, the informal sector itself) effectively having been sidelined in contemporary debates. As a consequence, institutionally-led processes of financial exclusion 'may not be the whole story' (1996: 1347).

In a way this is analogous to an argument concerning the status of minorities, both within society and in academic work, as raised by Sibley in 1990. He states that, 'it cannot be argued that the location and economic status of minorities is generally determined by the dominant forces in society', as this neglects the agency of minority populations. Although Sibley is referring to Gypsies as a minority racial group, some of his ideas are useful in considering minority financial groups - those supposedly excluded by formal financial services (along the lines of Ford and Rowlingson's ideas on choice and scope). Sibley begins (1990: 483) by arguing that, '[r]ecent commercial and residential developments in the capitalist city have been seen by some observers as confirmation of the view that the social geography of the city is essentially determined by the affluent and powerful, who carve out their own spaces and relegate low-income groups either to areas which have been characterised by disinvestment or to urban peripheries'. This parallels certain facets of the financial infrastructure withdrawal debate, which elaborated a geography of finance and credit

essentially limited to concern over the provision of facilities and finance from 'formal' sources. The affluent and powerful - the banks and building societies - were seen as holding all the power.

By holding this power, they were perceived to be able to relegate groups whom they considered to be a bad risk (for whatever reason) to areas outside of the 'financial post-structuralist state' as described by Leyshon (1994). While expressing concern for their predicaments, they would argue that they are 'businesses, not charities', and that they do not provide social services (Hunter, 1993). It had been largely presumed that minority groups, as defined by a lack of credit-worthiness, suffer through lack of access to 'mainstream' credit and financial infrastructure, and lack of power and control over the source and determinants of that credit-worthiness. Such 'mainstream' financial institutions were viewed as being proactive, excluding in order to 'reduce risk, cut costs and repair profits' (Ford and Rowlingson, 1994: 5). However, when borrowers themselves avoided involvement with banks and building societies, they were portrayed as being reactive, responding to 'an agenda and style of business set by these creditors; the nature of their cultures that alienate low income households or, more frequently, their formal credit assessment procedures that lead those with low incomes to assume they will be rejected' (1994:5).

Winchester and White (1988: 37) argued that, 'the processes of gentrification, of marginalisation, and of polarisation...result in certain sub groups of the population becoming stigmatised as unacceptable as well as economically weak', or supposedly in this case, stigmatised as unacceptable because they are economically weak in terms of access to 'formal' sources of credit. However, as Sibley (1990: 483) notes, 'the status of some minority groups cannot be explained adequately in terms of their domination by capital and the state'. So it is with financial exclusion, for as noted in the introduction, this belies the agency of those minorities and the 'visibility' of their existence (Sibley, 1990).

In part, the emphasis on exclusion may be a consequence of the limited research to date on the structure and operation of these nonbank forms of credit as well as the fact that the organisation of many of these other regulated services are 'invisible' in the sense that, for example, mail order or moneylenders do not operate out of local offices akin to building societies of banks but rather are embedded within local social and community networks, with the clients' home as the typical location for the commercial transaction (Ford and Rowlingson, 1994:4)

Hence, whilst these other services may be characterised as 'slipstream' services, for use when potential borrowers are denied access to 'mainstream' services (bank loans and overdrafts), they can also be alternative services. People can and will express a preference:

Undoubtedly these are important and effective institutionally-led processes of financial exclusion....[H]owever....[i]f one starts from a different place, from the perspective of the household, there is evidence that cultural tradition, custom, and practice govern the use of financial resources as well as evidence of strategic decision making by households as to which institutions provide them with the services they require and in a form which best enables them to enhance their control and management of their resources. Potentially, then, not all of those who lack banking facilities do so as a result of exclusion, as for some this is the least satisfactory way to manage on limited resources (Ford and Rowlingson, 1996: 1347)

Hence the concept of self-exclusion also needs to be considered, in addition to the processes of institutional exclusion. There is a need to analyse, 'not only what it is households are denied

but what is available to them. In both cases (that is exclusion and inclusion), the how and why of use and the consequences of using different sources need to be considered' (1996: 1348). Thus, direct exclusion from mainstream financial services may be complemented by a process of indirect, or self-exclusion.

Awareness of these issues led to a change in the direction of work within this field of economic geography, into the realm of financial exclusion and inclusion.

2.3 Financial exclusion and inclusion

As has been noted (Ford and Rowlingson, 1994; 1996) most of the discussion to date concerning financial exclusion has focused on individuals' and households lack of access to banking and/or insurance or mortgage facilities. Toporowski (1987) documented that some fifteen and a half million people (comprised of over a third of all women and a quarter of all men) were without a bank account in 1985. Not only income, but wealth (defined as the stock of property owned by a person or a household), and 'style of life' and 'financial acumen' were just as important in analysis of the use of particular financial services:

[M]ost of the unbanked are women. A majority of them are in social classes D (i.e. the unskilled and semi-skilled manual workers and their families) and E, and a majority of them probably have incomes of less than £100 per week.
(Toporowski, 1987:59)

The Policy Studies Institute survey of Credit and Debt found in 1992 that 19 percent of households in the UK did not use a current bank or building society account. This figure approximated to a study by Mintel in 1993 which noted that at least 15 percent of all adults in Britain failed to hold at least one current account.

However, recent research has cast a more depressing picture of current access to mainstream service providers. In a period when bank and building society branches have been reduced by 20% (1989 -1995), with higher than average closures taking place in areas characterised by low-income communities (Economic and Social Research Council, 1997), Pratt, Leyshon and Thrift (1996) have shown that market penetration of bank current accounts actually increased between 1989 and 1994 from 71 percent to 74 percent (largely attributable to the combined effects of processes of computerisation, internationalisation, and re-regulation, alongside the growing importance of having a bank account in modern society). However, even after a period of expansion and augmentation fuelled by a credit boom, 26 percent are still without access to even the most basic of mainstream financial service products, for whatever reason.

This 26 percent are even more excluded than was previously thought. They are effectively 'unwanted' in an age of sophisticated processes of account application inspection, in a general period of controlled expansion. The survey found that access to bank and building society services is biased towards males, the middle aged, the professional classes, the full-time employed within middle to high income brackets, those with cars and telephones, and those who are buying their home. The most excluded groups (that is, those without bank current accounts, which have the highest market penetration of the survey) are women, the young, the old, the unemployed and those in semi-skilled or manual jobs (socio-economic classes D and E). In addition a regional dimension exists reflecting the distribution of retail financial services more generally:

Those in the Southeast are more likely to have current accounts and more likely to have multiple accounts. The likelihood of inclusion is slightly less in the Southwest, the East Midlands and East Anglia and significantly lower

in the West Midlands, the North, Wales and Scotland.(Pratt, Leyshon and Thrift, 1996:6)

Further, only 55 percent of people have building society accounts, with bank savings accounts being even less common (27%). Both market penetrations have decreased since 1989. Whilst, as Pratt, Leyshon and Thrift argue, such a decrease may merely be the result of the end of the 1980s housing boom when some people had savings accounts in order to enable them to be entitled for a mortgage at the same institution, it 'could equally be a result of the industry more clearly defining its markets' (Pratt, Leyshon and Thrift, 1996: 8). Despite the change in emphasis away from mainstream institutional practices, it is still important to note that the process of financial infrastructure withdrawal continues almost unabated. BIFU, the Banking, Insurance and Finance Union have estimated that approximately 120000 jobs have been lost in the banking industry since the beginning of the decade, a trend set against the increasing use of temporary and casual workers (Whitebloom, 1995; Ryle, 1996). After reaching a nadir of 355700 employees in 1989, employment among the leading banks has seen an average 13900 jobs lost every year, to 288000 employee in 1994. This figure should itself be set against predictions of a further 75000 redundancies over the next few years (Atkinson, 1995), and the expected culling of more jobs in the wake of the recent 'merger-mania' and subsequent increased competition. (Ryle, 1995; Donovan, 1996).

However, a number of writers (Toporowski, 1987; Kempson, 1994; Ford and Rowlingson, 1996) have suggested other reasons why people lie outside the banking system. Added to the problem of restricted access per se, both Kempson and Ford and Rowlingson have noted the additional problems concerning refusal of accounts. Kempson has documented the effects of a graduated credit scoring system on those deemed to be bad risks. Ford and Rowlingson have noted the range of characteristics through which prospective customers may 'fall foul',

including employment status, household composition, age, tenure and geographical location, in addition to the resultant effects of increasingly abundant and shared creditor information:

[A]lthough...we wish to suggest that neither exclusion alone nor a restricted focus on mainstream creditors is appropriate in understanding the resources available to and used by low-income households, there is no doubt that financial exclusion is significant, and more so in the mid-1990s than it was in the mid to late 1980s (1996:1350).

However, and in keeping with recent work, Kempson (1994) notes the proactive role played by customers. Customers themselves may choose not to open current accounts in the first place. They may choose to stop using an account themselves as a result of changes they experience in their economic circumstances (such as redundancy and job loss, separation and divorce, and retirement). This acknowledges the importance of notions of control over personal finances. As Ford and Rowlingson argue, '[t]his gels with other evidence which indicates that as financial circumstances tighten, a typical response is for households in general to seek to enhance their control by shifting along the financial resources continuum away from credit and towards cash (Ford and Rowlingson, 1996: 1348)

Such ideas can again be exemplified with reference to a range of 'alternative' sources of credit and finance observable within Hull

'Alternative' sources of credit and finance in Kingston upon Hull

In addition to the (albeit dwindling) 'mainstream' sources, Hull is also characterised by a range of 'alternative' sources of credit and finance. These have clear roles and linkages to wider concerns over the provision of credit and finance to the city's inhabitants, whilst

apparently operating without much consideration of the extent of more 'formal' provision within the city. Within Hull it is possible to identify organisations that occupy a range of positions on the alternative spectrum identified in the Introduction.

At the more 'predatorial' end of the spectrum are a host of what may be termed 'regulated' pawnbrokers, checktraders or moneylending outlets. These have grown quite dramatically over the past five years to form a visible presence on the streets of Hull. They vary in form, from dark and dingy individual pawnbroking shops, to modern, multi-branch check-trading outlets. In addition, they provide a range of 'services' to their customers. Some businesses can be thought of as the traditional form of pawnbroker, individually-owned, with security-glass fronted displays of jewellery and valuables. Others more clearly resemble a form of 'alternative-Argos', representing one branch in a chain across the country (or in one example, Europe). This style of pawnbroker is characterised by the variety of goods they sell or will buy for cash, with everything from lawnmowers to televisions, jewellery to coats lining the shelves. Others still provide checktrading facilities (the cashing of cheques) and personalised catalogue shopping services to inhabitants on the city's outer estates, in addition to these other forms of service. Although the traditional, unregulated moneylender was known to exist on some of the city's outer estates, their prevalence was not thought to be as widespread, and their overall effects as important, as the 'legal' forms of moneylender (some of which are noted above) identified by a local representative of the Citizens Advice Bureau. At the other end of the spectrum, and in addition to the development of credit unions, was a single LETS operating on one of the city's outer estates. Developed as a community initiative, however, the LETS was undergoing troubled times as a result of the resignation of its central treasurer and account-keeper. It was noted that trading was still occurring on the estate, but not being documented within the currency system and accounts.

Through the course of the research every representative of each of these alternative forms noted the widespread 'need' for the various services they provided within the city, but never specifically in the context of providing an alternative to services offered from the 'mainstream' sector, or in terms of playing a role in providing a home for those excluded from it. Most suggested they simply provided another source, with a range of possible reasons for customers to use them.

Largely as a consequence of increased awareness of such consumer agency therefore, there has been a change of emphasis away from 'mainstream', institution-centred accounts of withdrawal, towards an increasing concern with the geography of financial inclusion, and the variety of alternatives that financial minorities (and indeed all sections of the community) do have access to (Gunn and Gunn, 1991; Leyshon and Thrift, 1994; 1996). As noted above, one such alternative concerns credit union development, and the history of their development illustrates that AIAs such as credit unions have been providing access to credit and finance long before banks and building societies began withdrawing their services.

2.4 Alternative institutions of accumulation and credit union development

Credit unions have their origins in nineteenth century Germany and Italy. Two individuals, Hermann Schulze and Friedrich Wilhelm Raffeisen are attributed as being the ancestors of the modern day credit union movement (ILCU, 1995). Hermann Schulze, from the village of Delitzsch (which was later to become part of Prussia), founded his first co-operative credit society, a loan association which had an initial capital of £140 contributed by a group of friends, in 1850. The 'Schulze-Delitzsch' organisation differed from 'charitable' loan associations by virtue of the necessity for borrowers to both join the association, and contribute five cents a month towards its capital. Schulze's organisation decreed that loans were to be based on two main factors: the character of the person borrowing rather than on

collateral or chattel mortgages; and an endorsement of the loan by two other members. The loan would last for three months at a time. As such, the organisation was open to all, and soon became referred to as a 'people's bank'. Within the organisation, supreme authority rested with the general meeting of the entire membership, and all members participating in the routine affairs of the organisation. In addition, some matters were devolved to subordinate committees.

The second individual considered to be an ancestor of modern credit unions was Friedrich Wilhelm Raffeisen. Raffeisen developed his first union in 1849, with the second following five years later. The first, called the Heddesdorfer Welfare Organisation exemplified Raffeisen's broad interests in Christian charity and welfare work, whilst the second, the Flammerfeld Society, 'promoted the care and education of destitute children, hired 'shirkers' and former criminals, and built libraries' (ILCU, 1995: 2). The second society differed from the first, as Raffeisen adopted the principle that profits were not to be distributed to investors until a reserve fund was established. If the society was ever dissolved the capital would be distributed for the benefit of the poor. However, despite being followed by two more societies in 1862 and 1868, it was not until 1874 that they became known outside their immediate localities.

There were fundamental differences between the loan societies espoused by these two individuals. Whilst the Schulze-Delitzsch model was concerned with promoting economic self-sufficiency, concentrating on urban workers and shopkeepers with the belief that membership should come from a large and economically varied area, Raffeisen's organisations were based on brotherly love and Christian values, dealing mainly with farmers, with a restricted membership about the size of a small district or parish. As such, although the Raffeisen organisations grew slowly initially, they achieved far more rapid expansion overall than the Schulze-Delitzsch model, so that by the time of his death in 1888 425

societies were in existence in Germany. Previously in 1872 Raffeisen had organised his first central association which was to serve as a central banking institution with powers to oversee and control credit unions. In addition, other aims of the association, the Rhein Agricultural Union Bank, were to provide a forum for the exchange of information and ideas, legal advice, as well as the provision of central banking facilities. The impact of these two individuals' organisations was felt over a wider area than Germany, spreading quickly to Italy after Luigi Luzzatti returned from his trip to study co-operation in Germany in 1864. By 1866, the first Italian co-operative bank opened in Milan, and co-operative banking institutions soon spread into other European countries. However the co-operative credit movement failed to develop in England, where the Rochdale Pioneers had developed the initial co-operative principles, until later in the twentieth century.

The idea did however spread to North America, again largely as a result of one individual. Canadian, Alphonus DesJardin, effectively united the Schulze-Delitzsch and Raffeisen models into the form of credit union that exists today. In particular, this included 'limited financial liability of members, loan security tied to members 'character', lending for productive purposes or emergencies, alongside high social ideals to co-operative banking practices' (McArthur et al, 1993:402). DesJardin organised his first credit union in Levi, Quebec in 1900, with the first American organisation following nine years later in Manchester, New Hampshire. In the same year, Edward Filene, a wealthy Boston merchant helped introduce the first state credit union legislation, which inaugurated the Credit Union National Association in 1934, drawing together activists from 22 states (Bergengren, 1940). From these beginnings, by 1988 the American credit union movement had grown to the extent that there were approximately 16000 credit unions in existence in the United States (CUNA, 1988).

From this expansion in the US, the credit union movement gradually spread world-wide, fuelled initially by CUNA's own world-wide expansion, but fully developed in 1970 through the formation of the World Council of Credit Unions (WOCCU). This led to the widespread development of credit unions in places such as the Caribbean, Australia and Ireland, so that by 1986 the World Council estimated the existence of around 83000 credit unions world-wide.

In Ireland, the first credit union appeared 1958. According to the Irish league, the early 1950s in particular had been 'times of depression':

There was a very high unemployment (sic) and emigration was at an alarming rate. Exorbitant hire purchase charges, the growth of illegal moneylenders with extremely high rates of interest and the continuing harassment of those in financial difficulties made life most unbearable for a great number of people in Ireland (ILCU, 1995: 6)

Two years later in February 1960, the Credit Union League of Ireland was founded, followed in 1964 by the development of 'chapters' (or local groups), in order to facilitate the exchange of ideas, experience and knowledge, which the American movement had found most essential and beneficial (ILCU, 1995). This development was quickly followed two years later by the 1966 Credit Union Act which amongst other provisions included the formation of the Credit Union Advisory Committee for the Minister for Industry and Commerce. In Northern Ireland, Belfast enacted the Industrial and Provident Societies Act (NI) in 1969, through which credit unions were given special status, and regulated as a special category of society for the first time.

Whilst development has continued apace in Ireland since this time, credit unions have been termed 'Britain's best kept secret' (Hugill, 1996). It was only in 1979 that British credit unions finally received their own legislation, the 1979 Credit Union Act. As a result of perceived difficulties resulting from this legislation, and the slow growth of the British movement compared with its Irish and American counterparts, this has since been modified by the 1996 Deregulation Order. Indeed, in response to concerns that this Order did not go far enough in removing restrictions on growth contained within the 1979 legislation, attempts are currently under way to further change this legislative environment in order to promote further growth in the movement.

In general the British credit union movement is contested and conducted within an environment in which interested bodies occupy varied positions between two main, but contrasting aims and objectives. These aims may be characterised as 'idealistic' at one extreme, and 'instrumentalist' at the other (Berthoud and Hinton, 1989). To a large extent these aims evoke comparisons with the earliest forms of 'credit union' documented above. Moreover, Berthoud and Hinton (1989: 6) have noted how 'the tension between these competing objectives underlies much of the discussion of the development of credit unions in this country'.

Both approaches have an underlying desire to promote credit unions as providing an opportunity for members to save, in addition to having access to cheaper forms of credit than those generally obtainable in the market places. However, those from an 'idealistic' approach advocate a main objective of helping those on low incomes, especially if they are excluded from access to more 'mainstream' sources. In addition, an emphasis is placed on the participation of members in setting up and running their own institution as a form of empowerment. A third aim (though not employed in the UK to any great extent) is the deployment of funds within the local economy to aid the cash flow problems and investment

needs of local agricultural or small businesses. These aims necessitate credit unions being operated in certain ways:

They need to be kept small, to ensure that individual members enjoy genuine participation in the management of their own group. The common bond should be based on poor communities, rather than on existing institutions whose members have money to save. Caution is needed to prevent more prosperous members from 'highjacking' the management and/or diverting the union's activities to meet their own requirements. Loans should be made to people who need credit, rather than to those in the best position to repay the money. (Berthoud and Hinton, 1989: 7)

In contrast to this first approach lies a more 'instrumentalist' orientation, which concentrates on 'the provision of a medium of exchange between savings and loans [as] an end in itself' (ibid.):

Management objectives of efficiency and financial stability take priority over considerations of procedure and participation (Berthoud and Hinton, 1989:7)

Such services are suggested to be as 'useful' to those with more money as they are to those on low income, with a preference for including as many people as possible, most notably through an emphasis on larger common bonds than those espoused from an idealist perspective. In addition, employee-based, industrial credit unions are also promoted, since their members will have money to save, and structures will already be in place which can facilitate the collection of savings.

Whilst Berthoud and Hinton argued that the contrast between the idealistic and instrumentalist wings of the movement is not as great in Britain as it is in the United States, it is important not to underestimate the strength of feeling engendered by these different outlooks. On the whole, instrumentalist approaches have been more 'successful', with 77% of American credit unions being based on the workplace, whilst servicing a cross-section of society with average incomes rather than a targeting of 'poor' people, with mergers, employment of staff, and of increased competition with banks relatively widespread (Berthoud and Hinton, 1989). However, recent data from Northern Ireland noted how 104 credit unions affiliated to the Irish League were community based, with 196,000 members, and £162 million in savings (ILCU, 1995).

2.5 Conclusions

It is probably fair to say that in Britain generally, credit union development, as one form of alternative institution of accumulation, has yet to reach such dizzy heights. The two approaches outlined above are more often translated into, and encapsulated within decisions made on a day to day basis within each credit union. Recent and continuing concern about the implications of being labelled the 'poor peoples bank' does highlight a general leaning towards credit unions being perceived (at least) as efficient providers of services for all, rather than holding a predisposition for servicing solely those on low incomes, or those from the poorest sections of the community. However, there are still many in the movement that feel uneasy about such perceptions. This is a debate which is returned to a number of times in relation to a wide variety of issues within this work.

The British development history is considered in much greater depth in Chapter Four, largely through an analysis of the main structural barriers to credit union growth and development: overly restrictive national legislation and weak and disunited national trade representation and

organisation. Before this is undertaken however, the next chapter highlights why such a focus on barriers to growth is necessary. Specifically, Chapter Three considers the extent to which British credit unions have historically contributed towards sustainable development and the tackling of financial and social exclusion in Britain. In light of evidence documented over the last two decades it considers the extent to which credit unions have tackled poverty and reduced inequalities, strengthened local economies, impacted positively on local employment levels, and incorporated environmentally-friendly schemes that have possessed an environmental, in addition to socio-economic focus. In all cases the potential for furthering such impacts is also considered.

Chapter 3

A matter of faith?

British credit unions and social and financial inclusion

3.0 Introduction

This chapter considers the extent to which British credit unions have historically contributed towards sustainable development and the tackling of financial and social exclusion in Britain. In light of evidence documented over the last two decades it considers the extent to which credit unions have tackled poverty and reduced inequalities, strengthened local economies, impacted positively on local employment levels, and incorporated environmentally-friendly schemes that have possessed an environmental, in addition to socio-economic focus. In all cases the potential for furthering such impacts is also considered.

3.1 British credit union development: claims and evidence

British credit unions are sexy. Mirroring the increasing awareness of both AIAs and credit unions within geography outlined in the last chapter, such alternative sources have increasingly been associated outside the academy in recent years with playing a key role in the alleviation of the effects of poverty within wider British society. In particular, within a developing emphasis at national governmental levels on the effects of social and financial exclusion since the rise to power of 'New Labour' in 1997, both LETS and credit unions have been identified as one route to a more inclusive society, both in social and economic terms (see Social Exclusion Unit, 1998; Fitchew, 1998; HM Treasury, 1998; HM Government, 1999).

However, since the election these pronouncements have sat more and more uncomfortably alongside an absence of clear supporting evidence and practical exemplification of how British credit unions have achieved these (or similar) goals in the past. It has almost seemed as though, in drawing on the experiences of credit union 'success' in other countries such as the United States, these claims have been supported only by a 'faith' on the part of political leaders and policy makers in Britain that credit unions have the ability not only to combat financial exclusion but also to regenerate local economies and communities (Fuller and Jonas, 1999c). In particular, 'New Labour' policy solutions to problems of financial exclusion have until recently largely involved (and revolved around) the 'idea' of reconnecting individuals and communities to local finance as a basis for sustainable community economic development (Her Majesty's Government, 1999). Through these ideas community credit unions (based around a distinct 'area' or 'community') have been identified as the kinds of institutions that can and should play a more central role in rebuilding local communities otherwise abandoned by mainstream financial institutions, without a clear identification of how (and if) this will be achieved.

In light of such concerns over these perceived roles and unsubstantiated claims, the recent publication of a range of proposals intended to firmly place British credit union development at the forefront of the fight against social and financial exclusion is both timely and welcome (HM Treasury, 1999a, 1999b, 1999c; Social Exclusion Unit, 1999). These proposals are considered in detail in Chapter Six. However, a central tenet of these proposals is the pronouncement that the British credit union movement needs to adopt a 'new direction' into the next millennium (HM Treasury, 1999c: 9). This chapter will analyse why this may be the case.

It does this through a critical analysis of the extent to which British credit unions can be shown historically to have contributed towards sustainable development and the tackling of financial and social exclusion in Britain. This is undertaken through an assessment of available data from the last two decades. It considers three main areas through which credit unions may have played a role in achieving some form of sustainable financial service, and promoted financial and social inclusion: the ability to tackle poverty and reduce inequalities; the ability to strengthen local economies; the impact credit unions have made on local employment levels; and the incorporation of schemes with an environmental in addition to socio-economic focus.

In light of this analysis, this chapter concludes by suggesting that the aim of these recent proposals, alongside a recent influential commentary from within the movement (Jones, 1998b), is in essence to address (and close) the current gap between faith and actuality highlighted within this work. This is a gap which will need to be closed if British credit unions, and perhaps more crucially, the recent Government proposals and its strategic foresight are to be seen to succeed in the future. The main reasons for this gap, articulated in terms of barriers to credit union development, are considered in the next two chapters.

In light of the recent claims, it should be noted at the outset of this chapter that the analysis of the performance of British credit unions remains somewhat hampered by a lack of primary evidence that continues to mirror Hugill's (1996) assertion of their place in contemporary society as 'Britain's best kept secret'. Indeed the limited number of available sources upon which this analysis is based perhaps itself represents one reason why the claims outlined above have remained unsubstantiated. However, as will be seen, the sources that are available infer remarkably similar conclusions (given the unique nature of credit union development from locality to locality and the timespan they cover) in the trends and issues they convey.

Berthoud and Hinton's (1989) work continues to represent the most thorough study of credit unions in the UK (and Britain) to date. Their analysis was based on returns from 75 registered and operating credit unions in 1986, and whilst being conducted over ten years ago, many of their findings have a continuing resonance with regards to modern-day credit union development and operational issues. Berthoud and Hinton's data represented a sample of 33 people from each of seven 'different' credit unions (differences in size, location, common bond type and so on). McArthur et al's (1989) study represents a survey of members from 14 established credit unions in 1988/89, with 12 of these having been specially selected to provide a geographical spread across Britain.

Lewis's (1982) work was based on a 53% return rate from 55 credit unions established by March, 1979, and a 15% response rate from 480 members who were sent a questionnaire. The National Consumer Council's (1994) analysis developed from a working party funded by the Joseph Rowntree Foundation. Its brief was to produce a strategy for the growth of the credit union movement in Britain for the following three to five years. It included the views of officers and members of credit unions, development workers, academics, local authority representatives, and the Registry of Friendly Societies. Finally, the CEIS (1997) study aimed to 'examine and quantify where possible, the economic and social impact of community based credit unions in Scotland and identify the factors which affect their development' (1997: 4). This is based on three surveys conducted between November 1996 and April 1997, including telephone surveys with volunteers responsible for the management of community based credit unions in Scotland, and face-to-face surveys with 1700 members, and 1200 non-members in common bond areas of credit unions in the former Strathclyde region.

In addition to these 'data' sources, there are a small number of analytical 'commentaries' which are also used within this chapter (Griffiths and Howells, 1990; Thomas and Balloch,

1992; McArthur et al, 1993; Irish League of Credit Unions, 1995; Jefferson and Spencer, 1995; Conaty and Mayo, 1997). When combined with the studies above, these allow a relatively firm foundation from which an assessment can be made of the extent to which British credit unions have historically contributed towards sustainable development and the tackling of financial and social exclusion in Britain.

3.2 Tackling poverty and reducing inequalities

This first section considers the impact credit unions have made in tackling poverty and reducing inequalities in Britain. In particular it considers who the main users of credit unions are, their motives for joining, the perceived advantages and disadvantages of joining, issues around saving and gaining loans from the credit union, and comparisons with non-credit union sources of credit.

Evidence suggests that the profile of credit union members since the early 1980s has become increasingly female dominated, with an ageing population, and continuing, if not developing, focus on the poorer sections of the community. However, credit union members do vary (sometimes quite markedly) from group to group, and from location to location. In 1993, McArthur *et al* noted how, 'it would be wrong to view credit unions as simply poor people's banks. The membership profile, although tending to be mature, female and settled, comprises a mix of people (1993: 408). Key reasons for joining relate to the ability to save (especially small amounts), and access to low cost credit. In Lewis' (1982) study of credit union members over 50% of respondents suggested 'cheap loans', the 'possibility of obtaining a loan', 'community spirit' and the 'friendliness of the organisation' as key elements in their decisions to join. Whilst highlighting the appeal of credit unions as a source of cheap credit, the study

also highlighted the importance of credit unions 'making people save', which took on greater significance for respondents from lower socio-economic groups.

In Berthoud and Hinton's (1989) study, a relationship was observable between the main reason for joining and the size of the member's available income. As with Lewis (1982), people with less available income were more interested in the savings facility of the credit union, whilst those with more available income placed greater emphasis on the benefits of access to credit and the credit union's loan service. However, reasons for joining again varied greatly from credit union to credit union, largely on the basis of the economic circumstances of the members, but also indicative of the range of different 'development' perspectives amongst the different credit unions and their social and economic focus or reasoning for development locally.¹ Likewise, McArthur et al (1993) noted that the main reason given for use of credit unions was the availability of low cost credit. Again, this appeal was found to be higher among low earners, with 60% of those with annual wages of under £3000 identifying low cost credit as the main attraction for joining. Community Enterprise in Strathclyde (CEIS) (1997) noted that 84% of members joined due to the ability to save, 66% for cheap loans, and 40% to help the community.

Perceived advantages and disadvantages of using credit unions varied relating to the economic circumstances of the members. In Berthoud and Hinton's study credit unions represented a convenient method of saving, without many drawbacks for those with the lower levels of available family income (Berthoud and Hinton, 1989). As available family income increased, the option to borrow became more attractive to members, whilst awareness of certain

¹ As will be considered in the next chapter, the British credit union movement has been characterised by two polarised development standpoints, reflected in the main representative bodies for the movement (Berthoud and Hinton, 1989): a idealist standpoint with a focus on volunteer driven, self-help oriented, community-based, smaller credit unions; and an instrumentalist standpoint with a key aim of achieving financial stability through larger common bonds and the inclusion of a mix of members. Whilst not being overly deterministic, whichever

disadvantages also grew, such as the lack of, or low level of 'dividends' (yearly interest on savings). However, in terms of the ability for credit unions to address the needs of those on lower incomes, they have generally been perceived to offer more benefits, than they do disadvantages. For instance, 57% of those in the CEIS (1997) survey argued that a main benefit of membership was access for 'small savers'.

Regular contributions to credit union savings have also varied according to economic circumstance and levels of savings held elsewhere. In Berthoud and Hinton's study only 16% had savings solely with a credit union. For those members regular saving was conducted by 74% of the sample, whereas for those with savings elsewhere, the regular-saving rates increased from 44% for those with up to £200, to 85% for those in excess of £1000. Again, it becomes apparent that for those whom the credit union represented their sole source of savings opportunity, a high proportion made use of that facility regularly. Amounts saved were shown in McArthur et al's (1989) study to be closely associated with employment and income. 63% of unemployed members deposited less than £2 per week, whilst only 17% of the higher earning group (more than £6000 per annum after tax) saved this amount. As a corollary, 44% of the 'high earners' saved over £6 per week, whilst only 10% of the unemployed did so. For McArthur et al, these figures have important implications:

For most of the 'small savers' this is probably money that would not otherwise find its way into another savings account....(1993: 410)

Referring to the regular savers in their sample, Berthoud and Hinton inferred that there was an underlying problem in the manner wealthier members saved higher average regular amounts than those with lower available family income. Their analysis highlighted how members with

perspective is broadly agreed with will direct a range of strategic decisions concerning future credit union

less than £10 per week in available family income made an average payment of £1.80, whereas those with an available family income of between £50-109 paid £3.50, and above £110, £4.30. More recently the CEIS (1997) survey noted an average payment of £12 per visit, but for those with an average household income of under £50 per week, an average of £13 per week was paid, whilst for those between £350-400 per week, this figure rose to only £15. Two main points can therefore be stressed. First, evidence suggests that those on lower incomes save a higher proportion of that income than those on higher levels. Secondly, and related to the first point, the basic ability to save these smaller amounts may represent far more in absolute terms, than it does relatively; for those on lower incomes, the ability to save such amounts at all will potentially be a benefit in itself, irrespective of whether others are saving more.

Perhaps a more pertinent 'problem' therefore surrounds the finding that, on average, higher income members borrow nearly three times as much as lower income members. These views are reinforced within McArthur *et al's* work, where a close relationship between amounts loaned, and the members income was also observable. Again however, it should be stressed that for those on low incomes the opportunity to borrow such sums (which are unlikely to be lent by mainstream lenders) was of more importance and significance to these members than the fact that other members were borrowing more. In McArthur *et al's* work, whilst only 8% of members earning £6000 or more had received loans under £100, such proportions increased to 14% for those earning under £3000, and 36% for the unemployed. Again this indicates a heightened, proportional degree of importance of access to credit union facilities as cheap, accessible credit sources for those on lower incomes. Secondly, should higher sums have been required, this ought to have been resolved within the usual loan application procedures, and if the member's savings allowed, the application should have been granted. If they were not sufficient, then alternative arrangements or amounts should have been suggested and

implemented. Finally, the fact that wealthier members were borrowing more should have acted as a benefit to the growth of the credit union *per se*, as interest raised on these larger loans would have helped finance the further development of the credit unions' services (and indirectly, helped finance loans to poorer members). This relates to the need for credit unions to incorporate a mix of membership, as outlined earlier. Whilst CEIS (1997) findings showed that wealthier members borrowed more than those on lower incomes, in proportional terms lower income members' loans again reflected a far higher 'debt burden' than wealthier members, with the average loan for those earning over £350 per week being £900, whereas the reciprocal figure for those earning under £50 was £467. For these members credit unions have represented a more cost-effective and reliable home for this debt burden than other sources of credit and finance. However, and despite these possibilities, there are continuing concerns and uncertainties as to the ability of credit unions to have reduced inequalities between their mix of members.

An important related issue concerns what members would have done if they had been refused the loan from a credit union. In the CEIS study (1997), 26% would not have bought the items, 32% would have borrowed the money from elsewhere, 17% would have drawn out their credit union savings, 12% would have drawn out other savings, 7% would have paid cash, and 4% would have bought on credit. Hence 74% wanted the items/money whether the credit union gave the loan or not. As such, compared to other sources of credit, the interest rate of 12.68% APR (on a reducing balance) for credit union loans continues to be a hard rate to beat (especially on smaller sums). Thus it could be argued that use of the credit union effectively helped members 'save' money in the longer term. For the other 26%, the items/service needed might have been a 'luxury' (such as a holiday), but only affordable through the credit union's terms. Most importantly however the credit union might have been the member's only source, whether the item was essential or not. As McArthur et al argue, '[t]his appears to be an

important finding as it suggests that, for a sizeable proportion of the members, credit unions are supporting basic patterns of consumption that most would take for granted....The evidence, therefore, indicates that credit unions are having a degree of impact in terms of enabling members to purchase a range of basic goods and services. Furthermore, this appears to be greater among those on low incomes than it is among the better off. By obtaining loans of a few hundred pounds, individuals are able to purchase things that they would otherwise be forced to do without, or at least delay buying to a later date (McArthur et al, 1993: 411-412).

In addition, if the credit union's facilities had not been available, 97% of those who would have sought an alternative provider felt this would have had negative implications for them, and 85% of the third of members who previously used hire purchase credit argued that use of credit union facilities was the dominant factor in reducing their use of this relatively high cost source (CEIS, 1997). Clearly, the ability for credit unions to cause members to remove themselves from more costly sources is not simply an issue reliant on comparison of interest rates and relative cost, as Berthoud and Hinton's findings rightly indicate. However, the fact that they represent a possible alternative should not be under-estimated either. The problem lies in the ability of credit unions to address such 'competition' issues in their local context, to make people aware of the possible savings they can make, and the reactions of customers of other sources to such credit union information.

Amongst members surveyed by Berthoud and Hinton, there was widespread use of other credit sources such as credit card accounts, store credit and mail order credit in addition to that from their credit union. Clearly again, such figures will represent the experiences of members in a variety of economic circumstances. It should be stressed that for some members, availability of bank loans, credit cards and store credit may be minimal, with credit union loans therefore representing an alternative to more costly forms of credit (such as hire purchase). Berthoud

and Hinton's evidence does indicate a decreasing use of other forms of non-credit union credit as occupational group moves from professional/managerial to non-working members. Further, some members were still making purchases using credit cards at higher rates of interest than credit union loan rates (presuming the amounts were not paid back in the same month). As such, the potential for displacement also is an important factor, though, as noted by McArthur et al (1993), there is limited evidence of this having taken place. Despite this, the CEIS study noted how 63% of credit unions felt that they had reduced the use of moneylenders in the community. It could be suggested that such an issue ought to be addressed within a form of money advice and educational role, but again it is unclear as to the extent that such a route has been undertaken in local contexts. There are likely to be a range of reasons why different sources of credit are used, and cheapness and awareness of interest rates may not always be the predominant reason (Ford and Rowlingson, 1994; 1996).

In their 1994 analysis, the National Consumer Council provided comparative evidence between credit unions and other sources of credit. They noted that, apart from credit unions, 'the lower annual percentage rate is charged on loans which are hardest to obtain' (1994: 21), with restrictions on the use of loans from these various sources limiting the scope and extent of their use still further. This was especially the case in relation to small but nevertheless potentially vital sums. Differences were further illustrated between the major sources through analysis of the consequences of default, which ranged from legal action to reclaim the money, the repossession of goods, to more menacing means. Whilst credit unions may have to resort to legal action, a more usual route is for an arrangement to be reached to reduce payments or reschedule loans (N.C.C., 1994).

From this evidence therefore it can be suggested that credit unions have offered benefits to those on low incomes in terms of tackling poverty or its effects. To those with more money,

they have offered an alternative to more costly forms of credit. In terms of reducing inequalities between members perhaps the strongest claim to be made relates to Berthoud and Hinton's argument that whilst, '[c]redit unions may not have created economic equality... they appear to be much less unequal than the outside world. In comparison with other opportunities, the credit union is more useful to those with low incomes than to those with higher incomes, who would have no difficulty in saving or borrowing with commercial institutions' (1989, 119-122).

However, and as has been suggested, the degree to which even those on higher incomes have access to such sources can no longer be assumed as unproblematic (see Pratt, Leyshon and Thrift, 1996; Leyshon and Thrift, 1997), alongside increasing problems of access to more traditional means of meeting financial needs, such as crisis loans, basic employment patterns, and the cash economy (Conaty and Mayo (1997). However, in terms of these problems, they argue that, 'the issue of financial exclusion is one that credit unions are well placed to tackle' (1997: 12) in that, 'the major impact of wider changes within the sector relate to the opportunities and growing market challenge created for credit unions to serve groups within society increasingly excluded or poorly served by the mainstream sector (1997:10). The simple availability of access to a cheap, regulated source of credit should perhaps therefore be considered of greater significance than a comparison between different sources (some or all of which may be unavailable to some sections of the community which credit unions are perceived to be in the best position to service), or between levels of saving and borrowing between members. At the very least, this availability represents an additional source of credit, an additional degree of financial flexibility from which members can choose between, dependent on their economic circumstances at the time of need.

3.3 Credit unions and local economies

The ability of credit unions to strengthen local economies through encouraging circulation of money within areas is seemingly embodied within the necessity for credit union members to share some form of common bond. Of particular importance here are those credit unions whose membership is defined on an areal basis, although organisational or associational common bonds can also be inferred as facilitating a degree (albeit a lesser degree) of local circulation. Despite some postulations to the contrary (Fuller, 1998), it may generally be argued that areally-based, 'community' common bonds are quintessentially 'local' in character, and that these common bonds should help facilitate a circulation of capital within the bond area. For example, Thomas and Balloch have argued that credit unions have 'demonstrated their value in mitigating some of the worst consequences of debt and have shown that they can make a useful contribution to the local economy by encouraging local saving and spending' (1992: 100). Similarly, the National Consumer Council (1994) have argued that through the very nature of credit unions being organised around a specific geographical area (or particular group of people), the benefits of credit union growth accrue directly to those that participate in the first place:

Any profits are used for the direct benefit of the members, either through dividend or through building up reserves to make the credit union more financially sound....The co-operative basis of the credit union means that profits go to help those that helped create them in the first place (1994: 23)

Further, Jefferson and Spencer (1995) have drawn on comparisons between the recycling of funds within credit unions, and the reasons behind, and effects of the 1977 Community Reinvestment Act in America. This point is stressed by Gunn and Gunn (1991), who argue

that the very nature of credit unions help keep savings in the community, and hence under local control:

They allow a part of savings to be put back to work at a more modest rental rate than a loan company would impose, and they pay the interest out to members who reside in the community (1991: 66)

Similarly, Hudson et al note that deprivation is associated with factors other than low income, most notably the 'impoverishment of local communities and a lack of ability to control or affect the events that influence one's environment' (Hudson et al, 1994: 117). Aware of this fact, Barnardos in the Ely area of Cardiff sought to develop a proactive strategy that would have a more direct and immediate impact on poverty, whilst also being controlled by those living in poverty. This strategy incorporated the development of a local credit union. In particular the credit union was seen as offering a solution to a specific problem:

Despite being one of the poorest areas of the city, Ely suffers from a substantial net weekly outflow of money to pay for goods and services which are not provided locally or to maintain debt repayments to financial institutions which have no local physical presence. In considering how powerlessness and impoverishment could be addressed at a community, rather than an individual level, Barnardos staff became convinced of the merits of credit unions (1994: 118)

Despite a relatively low participation rate after a year of operation (68 members out of an area of 15,000 inhabitants), and a recognition of a number of problems involved with the development of credit unions (such as the task of advertising the credit union as more than a

means of beating the loan shark' lack of finances, lack of local knowledge about what credit unions are and so on), the authors argued that, [b]y mobilising the empowering experience of financial independence, credit unions can...become an effective and practical response to individual and collective poverty' (1994: 122).

However, compiling evidence of the degree of impact credit unions achieve within 'local' areas and economies is undoubtedly problematic. CEIS noted that Scottish community-based credit unions had loaned £11.36 million in 1995, with an estimated expenditure attributed solely to credit union loans amounting to £6.37 million. In spatial terms, CEIS noted that 46% was spent within the 'local area' (within 5 miles), 21% in the district (within 20 miles), 8% in the rest of Scotland, and the remaining 25% outside Scotland. They argued that this, 'shows that the majority of spending (67% by value) occurs within a relatively small area - within 20 miles of the respondents home. This implies that the local impact of credit unions is strong' (1998: 13).

However, the CEIS figures provide no indication of the type of goods and services the loans were used to obtain, or explicit details concerning where they were obtained from (the 'local' corner shop, national supermarket chain, multi-national decorating outlet and so on). Without such information there is a clear inability for judgements to be made as to whether the money 'stayed local' after it had been spent, or whether the complex economic multipliers and linkages to other areas associated with this spending would ultimately represent a removal of funds from the local area. In short, it is unclear whether such 'local' services/goods providers themselves reinvested the money obtained locally or otherwise. Further, there is a substantial lack of data available concerning other sources of credit, and their associated spending patterns for a meaningful comparison to be made. As such, assertions concerning the impact of credit unions on their 'local' economies should perhaps be treated with a fair degree of caution in the absence

of such important information. However, the CEIS study did highlight that in the absence of credit union loans, 65% of the total loan value could have been provided elsewhere. The higher charges on these services equated to a total cost of £178,174 compared to £79,826 from the credit union, leading CEIS to argue that, '[t]he vast difference between interest paid to a credit union and alternative finance organisations clearly indicates the economic impact credit unions have within communities (ibid.)

Despite this, there is a clear need for credit union lending processes, and their 'local' effects, to be more thoroughly analysed and 'mapped' than has been the case to date. In the absence of such data the ability for credit unions to strengthen local economies cannot meaningfully move beyond 'hopeful' reference to the areal and community qualities and nature of the credit union model. This analysis highlights that it is still only possible to suggest that credit unions, 'are certainly a means by which savings can be pooled and then distributed in line with local needs, and *may* even help to stem the process of financial dynamics which would otherwise recycle funds from poorer to richer areas' (Leyshon and Thrift, 1995:335, emphasis added).

3.4 Credit unions and effects on local employment levels

Whilst the extent to which credit unions can be shown to have strengthened local economies remains ambiguous through a lack of reliable data, evidence of the extent to which credit unions have had positive impacts on local employment levels is similarly partial. Effects on local employment levels can be considered in two main sub-sections: 'direct' effects resulting from employment of staff within credit unions; and 'indirect' effects relating to the acquisition of skills or qualifications through training, and the ability for credit union loans to offset education or (re)training costs.

Direct employment effects

Direct impacts on local employment levels are witnessed through the actual employment of staff by credit unions. However, the need to employ staff (whether permanent or temporary) resides solely with the credit union in question, and may, to a large extent, be dependent on the prevailing philosophy of that credit union. Berthoud and Hinton noted that for those whose preferences lay in the development of small group credit unions, concern was voiced that employment of staff would increase the pressure for growth. They suggested such appointments could lead to the alteration of the relationship between members, committee staff and the credit union as a whole (although positive factors such as the freeing up of volunteers from routine tasks, and the development of a more efficient environment were also noted). Other concerns included the possibility of paid staff undermining the leading group, the removal of the 'voluntary ethos' of credit union activities, and a subsequent reduction in the level of commitment from volunteers. In addition, locally-based credit unions with a relatively low member-base were seen to neither require paid assistance, nor be able to afford it in all likelihood.

It can however be suggested that as a credit union grows, with increasing membership and levels of income, a stage might be reached where it becomes a necessity to the continued efficient running of the credit union to employ extra members of staff. Berthoud and Hinton compared employment figures for British and Northern Ireland credit unions in the late 1980s, and found that whilst employment of staff was relatively frequent in the latter, it was rare in Great Britain. However, they did note that as credit union size increased, so did the likelihood of employing staff. As such, it may be argued that as the credit union movement grows, and peoples awareness, and use of credit unions increases, there is some latent potential for credit unions to employ substantial numbers of staff from local areas. This can be exemplified

through reference to Leeds City Credit Union. In 1997, this employee credit union employed seven full time, and two part-time staff to service just over 5,000 members and over four million pounds in assets (Local Government Association, 1999).²

A further source of potential employment lies within the category of credit union development worker. However, agency numbers are still relatively low, with Rotherham Credit Union Development Agency employing one full-time development worker with secretarial support and one worker developing two particular credit unions, and Sheffield Credit Union Development Agency having four workers, one of whom provides secretarial support (Lyons and Sadnicki, 1998). However, the Registry of Friendly Societies has noted the rapid growth in this area since 1988. This would seem to suggest, in the absence of any central statistics that major potential for rapid development in this area may exist, especially in light of the recent sexiness of credit unions, and future developments within the British credit union movement (outlined in the concluding section).

Indirect employment effects

Indirect employment effects are related to the wide variety of 'training' credit union volunteers undertake during their participation in credit union development, and in the impact credit union loans could make on education and (re)training costs. In-house training is required in order to convince the Registry of Friendly Societies (now part of the Financial Services Authority) that effective systems are in place within the credit union, and that the staff fully understand the use of those systems. This includes book-keeping skills, clerical and administration skills, managing and organising events, in addition to more 'basic' skills such as being able to write a letter, or simply communicating with a 'customer'. On a more formal level, the accredited and

² Also see Feloy and Payne (1999)

nationally recognised (at OCN levels 2 and 3) credit union training programme is aimed at people wishing to establish a new credit union, people running existing credit unions and credit union development workers. The National Association of Credit Union Workers (NACUW) identified 5 main units for completion including issues of financial management (incorporating wider issues of banking, insurance, share protection, money laundering, accounts and analysis of financial information) and the promotion and development of credit unions (with a focus on marketing, business plans, public speaking, and equal opportunities) (NACUW, 1995). A related issue concerns the potential use of credit union loans in order to offset education or (re-) training costs that would support those without a job getting back into work, or attending further and higher education. However, there is little evidence of loans having been used in this manner, although again, the potential is there.

In sum, the degree to which credit unions can be shown to have made positive impacts on local employment levels at present is low, though in a similar manner to the last section this may be as much to do with problems of measuring such impact effectively. However, whilst analysis of direct effects, such as the number of staff employed by a credit union suggests relatively low levels of impact in Britain, the potential is observable from comparison with credit unions in both Ireland and America for far greater levels of employment as the movement grows. Impacts from the indirect effects are less clear, with little work having been undertaken in tracking the development of credit union volunteers as they attempt to (re-)enter the job market. However, it is perhaps fair to argue that member 'employability' can only have been heightened through the formal and informal 'training' received as volunteers. In addition, the possibility for credit unions to enable their members to increase levels of access to training and educational resources is also notable through loan provision.

3.5 Credit unions and direct environmental benefits

The extent to which credit unions have facilitated actions that have a direct environmental benefit can be compared to the effects on local employment levels (analysed above) in its partiality. However, a number of schemes can be documented, again alongside a degree of optimism over the potential for their inclusion in credit union development strategies for the future.

There are a number of schemes operated by British credit unions that directly link credit union services and environmental benefits. However, many of these operate, and are known about solely at a local level (with little national data available, or co-ordination from national bodies and relevant organisations). An example of a credit union actively linking credit union facilities directly to environmentally sustainable objectives concerns Capital Credit Union Limited, based in Edinburgh. Capital credit union has two main environmentally-oriented schemes; a staff travel loan scheme, and an energy conservation scheme, alongside an introductory loan scheme which could have immediate impacts in terms of the relief of poverty.

The 'Go Green' staff travel loan scheme was introduced about five years ago in conjunction with the local authority (then Lothian Regional Council) as part of an initiative to encourage employees to travel by public transport and leave their cars at home. With 'Go Green', the credit union members can borrow money to buy either a bicycle or an annual season ticket for public transport. The incentive for new members is that they do not have to save for the usual 'probationary' eight weeks, with current members being able to have a staff travel loan in addition to a loan they might already have. In so doing, the scheme would help the environment, in addition to saving the member money. Capital illustrate the idea as follows. A journey from Inverkeithing to Edinburgh by train with a monthly season ticket costs £74 a

month (£888 for 12 monthly tickets). However, an annual season ticket costs £760, but such a sum may be beyond the means of some travellers. With a loan from the credit union, however, the costs work out as in Table 3.1.

Share deposit (10% of loan) = £76.00	
Loan amount advanced	£760.00
Total interest payable @ 12.68% APR	£45.96
Total amount payable	805.96
Repayable over 11 typical monthly payments of £67.16 and one monthly payment of £67.20	

Table 3.1: Credit union solution for travel costs (Source: Capital Credit Union)

As such, this arrangement provides savings of £82.04 over the cost of 12 monthly season tickets, as well as allowing the continued development of a savings balance upon which a dividend is payable.

The second scheme is facilitated by the involvement of 'Billsavers', a not-for-profit organisation which offers free guidance and advice on how to conserve energy in the home, and offers a special deal on low energy light bulbs. The Billsavers project runs a local energy saving lighting scheme, and sell bulbs on a non-profit basis at the lowest local cost. Billsavers also arranges for qualified energy advisers to visit consumers in order to help them choose the right fitting to give the best savings. Through joining forces with Billsavers, Capital Credit Union is able to offer its members assistance with saving money on their fuel bills, in addition to helping the environment. The credit union makes low-interest loans towards the cost of the low energy bulbs, so that the repayments will normally be less than the savings made on the members fuel bills. As such, Billsavers also advise that a loan for the bulbs can also be taken out in addition to other loans, in that the savings made as a result of adopting the energy efficient bulbs will help pay off the other loan as well.

The final scheme which may have some benefit in terms of alleviating poverty relates to the ability for credit unions to offer loans early in their new members membership. This could be of immense potential in allowing new members to take out loans immediately in order to pay off debts which are at higher rates of interest, and which can then effectively be paid back to the credit union on more reasonable terms and time period. Capital Credit Union is currently investigating the feasibility of offering such loans (of up to £500) in order to encourage members to join. The scheme is being piloted in selected areas of their common bond, and may spread out to cover the whole area during 1998

In a similar fashion, a spokesperson for Birmingham Credit Union Development Agency noted the potential for some form of environmental 'link-up' between credit unions and outside organisations. He suggested how this potential was being illustrated within his area. He described how previous 'care and repair' schemes for housing had, in the past, utilised government grants in order to finance house repairs and modifications. However, as these grants had now largely dried up, a care and repair programme had been initiated in Birmingham with the intention of developing a co-operative venture between credit unions in the area and the programme. As a part of this, local labour would be utilised, alongside a 'greening' of the improvements made.

These proposals had links to the Aston Reinvestment Trust (ART) which is a local social investment fund for Birmingham. It provides loans for creating new jobs, financing businesses, voluntary organisations, energy efficiency and housing projects, and has raised £290,000 from its 70 members after 4 months in operation. The spokesperson for BCUDA suggested ART is agreeable to provide a guarantee fund which will allow the members to borrow in excess of normal credit union terms in order that such social reinvestment in housing repairs can be undertaken.

Clearly, the potential for the further inclusion of such aims within credit union operations is also high. Tables 3.2 and 3.3 suggest important points in relation to the potential impact environmentally-friendly and sustainable initiatives could have on credit union membership. Most specifically, nearly 50% of all credit union loans in Berthoud and Hinton's study, and at least 36% of those in McArthur et al's work are accounted for by areas that could feasibly have some form of sustainable objective: vehicles, repairs, and household goods could all be combined beneath an overall 'green' strategy that seeks to reduce emissions and improve energy efficiency, whilst also saving the member money in the long term. In addition, the payment of bills, and payment of other loans/debts could help reduce leakage of finances from out of any locality, as credit union loans are made and repaid within the common bond of members.

Purpose	Credit union loans	Other loans	Credit purchases
Travel and holidays	17	6	5
Vehicles	14	16	3
Weddings, Christmas, etc.	11	11	2
To pay bills	11	4	0
Repairs and decorations	9	16	1
Household goods	8	3	26
Clothes and shoes	8	10	31
To repay other loans / debts	6	16	0
Leisure items	4	3	10
Mixed items, other items	17	14	23
Sample size	179	57	204

Table 3.2: Purpose of credit union and non-credit union advances (Source: Berthoud and Hinton, 1989)

Purpose	%
Holiday	27
Something for the house	15
Special occasion	13
Run the car	11
Home improvement	10
Pay off other debts	9

Table 3.3: Purpose of credit union loans (Source: adapted from McArthur et al, 1993)

Lyons and Sadnicki (1998) identify the following services which are being actively considered by credit unions:

- larger, longer loans;
- debt consolidation / rescue loans;
- start-up loans for small businesses;
- mortgages;
- home contents insurance;
- specific savings and budgeting accounts (e.g. Christmas, holiday, weddings);
- the new Individual savings Accounts (ISAs) - currently under consideration by the Registrar;
- budgeting services;
- 'niche' marketing of services, to for example, the young and the retired;
- bill payment services;
- cheque book, credit cards, and debit cards, leading to full ATM and on-line banking;
- travellers' cheques - as supplied by at least one credit union in co-operation with Thomas Cook;
- catalogue company agency;
- payment of wages or occupational pensions through the credit union - Stainforth Credit Union already do this providing the account stays in credit.

These suggestions for alternative services were produced in discussion with credit union workers, and it is interesting to note the absence of environmentally-oriented schemes and strategies. This would seem to suggest the widespread use of such schemes is limited. However, considering the nature of some of these suggestions, it is also apparent that some

environmental schemes are not beyond the realms of possibility. Indeed it could be argued that many schemes with an additional environmental focus, or those related to the provision of funds for educational or training needs would be 'easier' to implement, or would make a more realistic opportunity for many credit unions.

It is likely that the general lack of environmentally friendly schemes of these types has resulted from weak linkages between environmental agencies and credit union development organisations or groups. As such, it could be argued that there is a role for environmental organisations in raising the awareness of those involved in credit union development to the potential benefits of inclusion of such schemes in credit union operations, alongside those with more social or economic foci.

3.6 Conclusions – 'where there is doubt, faith, where there is despair, hope'

The above quote comes from the first verse of the 'Credit union invocation', said in some sections of the movement at the beginning of credit union meetings. It is apparently not widely used, and the source is unclear, though it has strong similarities to the Prayer of Saint Francis. However, it does seemingly embody both the roles espoused for the British credit union movement in recent years (in providing hope in the face of despair associated with social and financial exclusion), and present questions concerning the basis of support for the credit union model in achieving these aims (where doubts relating to proof of their efficacy has perhaps been more solidly underlain by faith, than pure and unequivocal evidence). Certainly the evidence presented here suggests that British credit unions have only addressed the social aspects of exclusion, and then only in the form of alleviating social problems resulting from inequality and deprivation, rather than addressing causes. However, there is potential for credit unions to have addressed the economic, through support for local economies and individual and

collective livelihoods, though in the absence of effective data these claims cannot be fully analysed.

In terms of this chapter, evidence has tended to stress two main points in relation to the contribution credit unions have made towards social and financial inclusion: the basic importance of the accessibility of credit for those on low incomes; and the ability for low income consumers to gain access to a cheap, regulated form of credit and savings through use of their local credit union. In 1982 Lewis argued that the potential market for credit unions in the UK consisted of two, not necessarily separate, segments (and, by and large, these sentiments still resonate within the movement today). The first relates to the ability to provide 'cheap and flexible sources of credit for low income consumers who do not have access to, or are unwilling to use, other sources (1982: 55). Within this 'segment', credit unions offer a better alternative than more expensive or 'predatory' alternative sources of finance, such as hire purchase, loan finance companies, and moneylenders (both legal and illegal). It may also be the case that credit unions appeal to sections of the community who exclude themselves from interaction with mainstream sources (Ford and Rowlingson, 1994: 1996). For such people credit unions also 'provide an opportunity for financial stability and independence, to accumulate savings and take out low interest loans when necessary' (Lewis, 1982: 55).

The second segment is comprised of people who view credit unions as offering 'a better deal and a better way of borrowing money' (1982: 56), and may be characterised not so much by poorer individuals, but by 'those in their peak working and earning years with steady and stable incomes, and slightly above average with respect to earnings and educational levels' (ibid.). Here (and as Berthoud and Hinton's analysis has shown) there is likely to be some overlap between credit union users and users of mainstream sources, as consumers choose to take advantage of 'cheaper' forms of credit that credit unions sometimes represent. In many ways,

these two segments come together in a variety of manifestations from credit union to credit union, providing the 'mix' referred to by McArthur et al (1993). This mix of poorer and better off members is increasingly considered as a necessity for the effective development of a 'successful' credit union (Jones, 1998):

If the membership were dominated by highly disadvantaged people, the members would have little to contribute in savings, this restricting what the credit union can offer in loans and limiting the scope to earn an income through interest (McArthur et al, 1993: 409).

As such, the suggestion that different groups have derived different types of benefits from credit unions may be the most pertinent conclusion to be drawn from their usage in Britain over the last two decades. For the better off, the credit union may have been one of a number of different financial services open to them. Use of its facilities has been attractive due to its local, convenient nature. In contrast, lower income consumers use of the credit union may have been tied more directly to need:

They have fewer options to turn to and, without the credit union, are more likely to be confronted with the choice of either going without or turning to more expensive credit with its attendant dangers of problem debt. By providing an accessible local facility where those on low incomes can build up a small stock of savings and obtain low-interest loans, credit unions appear to be helping people strengthen control of their financial affairs. In some of the more disadvantaged cases, they may also be assisting members to break free of debt and avoid falling into more severe financial difficulties (1993: 413).

Conaty and Mayo have argued that, '[w]hile credit unions do not want to be cast as a 'poor persons bank', their record is sufficient to demonstrate four key lessons: low-income consumers can save and want to; there are effective, mutual ways of organising the delivery and recovery of credit which reduces operational costs; low income communities understand interest rates and are prepared to pay an affordable cost for credit union loan services; and if given appropriate financial services, low income households are able to use these effectively to both reduce their economic vulnerability and increase incomes' (1997: 10). Thomas and Balloch (1992) have noted that whilst credit unions do not provide a solution to the main bases of poverty (such as structural decline and low pay), providing only one arm in any strategic development and regenerative project, they 'can provide a safe framework for small savers and borrowers, assist with the reduction of personal debt, offer protection against extortionate and often illegal moneylenders, and bring a new spirit of hope and confidence to local groups...They introduce stability and hope to those whose life is being rendered miserable through debt. Although a symptom of poverty, debt is, in its turn, a cause of further poverty. In an average council housing estate, where may be upwards of £200,000 a year is being spent on interest payments on small by costly loans, credit unions may achieve substantial savings and ultimately promote local investment (1992: 98-101)

However, such potential must be placed within two important caveats. Firstly, the lack of available and detailed evidence currently represents a major barrier in allowing claims beyond mere faith to be stated with any real degree of confidence, especially in relation to the effects on credit unions on local economies and employment levels. Secondly, and whilst welcoming the development of credit unions, Griffiths and Howells argued in 1990 that it was also important to hold realistic expectations of what they could achieve:

It will not be a universal panacea to the problems of the poor and indebted. Cheaper sources of loans will not, for instance, eradicate the poverty which is based on more deep rooted problems of low wages and inadequate social security payments. Neither can the movement hope to satisfy all the credit needs of its poorer members. Although credit unions can adopt more personal, and perhaps better informed, decision making processes than commercial lenders, they cannot risk too high a default rate or else the interest of the members generally would be damaged (1990: 464).

In many ways reflective of these views, and the more recent silence concerning the ability to state the grounds for faith in credit unions beyond these terms more firmly, the British movement is facing a number of challenges which will broadly affect the future direction of credit union development *per se* in Britain at least in the short to mid-term (Fuller and Jonas, 1999a, 1999b). These challenges essentially relate to attempts from both within the movement and outside to re-position British credit unions as a more widely used provider of credit and finance, and in many ways derive from an increasing awareness that British credit unions need to surmount a number of current 'barriers to development' if this enthusiasm is to be sustained and ultimately rewarded (Jones, 1998a, 1998b, HM Treasury, 1999a, 1999b, 1999c). In essence, these views embody the 'new direction' being identified for the credit union model into the 21st century, as an attempt to change the 'expectations' articulated by Griffiths and Howells above.

Such issues have recently been the focus of an influential commentary on the state of the movement, from within the movement (Jones, 1998a; 1998b). This report was undertaken, and supported by Liverpool John Moores University, the main credit union trade association, Association of British Credit Unions Limited (ABCUL), English Community Enterprise

Partnership and The Co-operative Bank, and supported by the Local Government Management Board and Local Government Association. In many ways, its main themes resonate with (and it may be argued, informed) the calls for the British credit union movement to take a new direction (HM Treasury, 1999c: 9).

The 'Jones report' (1998b), as it is commonly referred to within the credit union movement, argues that an 'old model' of development is widely prevalent within British credit unions today. Within this 'old model', Jones suggests that credit union development has become inextricably linked to 'an interrelated network of assumptions, beliefs, understandings and commitments...that has produced, in the minds of communities, local authorities and volunteers, a certain model of credit union organisation, purpose and structure' (Jones, 1998b: 5). It is argued that this network has led to the assumption that community credit unions (those that have areally-based, or 'community' common bonds as a basis for membership) should be small in size, organised wholly by volunteers who have the background, experience, skills, energy and time to run the credit union (or at least can acquire these factors through relevant 'training'), whilst also being substantially dependent on grants for their survival.

As a consequence of these characteristics, it is argued that few of these credit unions possess the ability to fundamentally affect the economic circumstances of their members' lives (Jones, 1998a, 1998b), and subsequently play any substantial role in countering financial and social exclusion. By repositioning the credit union model towards a 'new model' perspective however (essentially derived from experiences in the USA), it is suggested that a more 'commercialised' and 'entrepreneurial' emphasis may prove more successful in terms of overall membership and financial stability, and in the production of beneficial effects in the communities in which credit unions are situated (Jones, 1998a; 1998b).

Such concerns are further highlighted and reflected within the latest press releases emanating from HM Treasury (1999a, 1999b) and consultation documents from the Credit Union Taskforce (HM Treasury, 1999c) and the Treasury Policy Action Team 14 (PAT14) (Social Exclusion Unit, 1999). The credit union taskforce was established by the Treasury in mid-1998 with three main aims: to explore ways in which banks and building societies can work more closely with credit unions to increase their effectiveness; to investigate ways to widen the service ranges provided to credit union members; and to encourage the continued expansion of the movement. In a similar vein, the Social Exclusion Unit's PAT 14 is one of eighteen teams set up under the initiative to tackle social exclusion (see Social Exclusion Unit, 1998), with an emphasis on widening access to financial services. Both have a central aim of improving individual access to financial services, and make a range of recommendations to further this aim, relating to both the credit union, and financial services sector more generally. In many ways, they are also reflective of the increasing awareness of a number of barriers to credit union development in Britain, and draw in large measure from the Jones critique.

As such, and before considering these challenges and changes in greater depth in Chapter Six, the next two chapters seek to highlight the main barriers to development within Britain.

Chapter 4

British credit union development: Barriers to development and growth (I)

4.0 Introduction

It is a widely voiced concern within the British credit union movement that credit union development remains a minority interest in Britain. The international development history of credit unions, from their humble origins in mainland Europe, to the encompassing a world-wide influence was highlighted in Chapter 2. Chapter 3 noted that whilst there is great potential for further growth in the future, British credit unions may be characterised as badly under-achieving in relation (in particular) to their Irish and American counterparts. It is argued that this is a result of a number of barriers to such development (NACUW, 1996). These barriers are both real and perceived, frustrate attempts at widening the impact credit unions have, and effectively impede people from actively becoming involved within credit union development. However, rather than solely focussing on the 'local' experiences of credit unions and the barriers they encounter through their development experiences, the next two chapters highlight that barriers to credit union development in Britain may be considered as operating on two interconnected levels. Further, they can profitably be considered within the notion of a prevailing 'credit union discourse'.

4.1 Identifying the barriers to development and growth

This chapter suggests that within the British credit union movement two main 'structural' barriers may be identified, relating to the slow and problematical development of the 'most restrictive credit union legislation in the world' (Fitchew, 1998: 1) and weak and disunited British credit union trade representation and organisation. Whilst there is a general acknowledgement within the movement (National Association of Credit Union Workers

(NACUW), 1996) that such factors have had negative effects on the development of credit unions in Britain, these structural issues have often been downplayed in relation to the analysis of 'old' and 'new' model characteristics and barriers observed on the ground (for example, see Fuller, 1998). Importantly, the linkages between these factors have often not been considered in any real depth, with for instance, NACUW arguing that the 'Jones report' itself is largely devoid of any 'exploration or explanation of the environment within which credit unions have been developed' (NACUW, 1999: 3).

By contrast, I suggest that these factors have combined to represent a 'non-facilitating environment' in which credit unions have strived to develop in Britain, and as such this 'environment', its historical development, and its resultant effects deserves increasing analysis than has hitherto been the case. Using this idea, and to paraphrase Levitas's (1998) notion of 'discourse' (which in her usage relates to general meanings and implications of the terms 'inclusion' and '(social) exclusion' within British political debate in recent years) it is possible to consider these structural features as a set of interrelated concepts which act together as a matrix through which we understand the British credit union world, and through which it understands itself:

As this matrix structures our understanding, so it in turn governs the paths of action which appear to be open to us. A discourse constitutes ways of acting in the world, as well as a description of it. It both opens up and closes down possibilities for action for ourselves. (ibid.)

In this way, it is possible to consider how the structural features outlined in this chapter have (directly and indirectly) manifested a set of 'paths of action' for credit union development on the ground. As highlighted by Jones (1998b), and exemplified in the work of Fuller (1997, 1998), these 'paths' can be thought of as incorporating (and structuring) the ways credit

unions are perceived within wider society, the role(s) they are considered as performing, and the organisational principles to be engendered within their operational development. They are reflected through such inter-related issues as credit union image, promotion, volunteer recruitment and training, local development strategies and relations to local structures of governance, and credit union operational characteristics. In many ways their effects can subsequently be expressed as a range of more 'qualitative', and localised barriers to development. These are explored in the next chapter.

Clearly however, and as NACUW (1999) have argued, such issues should not be considered as existing in a contextual vacuum. Instead, they should be considered as being reflective to varying degrees of both local and national development and policy contexts and history; that is, many of these features have arisen through their place within the non-facilitating environment suggested here. As such, this chapter now turns to consider the two main, and often inter-linked, facets of this 'non-facilitating environment': the national credit union policy framework and its historical development; and the impact of the weak and disunited trade representation and organisation.

4.2 Structural barriers to growth (I): the national legislative framework.

Prior to the 1979 Credit Union Act, British credit unions could register either within the Companies Acts, or the Industrial and Provident Societies Act 1965. Initial development of the credit union idea was slow in Britain, with the period between this and the 1979 Act witnessing the registration of only 14 credit unions, with 40 operating unregistered (Registry of Friendly Societies, 1996). As the Registry of Friendly Societies, recently replaced as the main regulator of credit unions by the Financial Services Authority, has noted, '[i]t was not until 1971 that the Crowther Committee on Consumer Credit concluded that there was 'a case for encouraging the credit union movement and for taking steps to make its existence, its aims

and methods widely known in the hope that it might take root here...' (1996: 2-3). However, despite growing support for credit unions in Britain during the early 1970s, the failure of a Private Members Bill due to lack of parliamentary time meant five years passed before legislative change was placed on the agenda again.

The turning point for British credit union development occurred in late 1977, when the Council of the European Communities issued a Directive concerning 'the co-ordination of laws, regulations and administration provision relating to the taking up and pursuit of the business of credit institutions' (Council of the European Communities, 1977). Whilst Article 2 of the Directive negated credit unions, their inclusion was enshrined within the 1979 Banking Act, which 'prohibited the taking of deposits (as defined) in the course of carrying on a business which fell within the definition of deposit-taking business other than by the Bank of England, a recognised bank, or licensed institution (as defined) or any person or body for the time being specified therein' (Registry of Friendly Societies, 1996: 3). In short, the 1979 Banking Act made it illegal for credit unions in Britain to operate 'unregistered'. As a consequence, the Government was faced with either 'fitting' credit unions into the Banking Act, or developing legislation relating to them alone. However, the realisation that inclusion of credit union operations within banking legislation would have had severe consequences for their future development led the Government to allow a new statutory framework solely devoted to credit unions, the 1979 Credit Union Act.

The 1979 Credit Union Act

Within this Act all operating and pre-registered credit unions were to take all possible steps to become (re-)registered. This was necessary in order to engender the degree of trust and confidence of savers in credit unions that would be vital for their continued development (Registry of Friendly Societies, 1996).

Key measures within the 1979 Act included the need for all members to share a 'common bond', based either around an areally defined 'community', an institution (for example, employees of a university), or an organisation (incorporating a particular union's members throughout the University sector for instance). This bond would serve to both illustrate and augment co-operation and trust between members, and provide added security for any loans being made, whilst also distinguishing credit unions from other financial institutions. In addition, the 1979 Act placed restrictions on the type and amount of business that any credit union could enter into. A member's shareholding was limited by the Act to £5,000, with loans available up to £5,000 in excess of their total shareholding (that is, up to £10,000). Such loans were to be repaid within two years if unsecured, or five years if secured. Interest rates were fixed at an APR of 12.68 per cent on a reducing balance, with a maximum eight percent dividend payable to members at the end of the financial year, whilst the union's general reserve should remain at a minimum of ten per cent. The Act also provided some form of insurance against fraud, in addition to providing the Registrar with powers to direct any credit union to stop certain activities such as borrowing or lending money, or repaying share capital if they deemed it necessary.

The early 1980s, in the immediate wake of the new legislation, proved to be a testing time for many registered and registering credit unions. In 1982, as a consequence of perceived poor administrative and accounting systems, the Registry initiated the need for credit unions to submit Quarterly (financial) Returns. This allowed the Registry some form of 'early-warning system' to make them aware of potential future financial difficulties. Despite this information however the Registry were still concerned that such warnings continued to be received late in some cases. As a result, the following year saw the Registry decide to tighten-up registration applications, requiring a, 'minimum necessary assurance that a credit union seeking registration had available the basic management capability appropriate to a deposit-taking institution' (Registry of Friendly Societies, 1985: 32). This 'assurance' would include the

identification of cover for all the officers referred to in the rules, details of all books and records to be kept, alongside a simple description of the system of control required by the statutes. One effect of these requirements was that the period 1983-5 witnessed the registration of only seven credit unions.

In retrospect it is apparent that the slow growth occurred as a result of the combination of three main factors. First (and simply), the Registry was very keen to fulfil its role as a 'prudential supervisor'. Secondly, as a consequence of pressure from the Registry, the national bodies responded by offering fewer credit unions for registration. Thirdly, there was an overall absence of planning from the national bodies aimed at rejuvenating the sector as a whole, although the Registry acknowledges that such a fact was as much to do with a serious lack of funds, as it was with weak leadership (Registry of Friendly Societies, 1996). 1983-85 were hence 'quiet years' in the development history of British credit unions. However, the late eighties were to provide little relief for those hoping that the movement would progress, as problems relating to common bond interpretation and definition come to the fore.

At a meeting between the Chief Registrar and officials of the Credit Union League in 1983, both bodies acknowledged the problems of some employee ('institutional') common bonds failing to fulfil the intended 'community of interest'. By 1986 continued differences of interpretation between the movement and the Registry led the Chief Registrar to issue a Guidance Note to identify what the Registry would look for in terms of common bond existence (Registry of Friendly Societies, 1986). However two years after this Guidance Note, credit union development workers began to voice their discontent regarding the established common bond policy. The 1986 Note laid down how '[t]he Registry would be concerned to establish the reality of the proposed common bond, and whether it was likely to provide the additional protection to members funds that was envisaged when the 1979 Act was drawn up' (cited in Registry of Friendly Societies, 1996: 9-10). To achieve this aim

however, the Registry sought, 'the facts about the organisation or community from which the membership is to be drawn, presented to it by the applicants' (1996: 10), without actually specifying what those facts would be. As a consequence, credit unions were faced with the realisation that they would only find out if they had sufficient facts to support the submission after they had actually submitted it, often considerably lengthening the overall registration process:

It was a 'Catch 22' situation; credit unions did not know what the Registry wanted by way of evidence, and the Registry was unable to tell them what the evidence should be because of the unique nature of each one (ibid.).

Pressure gradually mounted against the Registry resulting in the relaxation of its 'hard-line' common bond requirements, and alongside a more aggressive marketing strategy by the two national sponsoring bodies and a growing involvement of increasingly experienced credit union workers (especially in terms of providing the Registry with the 'facts' they wanted to know), the number of credit unions registering began to increase from 1986-87, with registrations averaging fifty-five per year between 1988 and 1995. In 1993 the Registry replaced the 1986 Guidance Note, and included a three page appendix on exactly what information it would require in common bond submissions. In addition, it argued that the view that the 'salvation of a credit union [lies] solely in the strength of its common bond' was no longer entirely valid in that '[t]he desired level of protection of members' funds lay even more in the hands of the officers' (Registry of Friendly Societies, 1996: 13). Despite such arguments the Registry has admitted that the credit union movement was hindered initially by the lack of priority accorded it by the Registry, who had been focusing on the development of building and friendly societies at that time:

Whilst the legislative framework was admirable in its own way, it made no allowance for any change that might be encountered by the movement as it struggled to grow....The infant movement was, perhaps unreasonably, expected to be able to run from the moment it was born. The Registry expected all credit unions to either sink or swim - no life belts were thrown, no allowances made (Registry of Friendly Societies, 1996: 28-30).

Many of these features can be highlighted by reference to Hull Northern Credit Union's experience of the registration process.

Credit union legislation and the role of the Registry - experiences from Hull

Having completed their training programme, the Hull Northern study group applied for registration, and had their pre-registration visit from the Registry on the 13th February 1996. This visit was intended to allow the Registry to ascertain whether the group had the required knowledge and procedures in place to effectively and safely run the proposed credit union. This visit turned out to be less formal and less in-depth than the group had been expecting:

It was better than we thought. They didn't give us the answers, they prodded us, didn't leave us in the dark. They helped us along to what sort of answers they wanted. We talked around what the Act is, what the rules are, and how you interpret them. It wasn't 'tell me this part of the act', or 'this bit of the rules'....The point is whether you know where you're going once you've got registration, where your collection points are going to be, how you're going to run it, how you're going to keep afloat finance-wise....They like to see you heading towards being self-sufficient.

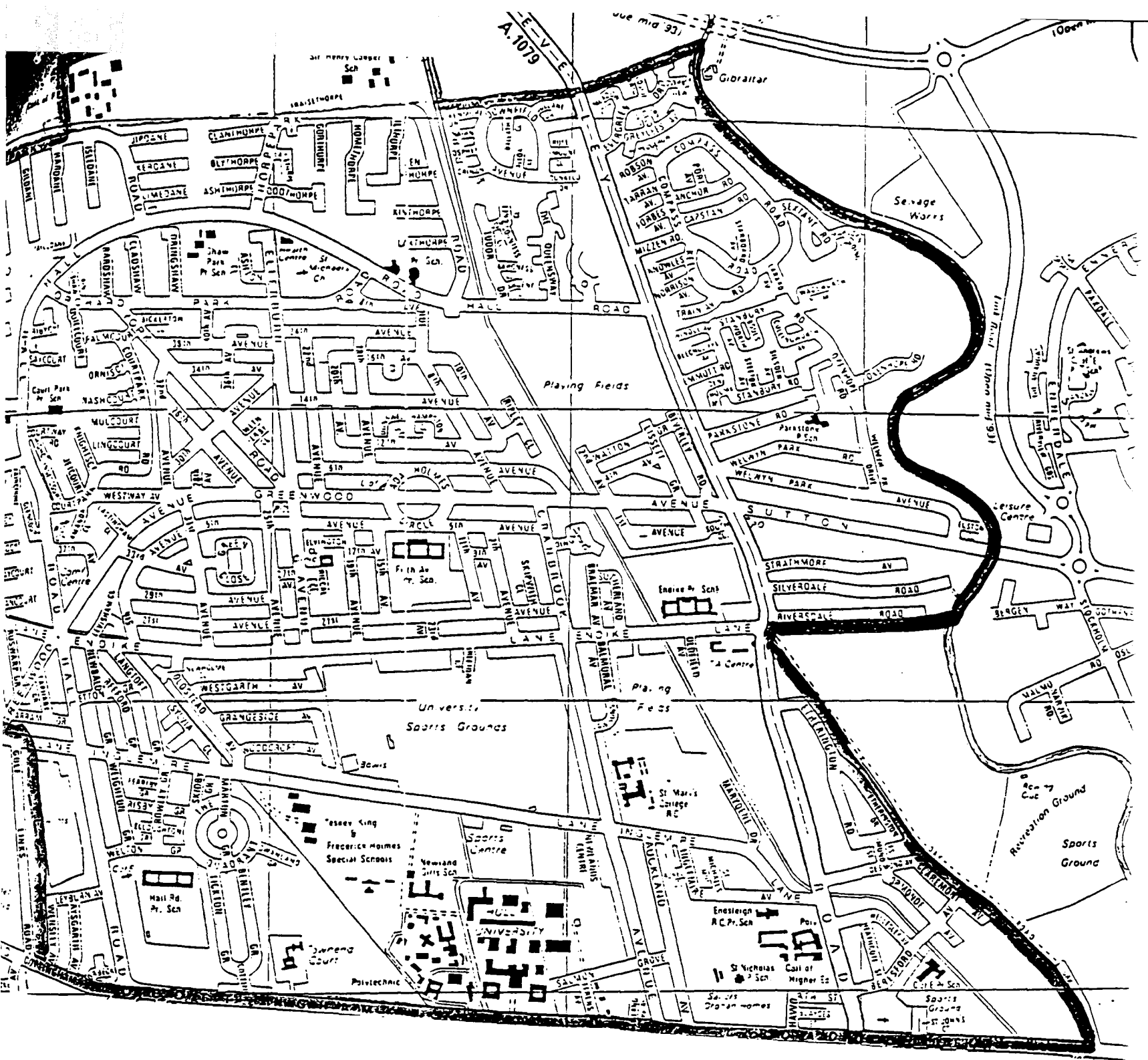


Figure 4.1: Hull Northern credit union study group's common bond application (from original submission)

However, the common bond application procedure proved to be more of a problem. The group identified the area their common bond would encompass (see Figure 4.1), and sent their draft application to their chosen sponsoring body, ABCUL. The worker noted how they had effectively 'begged, stolen, and borrowed' copies of common bonds from other registered credit unions who had previously been through the procedure, in order to give them an idea of how the application should be compiled. Most confusion surrounded what type and how much information the Registry would require. ABCUL responded by suggesting one or two minor changes, with for example, more detail required in the population figure breakdown so that the Registry would be able to easily identify the percentage of the area's population that would be eligible for membership. The worker noted how they were told that the Registry liked to be able to see the breakdown of the common bond area into 'people-types', such as the amount of public sector housing, private housing, and to assess the 'stability' of the local population. Pre-deregulation, full proof was required, and with ABCUL's advice, as much information on the local area was included in the final submission.

In reply, the Registry asked Hull Northern to re-submit their map with thinner red ink, as the original submission had failed to distinguish which side of the road was inside/outside the common bond area. In addition the group also had to provide a fourth year on their business plan. This, the worker realised was quite unusual, and was presumed to be due to the fact that the original business plan showed a prediction of a loss in the second operating year (a realistic prediction, in line with, the worker argued, most credit unions' experiences). During this time however, both the development worker, and the Hull Northern volunteers were becoming increasingly despondent:

As the development worker I was the one getting all the grouses. I kept contacting the Registry. The thing was we weren't really doing anything - all the training had been done, all the documentation had been submitted. We

were literally sat back waiting. The most annoying thing was we had been told, after informing the Registry that we were planning a big launch night for the end of April, 'oh, that won't be a problem, go ahead with it'. Up to the launch I kept ringing [the Registry], ringing them, and ringing them. 'We've got this all booked now, we've got it all organised, we haven't got our registration!' Of course it ended up with a launch at the back-end of April for a registration that came through the following August.

No explanation for the delay was ever given to Hull Northern, but they finally received notification of their registration on the 26 August 1996, and began operating on the 4 November of the same year. It was hoped that such problems would be ironed out within the 1996 deregulatory legislation, which had a main aim of making the 'growth of credit unions easier whilst continuing to ensure the safety of members funds'. Most specifically this involved removing or reducing, 'some of the burdens within the Credit Union Act (1979) but without removing the necessary protection' (Registry of Friendly Societies, 1997: 3).

The Deregulation (Credit Unions) Order 1996

A key change within the 1996 Deregulation Order related specifically to the common bond. As noted, previous arrangements resulted in the bounding off of an area whose resident population could be characterised as having a common bond, a galvanising factor, or tie that 'binds the members together' (National Consumer Council, 1994:6). However, the deregulatory legislation introduced two main changes. First a further membership qualification was initiated, allowing those employed in a particular locality to become members of a credit union in addition to the area's residents (commonly referred to as a 'live or work' common bond), thereby leading to a widening of the possible customer base of any credit union. However, the Registry argued that, 'some link should be apparent between

those employed in the locality and the members of the community in which they are employed' (Registry of Friendly Societies, 1997: 4). Pre-registered credit unions could also be re-registered under this new qualification if they so chose (although at a financial cost to the credit union). A second related change allowed credit unions to submit a 'statutory declaration', made by three members and the Secretary of the union in front of a witness, stating that a common bond exists, in place of the previous need for any common bond to be overtly 'proven':

If the Registrar accepts the statutory declaration as sufficient evidence, then no further questions need be asked of the credit union with regard to the common bond (Registry of Friendly Societies, 1997: 5)

However, this change was perhaps not quite as radical as many within the movement had hoped. The statutory declaration itself comprises full wording, and a map where appropriate, of the common bond qualifications, and must fall within one of the common bond categories. Importantly however, the Registry continued to retain the power of interpretation in this regard, in that, 'if [the Registrar] considers it proper in the circumstances...' that either the application did not fit into one of the categories, or if it was believed '...the bounds of credibility...were stretched beyond acceptable limits' (Registry of Friendly Societies, 1997: 6) the application would be rejected. As an example, the Guidance Note suggested that a common bond based around those driving Ford cars would not be deemed acceptable since although 'they would all have something in common...it would be most unlikely that there would be a common bond as a result' (ibid.). The Registry consequently suggested that if a group were unsure as to whether their common bond would be acceptable, they should include 'supporting evidence' to back such a declaration. Again however, there was no indication concerning what form such evidence should take, or how much of it there should be, and the resultant problems were of a familiar nature.

For example, in light of the new Deregulation Order, Hull Northern's members took the decision to change their common bond qualification to the new 'live or work' common bond. This was principally to extend their membership potential, but also to target the many workers whom were already involved within the local community. This re-application led them to work for the first time within the new deregulated common bond application system. However, issues concerning the type, quality, and amount of information the Registry required were still as confused and unclear as it ever was:

I rang the Registry to find out what we were supposed to do, and asked them what kind of information they wanted, and the answer was, 'you send us your application, and we'll see if that's what we need, or whether we want anything else'. So in other words, they don't know what they want, or that's how I interpret it

The geography of the common bond

These changes concerning credit union common bonds relate to important questions at the heart of the philosophical debate within the credit union movement regarding the ideological importance given to the common bond per se, implications of size of common bond areas, and ultimately to questions of growth, development, and change in operating styles and direction in the future. The changes therefore provide an interesting context in which to explore the role of the common bond within credit union operations, and its geographical implications at the local level.

Such an exploration also highlights the need to explore the contested social and political spaces of credit unions and also credit union study groups, as noted in the Introduction.. Where credit unions have been studied, most analyses have tended to concentrate either upon

their economic characteristics (for example Barham et al, 1996; Barron et al. 1994; Desai et al, 1996; Fried et al, 1993; Kaushik et al, 1994; McKillop et al, 1995; Spencer, 1996), or have at best underestimated, and at worst completely ignored, the initial, locally and socially contested processes associated with credit union development (McArthur et al, 1993; Thomas and Balloch, 1992). Instead, accounts have tended to concentrate on the development issues that have arisen once the credit unions have actually been registered. Berthoud and Hinton (1989), and the National Consumer Council (1994) at least go some way towards acknowledging some of the intricacies of the development process from scratch, but ultimately share many of the same shortcomings of the other articles, as illustrated by the following extract:

Typically, one or two people who had heard about credit unions *would suggest the idea to a small group who became the founder members....*The next stage was usually the formation of a steering group to discuss the aims of a credit union, its powers and limits, administration, the legislation and rules, the role of the national organisations. Potential officers would be approached and *support rustled up* from personal contacts and local organisations: PTAs, mothers and toddlers groups, ethnic organisations, the church and so on. (Berthoud and Hinton, 1989:35-36)

In contrast to the emphasis on post-study group genesis found in most works, it is the ‘rustling up’, noted but not expounded upon by the authors in the above extract, that represents a critical stage in the development of any credit union. It is the stage at which largely frames approaches and directions taken at a later date, most notably relating to the definition of common bond boundaries.

Legislative change and the geography of the common bond - experiences from Hull

This exploration proceeds from two, opposing views which reflect the perceived positive and negative impacts that the 1996 deregulatory legislative change may induce. First, it may be argued such legislation may serve to weaken the underlying philosophy of the common bond. It has already been noted how the Registry viewed the safety of members funds as relating more to efficient management and systems, than the role of the common bond. It can be argued that the legislation further weakens the status and role of the common bond through the increased potential for the over-zealous inclusion of areas that perhaps fail to display such common characteristics within development strategies. This would undermine the underlying basis of trust within any credit union membership that the role of the common bond has traditionally been used to identify and reinforce. In so doing, this may lead to a whole host of potential exclusionary tendencies within credit union common bond areas, instead of the intended inclusionary sense of belonging. The opposing view argues that the new statutory declaration allows a new degree of freedom from the previously restrictive definition and practice of common bond demarcation. As such, it allows the development of new possibilities for growth within the movement as a whole. These two perspectives can be illustrated by reference to development work in Hull, and in particular through the process the Central and West Credit Union Study Group's common bond area has been identified (to date).

Central and West Credit Union Study Group

The central and western area has been targeted for credit union development since 1995, when the council had 'pump-primed' its development through a £1700 allocation from its anti-poverty budget. However, despite strenuous efforts on behalf of a few committed individuals within the area, this strategy failed to generate enough immediate enthusiasm

within the community for the project to be sustained at any length, and more particularly, for the formation of an 'official' study/working group to be developed. My first contact with one of the 'prime movers' within the area came in April 1996, over a year after an original promotion and publicity meeting had been held. At this time, the group's common bond area occupied an area to the west of the city centre, out westwards along Anlaby Road (its northern boundary) to the Railway line (acting as a boundary between this area and the area of 'Gypsyville' further to the west), and south to the River Humber (Figure 4.2). However, as this area had been the target of a previous attempt to get a study group operational, it was 'decided', by a previous credit union development worker that changes needed to be made to these boundaries. This took the form of an extension of the area eastwards to include the city centre itself, and movement of the northern (Anlaby Road) boundary further northwards. Although this would increase the potential membership of the proposed credit union, these decisions were also taken for two other main reasons. First, the newly defined common bond would now 'fit' with a common bond boundary defined by a group to the north. Secondly, the new common bond area would also now incorporate the abode of a volunteer who had been instrumental in the development of a study group on one of the city estates. As a result of this extension in area, a number of problems were suggested.

In local terms, the 'additional' area in the extended northern part of the bond, (between Anlaby Road and Spring Bank), represents a somewhat different community to that to the south. The southern part of the common bond area was the traditional heartland of the city's now long-lost fishing industry, but its inhabitants continue to have a great affinity to the area and its history. At meetings it was sometimes apparent that its inhabitants felt separate from those to the North, with little apparent trust or obvious galvanising factor observable between the two areas. In addition, the new common bond area included the city centre area, and to the south, the newly developed 'Docklands' area. Both these areas might be characterised as being inhabited by a somewhat transitory population, with little real feeling of community

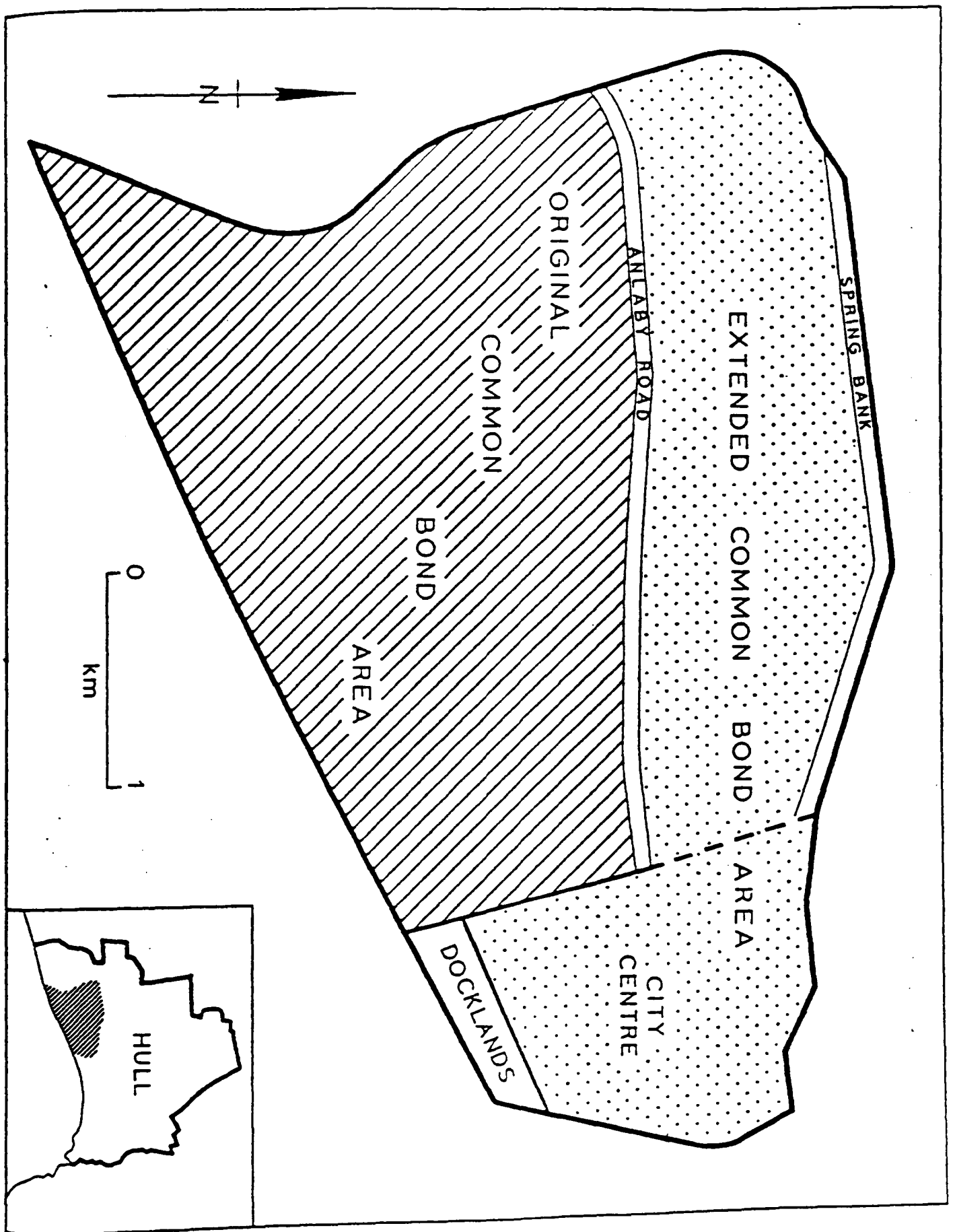


Figure 4.2: Central and West credit union study group's common bond evolution

within these areas, yet alone towards the area to the west of the city centre. Consequently, it could be argued that in relation to the tie that binds members together, this desire to cover areas, and the desire to cover the whole of the city in a patchwork of common bond areas could lead to more barriers to the future development of any proposed credit union.

To an extent this very problem was acknowledged at an early stage by the Central and West Group. They observed the exclusionary effects of holding meetings (even in the old, supposedly 'tighter-knit' common bond), repetitively, at the same community centre (west of the city centre). These effects were articulated in terms of local politics between community centres within the area, and being seen to bias one rather than another. As a result the group embarked on a monthly 'tour' of the various community centres within (the old) common bond. However, they soon realised that each community centre area was characterised as having its own 'territory', with members from outside these areas unlikely to attend for this reason, in addition to distance they would have to travel, and the timings of meetings. In addition there were problems regarding the inclusion of some areas that (it was perceived) did not 'belong', such as the 'Docklands' area to the south of the city centre, with the desire to include its inhabitants (as 'wealthier' individuals). However, it was felt by the group that the common bond could be justified, largely in terms of various networks that were operating 'invisibly' throughout the area. These took the form of community centre networks, residents associations and community groups.

Discussion around the viability of this enlarged area centred on many concepts at the heart of the battle between idealist and instrumentalist parts of the movement outlined earlier, and considered in depth in the second half of this chapter in relation to national trade representation organisations and the development philosophies they embody. Following previous failed attempts at development of a credit union based around a smaller, perhaps more homogenous 'community' area, the route forward was envisaged as an increase in scale.

Despite a number of criticisms that could have been made (as above) relating to this new area, it was felt that sufficient structures existed in order to satisfy the demands of the Registry. However, the thought remained that this justification would reflect a common bond that had been imposed rather than built on obvious and visible pre-existing linkages. This can be suggested as the main danger resulting from the deregulatory legislation, and which may lead to exclusionary effects in the longer term, with inhabitants who do not see the bond area as referring to them (not in terms of the space it covers, but the meaning of place it confers on them), or in terms of community politics relating to the perceived domination of any bond area by any certain group of people (or sub-area), leading to their self-exclusion.

Purified space?

Such issues also hint at what may be suggested as a growing paradox within the movement; that a decline in the operational significance of the common bond, arguably a credit unions most distinctive feature, may accompany the 'development' of the credit union movement in the future. For example, as the importance of being able to 'prove' that a credit union is based around a pre-existing 'community of interests' declines, and larger common bond applications consequently become more feasible, then the role of the common bond as the embodiment of trust-based relations within the area also declines (to be replaced, as the Registry suggest, by efficient management, and systems of control). At the very least, it relies more on the discretion of the credit union groups and workers to 'define' similar areas, and such discretion may be tempered by the need, or desire, to get credit unions operational as quickly as possible, and to maximise their coverage within any locality. In this manner, the development of two or three larger credit unions may be preferable to five or ten smaller credit unions, even though it might be suggested that they would fail to display the same degree of common interests and characteristics.

Part of the problem is that in spatial terms, the rigid demarcation of the common bond boundary, whether based around pre-existing common attributes, or what are perceived to be common attributes, is clearly exclusionary in nature at the outset. Events in Hull have led to a questioning of the whole process and benefits of common bond definition, with an increasing awareness that by bounding off one area, other areas and their inhabitants are excluded. There is no grey or liminal zone in this respect - people outside these boundaries by five miles, metres or inches are unable to participate. It is an interesting comparison to make with the form of 'purified space' achieved through creditworthiness. Although everyone within a specific common bond is eligible to use the facilities of a credit union, the definition of boundaries at the outset immediately precludes others from doing so. The space is purified, but in a different sense; it becomes 'purified' through the 'official' boundary construction, through the social links that have apparently been identified in line with the common bond philosophy between the members within the boundary, the trust those links engender, and the power of shame that supposedly ensues should that be broken. For those outside, it is almost like being told by a local restaurant or post office, 'sorry, you live outside of the area we have defined as our customer base'.

Clearly, the issue of common bond definition continues to lie at the heart of the credit union philosophy. Ferguson and McKillop (1997) have noted how the common bond and its legal definition lie at the heart of credit union distinctiveness, as well as defining the scope of credit union operations. The concept of the common bond is the underlying feature of a philosophy that has an aim of fostering the trust and co-operation needed for the credit union to operate effectively. However, with increasing awareness of the benefits credit unions can offer, the desire to widen their membership, and in many instances, the need to show 'results' to project funders, it would be unsurprising if common bonds were sometimes artificially constructed as a means to an end.

Current feelings from inside the movement overwhelmingly favour a relaxation of the need to prove the existence of common bond features, instead relying on the local knowledge and experience on which to base decisions rather than their form on paper. However, there is a worrying lack of dissent regarding the implications of such a direction. In particular, to what extent can the removal of the 'need to prove' be balanced against the desire to develop credit unions? To what extent does the removal of the 'need to prove' weaken the degree of trust that is meant to underlie all credit union operations, and which makes them distinct from other financial service providers? Ultimately, can the underlying basis of trust be replaced with 'efficiency' and 'systems', whilst retaining the unique style of credit union operations?

Despite such problems these changes have been viewed as providing 'new opportunities for growth' (Wylie, 1995), especially when set against the restrictive nature of the original Act. Ferguson and McKillop (1997) have noted the boost given to credit union membership in the United States in the wake of similar common bond liberalisation, and the Registry has confirmed that its desire for strong evidence in support of common bonds prior to, and during the 1980s had led to early difficulties in the growth of the movement. However, the first challenge for the movement in the next few years is to build on these changes, and incorporate continuing concerns that the 1996 Deregulation Order did not go far enough in alleviating restrictions derived from the 1979 legislation in discussions over forthcoming legislative change (Fuller and Jonas, 1999a, 1999b). In particular the Treasury itself has recently argued that the current small scale of many community credit unions owes much to the Registry's policy of small geographic areas for common bonds, and that despite the relaxation of that policy, 'its effects can still act to restrict CU development' (1999: 7). However, as will be highlighted in the next section, the size of credit union common bond areas relates as much to philosophical attitudes and perspectives on the credit union model, as it does to more recent notions of 'success' and 'failure' (as articulated in Jones, 1998b). As such, part of this first challenge will be to convince all parts of the credit union movement that

these changes do represent opportunities, rather than an attack on their development perspective.

4.3 Structural barriers to growth (II): British credit union trade representation and organisation.

A second important challenge, clearly illustrated throughout, and inter-linked with, the historical development of credit union legislation outlined above, concerns the need for more effective and co-ordinated British trade representation and organisation. As noted earlier, until recently there were two main credit union trade organisations, the Association of British Credit Unions Limited (ABCUL), and the National Federation of Credit Unions (NFCU), alongside other, smaller (or 'regional') organisations such as the the Association of Independent Credit Unions and the Scottish League of Credit Unions). They are the main source of representation to government and industry regulators (although membership by individual credit unions is voluntary), and provide training and advice to member credit unions. Credit unions who become members adopt the respective organisation's model rules and constitution. As Sibbald *et al* have argued, '[t]he ability of any given credit union industry to operate as a unified cohesive unit is a major determinant of whether it succeeds in gaining a secure position as a viable and progressive part of the financial services sector' (1998: 8). In Britain however, the Registry noted in 1996 how the movement's inability to speak with one voice had contributed to the 'legislative problem' as a barrier to stronger growth, arguing that each of the organisations 'has its own idea of what it wants' (1996: 15).

Certainly, both ABCUL and the NFCU have been characterised as representing the two different perspectives on credit union development outlined in Chapter Two (holding 'instrumentalist' and 'idealist' views respectively, Berthoud and Hinton, 1989). As will be seen below, many of these distinctive (and polarised) characteristics of early credit union

forms are clearly reflected in the attitudes and philosophies of the two main trade bodies (and their members) within British development history. Further, whilst neither of the main contemporary representative bodies overtly link their development philosophy back to these early groups, it is not hard to imagine that the contemporary differences between them are informed (at least in part) by this historical dichotomy. However, the somewhat polarised British representation may undergo a degree of change with the recent movement of the NFCU into voluntary liquidation.

However, two points should perhaps be noted. First, reasons for groups becoming affiliated to one or other of these main organisations sometimes have less to do with the ideology they espouse than other, more day to day factors. For instance Hull Northern Credit Union became affiliated to ABCUL as a result of never being able to contact the NFCU. As a result, Hull Northern received information, and a visit from ABCUL and nothing from the National Federation. The local development worker argued that, had the NFCU also provided information, more discussion would have resulted. However, the worker did acknowledge that there was a general perception that the NFCU's stance on smaller common bond areas also had some effect, in that when Hull Northern's common bond was approved, it was large for that time. As such, ABCUL seemed to represent the most logical 'home'.

Secondly, it can perhaps be suggested that on the ground, the 'ideological picture' is a lot messier than such polarised characterisations might imply. For instance, some aspects of this chapter, and large parts of the next have highlighted that even individual credit unions are contested spaces where perspectives on development and operational issues that reflect the whole range of views and ideologies that set these organisations apart from each other. As ever, the reality is far from as simple as the theory suggests.

The National Federation of Credit Unions

The National Federation of Credit Unions was characterised by its idealist philosophical stance, operating from a somewhat low-profile existence and emphasising its preference for 'grassroots over hierarchy'. It provided 'a meeting point for its members, a voice in national debates, and support for community groups thinking of setting up a union' (Berthoud and Hinton, 1989: 22). It focused more on helping those in economic need with a dual emphasis on self-help and community development. As such, smaller groups were favoured, with 'growth' aimed at the production of more small groups, rather than an increase in size of existing groups, and credit unions with only a few hundred members were preferred, in order to maintain the voluntary management style, and close contact with their membership. The National Federation advocated the use of one main credit union committee in order to oversee all the credit union's operations, which for any credit union having the intention of being small in size and locally-restricted, reflected the needs of the group's orientation. Berthoud and Hinton (1989: 23) noted this prevailing ideology when they argued that, '[t]he benefits of voluntary action in fostering the self-help ethos, empowerment and personal development of the individual are seen to outweigh those of increasing business efficiency and the economies of scale which would come from a larger, professionally run organisation'. As such, links to the Raffeisen tradition are clear.

As might be expected given their recent move into voluntary liquidation, the 1990s have been a traumatic time for the National Federation. Alongside problems relating to their perceived 'isolationist' perspective, internal disputes, and financial disarray (Registry of Friendly Societies, 1996), the first half of the decade witnessed the NFCU undergoing a period of fragmentation. A number of credit unions disaffiliated in 1993 in order to form the Association of Independent Credit Unions (AICU), whilst in 1995 National Federation credit unions in Northern Ireland broke away to form the Ulster Federation of Credit Unions

(UFCU) (Sibbald et al. 1998). Writing in 1996, the Registry (somewhat presciently) noted the following:

The lack of adequate funding for NFCU for the foreseeable future suggest that the amount of support available for credit unions post-registration will be minimal. Whilst the NFCU undoubtedly wishes to continue as a separate trade body, the time is not far off when it must seriously consider whether or not it should continue in being and decide whether their efforts would not be better spent providing the movement with a unified trade body.

Burdened by substantial debts, a weakened membership base, and unable to meet its own running costs and repayments to creditors, the NFCU ceased trading on the 5th July 1999.

The Association of British Credit Unions Limited

By contrast, ABCUL continues to represent an ‘instrumentalist’ philosophy, with a focus on credit union structure, organisation and growth (Berthoud and Hinton, 1989). From its original existence as the Credit Union League of Great Britain, ABCUL now represents the interests of a substantial majority of credit unions in Britain. ABCUL’s emphasis (as reflective of the Schulze-Delitzsch tradition) lies within a sound financial approach to credit union operations, desiring the expansion of credit unions throughout the country. As a consequence of this strategy, ‘growth’ is represented through larger credit unions with a mix of members including those with ‘real money’. ABCUL-affiliated credit unions comprise of a tri-partite structure of Board of Directors, Credit Committee, and Supervisory Committee. As part of the World Council of Credit Unions (WOCCU), ABCUL identifies itself as a ‘membership association that provides training, information, and representation to credit unions’. As such the organisation is also a promotional body seeking to develop the role of

credit unions as a whole, and is structured through regional 'chapters' to facilitate its training and informal roles. It also helps credit unions work within their legal requirements through a 'policing' role. Most recently ABCUL has become linked to attempts to redefine the concept of what a credit union is within Britain (see Jones, 1998a, 1998b; Fuller and Jonas, 1999a, 1999b), largely, it should now be apparent, along the lines of its own philosophical stance.

The need for unity

As has been suggested above, most notably by the Registry (1996), but also from other organisations such as the National Consumer Council (1994) and NACUW (1996), disunity at a British representative level has acted as a barrier to the movement's further development. In particular such differing perspectives appear to have contributed to the limited, co-ordinated responses to legislative problems over the years, although more recent responses (see the Inter-Association Legislative Liaison Group, 1997) have apparently been unified. In simplest terms, it could be argued that their under-resourced nature and lack of co-operation may be related to the far greater (and less flexible) supervisory role for the Registry of Friendly Societies than has occurred in Ireland, and perhaps would have been the case in Britain otherwise. However, it is more than this. As the Registry has argued, '[r]eference has frequently been made to the success of credit unions in All-Ireland. The most important point to come out of the Irish success story is that the movement there has remained, more or less, united... Even before the arrival of CUA79, the movement here was divided into the National Federation and the Credit Union League. No-one at the time appreciated the need for unity. Given that there was no credit union history in Great Britain that could be used as a guide, there was no-one of sufficient vision who could foresee the problems that would arise' (1996: 29).

For Sibbald *et al* the need for such unity is clear. They note, for instance, how the co-existence of two trade associations in Massachusetts during the first decade of the American movement's development history lead to similar problems:

There were differences of opinion as to procedures and organisation, jealousy over who got the credit for achievements, and personality conflicts. The two national associations adopted a very competitive aggressive attitude, which contributed to the difficulties experienced by the American credit union movement by the end of the First World War. (1998: 8)

In comparing the United Kingdom and New Zealand movements, Sibbald *et al* further stress the importance of national representation as a key factor in development of a strong credit union sector, citing the key role the New Zealand Association of Credit Unions has played in the development of services such as an ATM network central bank/liquidity system, travellers cheques, foreign exchange, mortgages, and insurance (life/house/contents/fire and so on). As they argue, [t]here needs to be more cohesiveness and integration of purpose at the industry level in order to harness the energies of its constituent credit unions to propel the industry to the next stage of development. Until the UK movement takes cognisance of this requirement it is likely to hinder its own development potential'. (Sibbald *et al*, 1998: 13)

Without such cohesive support, the view from the Registry is equally clear (1996: 27-30):

[U]ntil such time as [the British credit union movement] manages to find a way to achieve complete integration and co-operation, it will never achieve the successful growth of the Irish movement. The greatest barrier is the lack of co-ordination and co-operation....The way forward must now be for the

‘trade’ bodies to put aside their differences and form one, united body with all the advantages of economy of scale.

However, it has been noted elsewhere (Fuller, 1998) how credit unions are contested social and political spaces, often comprised of members with similarly differing perspectives on development and operational issues that reflect the whole range of views and ideologies that have been used to polarise the two main organisations in the past. In the aftermath of the National Federation’s demise ABCUL is currently approaching their former member credit unions in the hope that they will re-align under ABCUL’s wings and further its claims to be the authoritative voice on credit union development in Britain. However, in the wake of the ‘Jones report’, and the manner in which it has been negatively regarded within some parts of the movement as an explicit (and, as will be highlighted, apparently successful) attempt to (re)define credit union development in ABCUL’s terms (some key implications of which are considered later), the degree to which these former members will feel comfortable within a home whose values are often portrayed as polar opposites to their own is open to some doubt. Indeed moves are already underway by former NFCU members to develop a new, rival organisation based on similar underlying principles to the Federation. This would seem to suggest that the movement may once again be characterised by a lack of representational and organisational unity, but this time potentially as a consequence of the new proposals. At the very least it will be interesting to observe whether credit unions and their members are as seemingly polarised ‘on the ground’ as has been inferred in academic literature.

4.4 Conclusions

It should be clear that the combination of overly-restrictive legislation, and weak and disunited trade representation has had a number of profound, negative developmental effects on the British credit union movement over the last 30 or so years (NACUW, 1996). It can be

suggested that even if these 'structural' factors have not had significant direct effects on the movement (and there are strong indications that they have), then a variety of more 'qualitative' side-effects have been directly and indirectly manifest through this operating environment.

At the end of Chapter Three the existence of these 'qualitative' barriers to British credit union development was highlighted, as espoused in an influential report from within the movement in terms of a range of clearly discernible 'old model' characteristics (Jones, 1998b). Rather than considering these issues as occurring within a contextual vacuum however, this chapter has outlined, through notions of a prevailing credit union discourse, that these qualitative barriers are inextricably inter-linked (both directly and indirectly) to more 'structural' barriers. These linkages are considered within the notion of a 'non-facilitating environment' within which credit union development is currently conducted.

Through this non-facilitating environment a range of 'paths of action' have been manifest which have identified and reinforced 'the ways things [credit union development] should be done'. Key structural features have been identified as relating to the evolution of an overly restrictive legislative environment, and impoverished national trade representation and organisation. Both these features have been outlined as playing a central role in relation to the manner in which credit unions are perceived in wider society, the role(s) they are considered as performing, and the organisational principles to be engendered within their operational development.

These barriers, or characteristics of a particular style of development, concern such issues as credit union image, promotion, volunteer recruitment and training, local development strategies and relations to local structures of governance, and credit union operational

characteristics, as exemplified through the work of Jones (1999b) and Fuller (1997: 1998).

The next chapter considers these features in more depth.

Chapter 5

British credit union development: barriers to development and growth (II)

5.0 Introduction

This chapter analyses what can be referred to as ‘qualitative’ barriers to British credit union development. The last chapter argued that the structural features of the British credit union development environment have (directly and indirectly) manifested a set of ‘paths of action’ for credit union development on the ground. Whilst factors such as credit union image and volunteer recruitment strategies are complicated and contested locally, they can generally be thought of as reflective of a discourse that has become a dominant feature of credit union development strategies and promotion in Britain.

This discourse can be thought of as incorporating the ways credit unions are perceived within wider society, the role(s) they are considered as performing, and the organisational principles to be engendered within their operational development. As such, this chapter initially considers the image of credit unions. It discusses the relationship between (and implications of) the general perception of credit unions as poor peoples banks on the one hand, and an increasing awareness of the need for ‘wealthier’ people to form part of any membership base on the other. Issues surrounding volunteer recruitment and training are then addressed in light of this ‘image problem’. This relates to the issue that how credit unions are perceived (both inside and outside of the movement) has implications for their marketing, staffing, and subsequent training programmes and initiatives. These issues are then highlighted in the context of development work in Hull, which notes the confused and contested position credit unions inhabit in relation to the public generally, local government institutions and organisations, and the credit union

membership itself. Many of these issues are considered in relation to the development of the Central and West Credit Union Study Group, and an exploration of the group dynamics observed during study group development, registration, and post-registration experiences of Hull Northern Credit Union.

5.1. Credit union image

One of the most prevailing problems facing credit union development in the UK today, and one national factor that impinges upon local attempts to development and participation in many ways, is credit union image. This is mainly as a result of a general lack of awareness on the part of the public, who it can be argued have a narrow perception (or more likely no perception at all) of what credit unions are, and whom they are for. This is largely a consequence of the fact that no national organisation for credit unions has as yet developed an effective programme for raising public awareness surrounding such basic (but crucial) issues. For example, the 1994 National Consumer Council report noted that, without such knowledge, at a most general level, '[t]he very name 'credit union' was felt by some to have negative connotations - 'credit' has associations with debt, and 'union' with trade unions', to the extent that, 'some CU workers (yet alone the volunteers) were demoralised by this image (Crow et al, 1993)'. Such a factor will have important effects at a local level. For example, in Hull, it's fishing industry traditions and resultant way of life led many families to be reliant on credit during the times in which the wage earner was away at sea. Gill (1993: 116) notes the 'money scrambles' Hull trawlermen enacted during their time in-between fishing trips, as it was deemed unlucky to take money earned back to sea. Some of their money might have found its way to their wives and children; however a proportion 'went on booze, taxis, gifts, back-handers, (and) gambling' (ibid.). Whilst such a 'legacy' might mean that 'credit' is now an accepted part of life for Hull people (and they are now comfortable with it), the corollary might suggest that as the

generations have passed today's families are wary of the effects of credit and debt, seeking instead to break away from the reliance on 'other peoples money' and institutions that provide it.

One particular manifestation of this 'image problem' relates to the somewhat paradoxical position of credit unions regarding their apparent best-hope market (the 26% of the population without access to mainstream financial services), and the perceived image problems of being labelled as the 'poor peoples bank' (N.C.C., 1994; Conaty and Mayo, 1997). This centres on the debate at the heart of the credit union movement in the UK (outlined in Chapters Two and Four), as to whether to adopt either an idealistic approach with a concentration on small, self-help groups in the poorest communities, or an instrumentalist approach characterised by large credit unions among people (or at least including people) with 'real' money to save. Such a debate has been contested locally within Hull, with a variety of views expressed between these poles. However, whilst most of the groups have voiced the desire to fight poverty and deprivation throughout the city, there has been a general acceptance that wealthier members are a necessity in developing a healthy-functioning credit union. As one credit union worker argued:

If credit unions were just for poor people they wouldn't work, because if everybody in your credit union is on a low income, and continually wants loans, you would never have enough money in the kitty to give all the loans. You've got to have some people, all right if its cash that they want, but you've got to have enough people that are willing to save, and might, once in a blue moon, suddenly require a loan. But they're the people that help to keep your assets built up.

Hence, whilst the development strategy in Hull could neither be defined as purely instrumentalist nor idealist in nature, it did lean more generally towards the latter. However, it remains a confused picture. The instrumentalist line was accepted in terms of the need for credit unions to attract wealthier members, but the reciprocal links to wider common bonds and the need for a more commercially-oriented direction were rejected on the grounds that the idealist notions of participation, grassroots voluntary development, and emphasis on poorer communities would be compromised. This situation was reflected, as documented in the last chapter, by the manner in which most groups in the city were affiliated, or wished to affiliate with ABCUL, rather than the National Federation. As has been seen, whilst it is fair to say that such decisions were often based upon more than simply a choice of endorsing a certain ideology, on more than one occasion ABCUL-promoted development views were strongly rejected in favour of a more Federation-style 'approach'.

Consequently, despite an acceptance of the need for the inclusion of wealthier members within credit union common bond areas, such a desire was often contradicted by arguments voiced in favour of keeping credit unions small in size, and 'local' in nature. When wealthier members of society were included, they were often sought because they would play a key role in allowing the credit union to provide better services to those more 'in need'. There is an important difference in emphasis here from the assertion that wealthier members should be included because they too can benefit from credit union facilities, as financial service for all. Within this view, they are not regarded merely as a tool for furthering the services offered to poorer sections of the community (as the main role for the credit union). In this way, there remains a pervasive view within Britain that credit unions are a service mainly for the poor, and there is a continuing widespread tendency for them to be 'marketed' locally as such.

Links are apparent here to both the legislative environment, and national promotion, in relation to the manner in which credit unions are perceived in wider society. It can be argued that opposition to larger, more inclusive common bond areas relates to the nature of the prevailing legislation, and actions of the Registry in interpreting that legislation. As a result of the unclear nature of exactly what the Registry would look for in terms of justification for common bond applications, there was a general fear in applying for common bonds that obviously contravened 'the norm'. These norms were constructed through rumours and conversations with activists from other areas, so that common bond applications were judged suitable for submission largely through the 'experience' gathered within the movement. As such, the process tended towards conservative estimates and submissions, rather than something which challenged previous standards. The only basis for pre-judging the merits of such applications was based on what had been successfully passed previously. The 'fear' element was compounded by the length of time such submissions often took to be judged, which could then result in the need for the application to be altered and resubmitted.

Whilst it can be suggested that such experiences and resultant approaches may lead to problems in terms of market penetration when operational, particularly in terms of directed publicity and marketing of the credit union's services, they also had important effects during early stages of any credit union's development, specifically in terms of volunteer recruitment and training. As noted above, most groups in Hull progressed from an initial gathering of interested people, often brought together by one or two committed individuals. In many ways, this initial gathering led to the demarcation of a provisional common bond area (constructed in relation to many of the issues highlighted above), based around the area that they inhabit, and based on their local knowledge. They then sought to increase the size of their group to around 10-20 people in order to develop into a study group.

5.2 Volunteer recruitment and training

Clearly, although there is an increasing reliance on paid credit union development workers, much development work is currently undertaken by non-paid volunteers (see Chapter Three). However, the 1996 National Association of Credit Union Workers (NACUW) Annual General Meeting identified a number of reasons why volunteer recruitment is not a straightforward issue. These included the general lack of recognition for work volunteers perform within society, a fear of handling money, the 'I can't do that' syndrome, and that many people just want to be service users, not providers. The main obstacle to participation in credit union development however concerns the level of personal commitment that is required, and the timespan such commitment is over. In most cases the period of time from study group to registration (ignoring the time it takes to actually set up the study group) is from 6-36 months, usually tending towards the latter. In addition, the prospective volunteer is faced with the knowledge that she/he will have to undergo (some, in most cases all of the) training in order to be able to fulfil any role expected of her/him in any of the credit union's functioning committees. As the N.C.C (1994: 33) noted however, '[t]he commitment required of volunteers provides the driving force that can make the difference between failure and success'.

In an effort to counter these tendencies therefore, to reward volunteers and acknowledge their efforts, NACUW formalised the nationally accredited training scheme outlined in Chapter Three. However, problems have already been perceived regarding the effects this may have on prospective volunteers. These include the possibility that the Registry will use the accreditation programme as a kind of 'big stick' in the future, in order to compel all credit union volunteers and workers to have at least reached a certain level of proficiency (adding to peoples original nervousness that they 'can't do that'). In a similar manner in which the image of credit unions represents contested terrain, both nationally and locally, the development of national credit

union training packages may also lead to tensions concerning exactly what is considered the right development message for the training to espouse. For example, training in Hull covered the basic underlying philosophy of the credit union movement, but was conducted with a more 'idealist' emphasis. This led to a number of problems when suggestions were made that development in the city should take a more instrumentalist line (discussed in section 5.5) As such, it would be difficult to envisage those from such an idealist persuasion considering some of those elements of the course as acceptable or relevant.

In addition, there are also personal problems such a training programme (or even basic involvement in credit union development) can have in terms of the perceived negative effects of increased aspirations resulting from qualifications. These may lead to changing roles/personalities and world views, leading to a sense of being 'out of place' in a particular locale (and one where they have been very much in place up to this point), or being perceived, by others, to have 'changed'. The negative effects would be most apparent when they end up challenging previously held notions of the 'right' way of doing things, having most obvious implications in terms of challenging the prevailing development ethos. For example, one worker commented that there was a fine line between the obvious necessity of having well-trained, confident volunteers ('credit unions are an official financial institution after all'), and 'qualified' 'professional' people ('such as bank staff'). It was never accepted that the credit union needed to have qualified, professional staff. Within such credit unions that have an affinity towards community-based, voluntary and grassroots-oriented development, the challenge brought about by suggesting then need for a more professional approach can often be seen as directly undermining the whole nature of their approach to development.

Clearly, many of these issues are inter-linked, and are impacted upon by the structural barriers identified in the last chapter. The importance of such issues, and of the prevailing credit union

discourse can be further illustrated through more detailed reference to the Central and West Credit Union Study Group, and Hull Northern Credit Union (and their progress since registration)..

5.3 Credit union development in Hull - local manifestations of the prevailing discourse

At the time of my initial contact with the Central and West group, it was said that although there were a number of enthusiastic people expressing an interest in getting involved in the development process in the area, it was felt there were pressures preventing people from participating. In many ways this related to a problem of perception throughout the city. As one 'enthusiast' argued;

I don't know - I don't think it's general apathy - I think a lot of it as well is especially 'credit unions' - people look at the posters and think, 'what the hell is a credit union, don't know what that is', and can't be bothered

Image and publicity

Whilst the Forum in Hull possessed an overall responsibility for raising general awareness of credit unions in terms of publicity and advertising, the constituent groups have retained discretion and responsibility for the design and distribution of publicity material in their specific common bond areas. This is largely because of indecision regarding the ultimate direction such general publicity should take. During the period 'Central and West' were attempting to 'recruit' enough members to form a study group, they decided initially to have a publicity drive of leaflets, posters, and newspaper articles. Early on, the group decided to reject the standard Forum leaflet. The main reason for doing so was the recognition that few

people (18% according to McArthur et al's study in 1993) join credit unions as ordinary members as a result of altruistic motives. This consequently led to the removal of the slogan 'how do you help yourself by helping others'. A second reason for the leaflet's rejection related to a general dislike of the Forum emblem, which it was felt closely resembled that of UNICEF. The redesigned leaflets and posters were then circulated (by hand) to all those who had previously expressed an interest in credit unions, along with local community centres, shops and libraries. Unfortunately this strategy only served to highlight one of the main problems regarding credit union publicity (and in a related sense, credit union image and volunteer recruitment). The response to such publicity is often a barrage of phone calls to the contact number from people asking for loans (rather than them wanting to actively participate in the development of the credit union), or little response at all. The latter was the case in this instance.

This led the group to suggest that there may be a difference between the altruistic motives for getting involved in setting up a credit union, compared with possible altruistic motives for joining one as a member. In most cases, Forum members (the organisers) had joined to 'make things better', rather than any specific financial reasons on their part. However, the slogan remained changed. In place of the old slogan, the group had decided to emphasise the financial benefits a credit union could bring, but in terms of savings rather than loans, with the new slogan 'help your money go further - like you millions of people benefit'. In this way it was hoped that such an approach would tend to include those who would save, rather than exclude them by an emphasis on the relative cheapness of loans (which they might feel they have no general need, for whatever reason). However, this approach can be contrasted by an argument made by the same member who had suggested the redesigning of the original leaflet. This member argued that the redesigned leaflet now contained images of people who to her appeared 'middle class', a term which she used in the context that it would discourage the less wealthy

from joining, and which was subsequently changed to a more 'locally-representative' sample¹. The implications that this image might have appealed to another, potentially vital section of the community was not considered.

In light of the lack of recruitment produced through the publicity, the main advances in group formation were achieved through the personal networks of those already interested in the development of credit unions. However, this was a lengthy process. It took approximately six months after my initial contact with the group before credit union development started to gain momentum in 'Central and West' again. Initially this momentum was as a result of the role played by an officer from a local community development organisation. The worker's experiences provide an example of the confused position credit unions often represent to local government organisations, and in turn, in relation to the role(s) these organisations should be playing within credit union development strategies.

Credit union image and local government confusion

Credit unions have often been associated with anti-poverty initiatives, as a panacea for local economic development. This link was certainly the case for most of the credit union development in Hull, with the initial funding for their development coming from the city's anti-poverty budget. However, there remained a largely confused strategy concerning which organisations and institutions within the city should (or could) be involved in their development. In particular, it was unclear locally whether credit union development represented a form of local economic development, community economic development, or community development. Such issues certainly relate to the predominant view of credit unions

¹ A more interesting approach has been taken by the credit union movement in Leeds, with one of their publicity leaflets asking the reader if she/he wants 'to be a bank manager in your local community'.

as a poor peoples banking alternative, and the manner in which national legislation (directly and indirectly) has tended to lead to development targeted towards poorer sections of any community. In particular this can be cast in terms of what the city council wanted to achieve through credit union development within the city.

The worker from the community development organisation (noted above) encountered a number of problems in relation to her role in credit union development within the city. Initially, the worker's input had to be fought for against the notion that the officer's organisation did not have an 'economic brief' in the area, relating to the 'economic' nature of credit unions (i.e. they deal with money). Her role was further complicated by her organisation's relationship with the Council itself, and by the local government culture within the city. For instance, the worker was told by a council official that she had been allowed to work on credit union development in that area largely in expectation that the project was unlikely to succeed, and that political gains could be made against the organisation she worked for. Further, a representative from the Labour-dominated council argued that within the city there were around two- to three-hundred people who in his terms 'run the city', and of those, thirty or forty who 'wield any real power'. He argued that a situation existed within Hull, where it's citizens had effectively become a 'dependent culture', with the Council perceived as the great benefactor (a situation which in most regards, they appeared happy to reinforce, particularly in relation to credit union development).

Another worker from a community development organisation noted that such a 'City Fathers' mentality, and brand of socialism derived from the 1970s persisted to this day. As a result of this political climate it was acknowledged that there has been a lack of people at grassroots level who are experienced in developing and running community-led organisations. One

councillor argued that he had seen this feature at first hand within his own ward, where three years ago a 'vacuum' had existed in terms of community activism, alongside much apathy concerning the ability of local residents to change things for themselves. However, he argued that these attitudes had been attacked in his area over the past three years, with the local population being 'empowered' mainly through the development of a number of residents associations (and other active bodies), and that his area was now 'buzzing'. However, importantly, he expressed wariness of people being 'taken away on a wave of activism' as he argued that such people often ended up turning into Liberal Democrats.

Gunn and Gunn have argued that part of the task of building an alternative or 'third sector' of the economy entails 'development of institutions of support necessary to promote its growth and foster its development', in that '[a]lternatives can become the norm only to the extent that they develop in conjunction with a set of symbiotic institutions, patterns of behaviour, and values in society' (1991: 109). Within Hull currently, it could be argued that such a situation does not exist with regards to the development of credit unions. Notions of community empowerment are effectively treated with a degree of distrust for the outcomes they can engender. In addition there is a lack of co-operation between the community organisations themselves, and between them and the city council, meaning a clear direction for action is far from visible. Support from a financially stricken city council has been voluminous in word, but largely lacking in practice, as exemplified by the loss of both (one allegedly temporary loss) of the credit union development workers posts, at a time when more input was desperately needed, not less. When such issues are combined with the designation of credit unions as an arm of an anti-poverty initiative, the extent to which future development is compromised is undoubtedly increased.

The confused picture continued to the top of the council echelon. In one meeting, the council leader enthusiastically suggested that larger, more inclusive and diverse areas needed to be considered for development as common bond areas. However, such suggestions were made at the same time that credit unions were being linked to the city's millennium celebrations as forming a key part in the fight against 'human bondage' and poverty. Further, the leader argued that little additional money would be available to community (economic) development organisations to facilitate such development, in that their previous input had not shown any beneficial results (other than the development of one credit union within the leaders own council ward), and had largely been an enormous waste of resources. This was despite the fact that the strategy of sending in development workers to targeted geographical priority areas (that is, those areas defined as being areas of multiple deprivation) had been criticised as contributing to this lack of development through too-narrow a population mix. On a number of occasions the Forum had attempted to further the credit union development cause by extolling the benefits that the initiation of a council employees credit union could bring, only for the development to be stalled at a number of committees. However, with the development of the millennium project, a large amount of council money was set aside purely for this development. It was clear that credit union development represented a confusing issue for the council, no-one quite sure where the best route of development lay, or who should provide it. Such problems undoubtedly have their roots within a prevailing national discourse, and the local, complex, and often confusing amalgam of local development directions and views.

Volunteer recruitment and the 'grant culture'

With the critical input of the community development worker, and her subsequent staged withdrawal as a consequence of such 'local difficulties' Central and West's recruitment process began again with an 'Introductory Meeting' held at one of the community centres to the west of

the city centre, which was attended by ten people. Central and West's strategy, developed in conjunction with its core group of local members and a credit union development worker, was initiated with meetings at a community centre at the eastern end of the provisional common bond, but then developed into a monthly 'tour' of the various community centres within the area. However attendance at each meeting was limited, for two main reasons. First, the problem related to issues of territoriality amongst community centres, as highlighted in the last chapter. Secondly these meetings were targeted specifically at recruiting new members, with the same key information being presented at each venue, leading to few people coming to more than one meeting, and a few to lose interest. These informal meetings usually included a summary of the 'basics' of credit union operations, alongside a variety of locally relevant reasons and stories conveyed to the audience concerning the benefits of developing a credit union within their area. On most occasions there was a heavy emphasis on credit unions as a solution to poverty. In North Hull, this took the form of an overt desire to remove check-traders from the estate (despite the fact that in many cases, development of a credit union exists alongside the continued operations of moneylenders (Leyshon, 1995). In the central and west area, the main reason given for credit union development was to 'eliminate the loan-sharks'. In both cases, few if any references were ever made concerning the (lack of) provision of mainstream financial services, or to the possible benefits for those who would not necessarily be categorised (or categorise themselves) as 'poor'.

As a result, after a four-month period of holding meetings in each of the community centres, it was decided by the core group of members that sufficient progress had been made to warrant the collection of all the interested prospective volunteers from the different meetings, with the aim of initiating an official working group. Such progress was undoubtedly related to sustained use of the personal networks of the core group, to allow the recruitment of a number of interested recruits who were already active within other community organisations within the

area. The change in status from an 'interested' group to official credit union working/study group was perceived as a critical stage in development, in that it allowed the group to make applications for grant funding (both locally and nationally). Local grants were seen as essential in allowing the study group to develop, or more basically in many cases, to continue operating. Loans received were used mainly for stationary, training and transportation costs, as well as other miscellaneous running costs. There was a strong desire to maximise all sources of grant-related revenue from within the area.

The use of personal networks to identify prospective volunteers (rather than a costly blanket publicity exercise) was replicated by other groups in Hull. One credit union development worker admitted virtually hand-picking his group from previous contacts within the community, and other groups throughout the city have found that by using the pre-existing (in most areas) community networks, this can by-pass the problem of targeting publicity towards volunteer recruitment as opposed to joining a credit union. Rather than being exclusive, this was incorporated into a strategy geared towards making the credit union movement in Hull more inclusive towards minority groups as a whole. Approaches were made to (amongst others) the local Race Equality Council, Irish Centre, local women's centres, and the Council for Disabled People. In addition, one working group forced the Forum to be aware of the need for a supportive role relating to those in need of transport or caring facilities, so as not to exclude sections of the population who would otherwise be interested in participating. In some ways however, this strategy was also a reflection of the awareness that many people within Hull still did not know what credit unions were, or that they would consider a financial institution, run eventually by volunteers, to be unreliable and amateur in nature. By approaching these organisations, the Forum hoped to allay peoples fears about the credibility of

the scheme (as Barnardos had achieved in Ely, Cardiff (Hudson, 1995)². However, there was a general awareness amongst the groups in Hull, and also within the Forum, that limits existed concerning what 'volunteers' could effectively achieve in terms of development. This is not to cited in terms of wholesale criticism of the volunteers, but reflected the view that their time, resources, and energy were limited, and which ultimately and understandably would play some role in constraining quicker/further development. Such concerns were voiced before any group had become registered and operational, and serves to illustrate the high demands placed on volunteers even before credit unions become operational, and the problems that could ensue as a result.

The development process of Hull Northern Credit Union Study Group to a fully registered and operational credit union approaching its first AGM further illustrates many of the issues relating to qualitative barriers to credit union development. In particular it highlights the role such barriers played in the 'bloody long hard slog' (as one member put it) towards its development.

5.4 Hull Northern Credit Union - further manifestations of the matrix

Hull Northern Credit Union is based around the Orchard Park and North Hull estates (see Figure 4.1), approximately 2.5-3.5 miles north-west of the city centre. As noted in Chapter One, both of these estates have suffered from high levels of multiple deprivation, with the North Hull estate becoming one of the city's geographical priority areas within the last city regeneration strategy. In addition, Orchard Park has been documented as suffering from multiple deprivation, high unemployment, poverty, a high proportion of single parents and a stigmatising population (C.E.S., 1985). The 1994 City Regeneration Strategy continued to

² Despite this however, the strategy still met with somewhat lower levels of response than had been

place high emphasis on the multiple deprivation 'scores' attributed to the estate. In addition in recent years the estate has become increasingly stigmatised as an area of high drug abuse, in particular heroin.

'A bloody long, hard slog'

It is against this background that in June 1993 Orchard Park Citizen's Advice Bureau applied for funding from the North Hull Housing Association Trust for the post of money advice worker. In addition the post had 'tacked on to the end' a proposal for the development of self help groups. Once in post the worker conducted an initial feasibility study of what type of self help group was wanted, and this soon concentrated on the development of a credit union within the area (interest for which had been voiced a few years earlier on the estate). As has been the case with all the credit union development workers in Hull, the worker spent the first six months of her post finding out information about credit unions. When she felt at least relatively comfortable with her 'new interest', a poster campaign was initiated to gather support and active volunteers, and invitations were sent out into the community for people to come forward and pledge their support for the development process. No expressions of interest were received.

After two public meetings arranged by the worker, nine interested people had been accumulated. Fortnightly meetings were organised, where 'every now and again people would bring somebody new, so it gradually built up to 15-20 people' This whole process had taken a further six months in order to build the group to a size sufficient to start thinking seriously about the development process. At the end of this six months, a leaflet was designed which had a tear-off slip for people to return if they were interested in participating further in the

hoped for.

development of the proposed credit union, and regular meetings of the 'official' study group began to be held. Due to support from CAB and the organisation in which their office was situated (Orchard Park / North Hull Enterprise), minutes were circulated from these meetings to all those who were showing interest, or who had shown interest in the past but had not committed themselves. This was acknowledged as being extremely helpful in continuing the development's momentum and keeping people on the estate informed of the groups progress.

The group then began to undertake their credit union training, lead by the worker who was under no illusions:

In many ways it's been 'I teach you, you teach me' with the group. We've learnt together - I'm not up on a pedestal.

Starting in September 1994, it took the core group just over a year to complete the whole of the training programme (which had taken place bi-weekly on Saturdays). By this stage 14 people had done at least three-quarters of the in-house training (as illustrated in Chapter Three). As the worker argued:

Put it this way, everybody who wants to serve on a committee has got to have a general knowledge of it all, not necessarily in depth...

In the period after the protracted registration episode documented in the last chapter, the worker argued that in terms of expectations, things were not as good as they had expected them to be:

This is a comment that the Registry has been known to make, and I think on this one they're right - groups tend to be a bit adventurous with their business plans, and very few of them manage to live up to the business plan in the first three years.

When I had spoken to the development worker during the period when their registration was being 'processed', she had identified a target of 100 members by the end of the first year. Approaching the groups first AGM, Hull Northern had over 80 members, a figure which had grown steadily since the initial 30 pre-registration membership pledges. The group had three collection points, with a fourth about to become operational, and they were in the process of starting their first Junior Savers Club. However, not everyone was satisfied with this progress:

Well, I'm pleased with it; some of the group aren't. They think we should have hundreds of members by now! Some have argued that I should be 'out there', talking to the schools, to groups and so on. All these places have been contacted and I've offered to go and talk to them, but I can't twist their arms up their backs, I can't make them want to talk to me, I've got to wait until I'm invited.

Such complications can be considered through an analysis of the group dynamics observable as the change was made from study/working group to registered and operational credit union.

Group dynamics - the pressures of 'going professional'

'The group' was comprised of a wide cross-section of the estates' inhabitants, from the unemployed (including a number whom had already had some involvement with community groups in the past), the leader of the Council's wife, semi-professionals, and the retired. The

worker noted that in local terms, 'there's all walks of life in there'. As such, the worker argued that the development process had affected the different individuals within the group in different ways. The move from study group to fully-operational credit union created a number of stresses and problems within the credit union's organisational structure during the first year. In many ways these problems relate to the realisation amongst the volunteers that, after registration, their skills and experiences were now 'for real'. They had a responsibility, previously only enacted through training exercises and role-plays; they now represented an alternative source of finance and credit for people within their common bond area.

The worker argued that the move to being a fully-registered and operational credit union, the use of real people's money instead of figures on a page, and awareness of their 'real' responsibilities to 'real' customers, had manifested itself in a number of different ways within the group:

Committees change regardless of whether they are to do with credit unions, because it's a totally different scenario being in a mock committee when you're a steering group. OK, you're working towards being a credit union, you make decisions, but there's always that little element behind it that it's not for real. It's still only practising for when you're registered and you are a credit union. And then they're registered, and all of a sudden they're on this committee and they've got to make all these decisions, all these major decisions, and people change. People have got to change to meet the situations. The problem is some change for the good, and some don't, and I think you'll find that in any credit union. I'm not saying that's a problem specific to Hull Northern; I think you'll find the same problem will arise when any other credit union in Hull is registered, because it's a fact of life.

Everybody adapts to that situation differently - you always get some that adapt to it better than others.

Very few of those serving on Hull Northern's committees had ever served on a committee before in their lives. This was important in relation to the formality of the new situation, and the required responsibility this formality entailed:

All of a sudden they're on a real committee, and they've got to take real responsibility that they've never had to take before, and that again makes things difficult. It slows down the process. You'll get somebody that maybe had to miss a couple of meetings. They'll come in on one, and they'll be something in the last two sets of minutes that they don't agree with, so they want it all dragging up, and all talking about again, and because they're not...trained is not the right word...because they haven't had the experience of being on committees, there's nobody that will sit there and say, 'hey now come on, we've done this, the decision's in the minutes, that's it, it's a decision, it stands, it's already been discussed, if you wanted to talk about it you should have been at the meeting, it was on the agenda to the meeting, blah, blah blah...'. It's experience, its being a chairman that's been used to doing meetings and been able to control a meeting, and in most credit union's its not possible, or you get the other side of the coin where you might get one or two that have been used to doing all this in the past, and they take it over, they domineer, and the other people let them, they're unsure. It's very difficult - its a really responsible, serious job, yet inexperienced people are in there doing it.

Despite such a paradox, the worker believed the committee members were gradually being empowered through the experience they were developing on the credit union's various committees. She viewed their first AGM as being critical for their further participation within the credit union, this representing the first time the three-year cycle of elected positions had been enacted:

I think this might be a testing point, because when I think some of them realise that this time it really is for real, some of them might back out - I'm hoping they don't, because the only way they're going to learn is by more experience and practice.

As it happened the worker's fears failed to materialise. However, attendance at the AGM was confined to those who had previously been taking an active interest in its running up to that point. This leads to the question of what happens when those who have been the main committee members do actually decide to stop participating? Certainly there seemed to be a lack of enthusiastic new support. In terms of preparing volunteers for the strains for fulfilling such formal and responsible roles, particularly within the credit union training, the worker argued that such a strategy would be difficult to enact:

I think it's difficult to prepare people, because its difficult to gauge people's reactions. With the best will in the world, you can sit there and train somebody for two years, and some people get a bit of power in the hands and [clicks fingers] they change over night. I wouldn't say we've got the extreme, 'I've got power, I'm going to be the boss, I'm going to domineer everything', but we do have certain members on the committees that are stronger-willed. I mean, you're dealing with personalities aren't you.

This notion of inexperienced people in a 'responsible, serious job', and indications of how the credit union itself was perceived as an institution were exemplified in comparisons made between the credit union and 'formal' financial services such as banks. The worker argued that the credit union, 'is as important as a bank, and I think its every bit as important that it runs as smoothly as any other financial services institution. I mean at the end of the day, we're all dealing with people's money'. However, in many ways the similarity was seen to end there, with a clear perceived difference between the ways the two forms of financial institutions operated:

I think the main difference is that credit unions are caring - they care about their members, they get to know about their members; they don't just write off to a credit reference agency and say, 'oh they've got this and this and this, OK, we don't want to know...'. Credit unions often don't even check, they can do, the option's there if they want to, but they work on trust, everybody knows everybody. Somewhere along the line all the members are linked in some way or other

The credit union was perceived as being 'different' - more caring, community-based, with a commitment to both people and place. It was also argued that perhaps it was the operational basis of trust, personal knowledge, and personal relationships which lead to a heightened awareness of the responsibility of the job, and the pressures that such awareness can bring. In many ways the responsibility can be considered in terms of a personal investment in the credit union as a perceived 'community project', rather than a 'formal' source of finance and credit:

I think a lot of the reasons people do change is because they suddenly get scared: 'we're on this committee, we've got all this responsibility', and I think

that a lot of the bravado is insecurity in themselves, frightened of making mistakes - 'we've got this far, we've done this, we've got to work now', and they're frightened it's not going to work. I mean quite often you get people being overcautious....And you start giving loans out and 'oh God, we've got to depend on these people being honest and paying it back' - it's got to be frightening.

Despite such problems, the worker felt the trust-based nature of the lending process had worked well so far, with one early experience helping the committee members to feel more relaxed about loan applications. Some months into their official existence, most of the loans had been distributed to people who had been involved in the credit union's development for some time. However, one loan to a new member was said to have had a highly beneficial effect on the group's perceptions of loan-making as a whole, and the responsibility that they felt to 'make the right decision' (which perhaps had led to a degree of over-cautiousness in their decision-making previously):

[O]ne that became a member after we were registered had a big loan, and he's paid it back, no problem, and we did take the risk. It was a sizeable loan for the first few months of a credit union, but the money was there, it was in the rules, so they went ahead and let him have it, and thankfully it didn't come back and smack us in the face....I think that one did give the committee something to think about. I think they sat down and thought, 'well this is the one that'll show whether it's working'.

Despite the progress Hull Northern has made since it started as a study group, it is still at an early stage in terms of an assessment of its long term strength and viability. Its existence and

development have helped to highlight locally that credit unions are never a short term fix, but a long term commitment. Now half-way through their second year, membership levels have reached beyond 130 members (but with an unknown proportion of these members being inactive). However, with Hull Northern's growth occurring at a relatively slow rate, and rumours of persistent operational problems, 1997 also saw two of the city's study groups losing members for a variety of reasons. Faced with the prospect of effectively starting the city's development process from scratch all over again, discussions were initiated regarding the best way forward for credit union development within the city. These discussions were ultimately related to an increasing awareness of such issues and their local manifestations as have been considered in this work; in sum, how to include as many people as possible within effective credit union development? Such issues are often underscored by a passion and commitment to ideology which stresses the socially contested nature of credit union development.

5.5 Passion, commitment and new directions to development - challenging the discourse

Aware of such issues, and in the wake of recent pathbreaking, almost city-wide common bond applications from credit unions such as Chesterfield and Preston, a 'discussion day' seminar was organised in Hull in order to produce recommendations for a new strategy that would help facilitate future credit union development within the city. There were three main options put forward for discussion: to continue with development in geographically targeted and delimited 'priority areas'; to change to a city-wide orientation with a common bond based on the city's boundaries; or, an East/West distinction divided by the River Hull. This last option was included as a consequence of the perception from some members within the city that 'city-wide' options were generally negatively received by the Registry of Friendly Societies. In all of these

discussions the current existence of the registered credit union had to be placed in context, alongside the implications and possibilities for live and work common bonds which would ultimately vastly increase any potential catchment area.

The conclusions and recommendations taken from this meeting recognised both the critical nature of the current strategy, and the inherent problems of developing smaller-sized, community-based common bond areas. As such, a more city-wide vision was highly favoured on the day, being perceived as more inclusive by removing the localised, and sometimes artificial and divisive boundary formations, whilst also being attractive to the wider ethos of a galvanising force for the city as a whole. In addition it was also argued that such a strategy would build on current strengths that the movement in Hull had at that time. These were considered to include the existence of enough committed members to form a city-wide study group, representation from most areas of the city, a highly developed community centre network to act as a basic, underlying infrastructure for development, alongside supporting city-wide organisations. It was noted that such benefits were not lost altogether, but significantly reduced when common bonds at a lower geographical scale were enacted.

In terms of a common bond at this scale, it was suggested that an over-riding, strong bond of commonality and identity existed; that all members lived in and were part of the Hull community. In essence, the different estates or 'areas' of Hull would be perceived in a similar manner as those smaller areas, such as 'Docklands' were perceived in Central and West's common bond outlined in the last chapter. In addition, the mutual trust would still exist within local, or 'regional' areas. One community development officer even argued that such discussions had actually made him begin to question the overall community development strategy he had been working within for several years in the city. This comment related specifically to the manner in which the Council had a general policy of sending community

workers in to spatially-defined 'priority areas'. In so doing, he argued, this merely replicated the same problems of exclusion for those left on the outside of these bounded areas. He noted that there were far more areas in Hull that were worthy of some form of community development input than those that were being targeted, and that perhaps what was needed was some form of overall city-wide strategy in this respect also.

However, by the time the Forum's next AGM met to formally accept the new strategy, a number of those same members were no longer as enthusiastic. In a three hour, often heated discussion, some of the same members that had spoken in favour of the new city-wide approach now vehemently opposed the proposal. They argued that such a strategy would remove the local, community spirit that credit unions were supposed to represent. Referring to the links to other organisations within the city (some Council-based) that would need to be fostered in order to develop the proposal effectively (and this represented a key part of the strategy), they argued that the credit union, 'their' credit union, would be taken over by a city-wide bureaucracy of 'people in suits', and that the voluntary basis, and community-ethos of credit union development would be lost. Counter-arguments concerning the more inclusive nature of the larger common bond area, the potential for increased efficiency and professionalism, and the overriding need to develop credit union facilities for every inhabitant of the city were forcefully rejected. The only way to describe the strength of feeling they presented is that it verged on a deep-rooted belief, or faith that such a direction was fundamentally 'wrong'. It was an undermining of the credit union 'spirit'.

When the vote was taken, the proposal was accepted by 7 votes to 5. The aftermath of the meeting proved to be just as eventful, with two members of the Forum resigning, one of whom had been a committee member for three years, whilst the other also resigned as Chair of his local study group. Reasons for the somewhat sudden change in their views were unclear.

However, it was suggested that most of the members who had changed their stance had, since the discussion day seminar, taken part in the idealistically-sympathetic training programme run by the development worker from Hull Northern (who also opposed the proposals). What was clear however was that the thought of a more instrumentalist approach to credit union development had been fundamentally and ideologically unacceptable to those members. They would not remain inside the Forum in order to contest such views, or to ensure the idealist values were represented. It was a very dramatic end to a somewhat undramatic and frustrating three year chapter of development history in the city.

5.6 Conclusions

The history of credit union development within Hull illustrates the manifestation of an overriding 'discourse of development' that has been propagated throughout the country. This discourse is illustrated locally by a number of qualitative barriers to development, many of which have been derived from an overly-restrictive legislative environment, and lack of strong national trade representation and organisation.

Attempts at development have been undertaken largely through the auspices of the city's anti-poverty strategy. This has led to the proliferation of development attempts in geographically defined priority areas, that perhaps failed to possess the intrinsic dynamism and mix of people necessary for effective and widespread progress. This has been perpetuated by a lack of direction concerning what the development of credit unions actually represented within the city, be that local economic development, community economic development, or community development. As a consequence, the Council's input has been confused (if not piecemeal), with a lack of overall strategy emanating from Hull's Guildhall. In many ways, the development and growth of Hull Northern Credit Union is all the more remarkable given these constraints,

and owes a substantial amount to the unerring efforts of the development worker, and the volunteers who have striven to make the project succeed.

In addition the individual groups' attempts at development within this environment, have illustrated a number of issues of concern. The study groups have revolved around the efforts of core groups of volunteers, who have undertaken long periods of training in order to equip themselves with the skills deemed necessary to run the credit union when it eventually becomes operational. These groups have remained relatively static in number, and have suffered from time to time from the impacts of even two or three members leaving. The groups have developed within a culture that requires them to access as many sources of supporting funding as possible. Their efforts have been directed along a path based around notions of community-based development and growth, sometimes at the expense of including a wider portfolio of membership that would perhaps have made this task easier in the long run. The lack of distinct direction from the weak and disunited national bodies has led, in the absence of a wide perception of the movement as a whole, towards a conservative, and sometimes confused approach to credit union development. Idealistically-sympathetic, groups in the city have been unsure how to combine an accepted need to include a wider mix of Hull's population, whilst retaining their desired emphasis on the 'local', and 'community'. To some, the incorporation of both aims appears to be impossible. As a consequence, the city-wide strategy, which could have included aspects of both, now faces an uphill battle in order to come to fruition, and indeed may never do so.

Such 'local' findings, alongside the analysis of their relationship to more structural features of the British credit union environment, clearly resonate with the more nationally-oriented work of Jones (1998b) outlined at the end of Chapter Three. In many ways they can also be seen to be strongly related to the evidence compiled in that chapter relating to the extent to which credit

unions have historically played a role in countering social and financial exclusion. It is in light of such evidence that the recent calls for credit unions to adopt a new direction is grounded. In so doing, it is hoped that that their impact will be more widely felt within British society, and that they will play a far greater role in these respects in the future.

As such, and as noted earlier in this work, the credit union movement faces a number of challenges and changes over the next few years. In particular, and alongside the work of Jones (1998b) recent proposals and press releases emanating from HM Treasury and PAT 14 can be seen as an attempt to reinvigorate and re-direct credit union development into the next millennium (HM Treasury, 1999a; 1999b; 1999c; Social Exclusion Unit, 1999). These proposals have an explicit emphasis on reform of the non-facilitating environment outlined above (strengthening the view espoused here that they have played a clear role in negatively affecting credit union growth in Britain), albeit from a particular vision of credit union development. The final chapter of this work considers these proposals, and their implications for the future of the British credit union movement.

Conclusions

Future geographies of social and financial inclusion: challenges and changes confronting the British credit union movement

1.0 Summary

To re-emphasise a point made earlier in this work, credit unions are sexy. Part of the reason for this current status relates to increasing interest (both within the academy and outside) in the roles credit unions can play in relieving the effects of financial exclusion. Whilst it can be argued that credit union development occupies a somewhat ambivalent position in relation to the withdrawal of 'mainstream' financial services, they are increasingly being associated with playing a key role in the alleviation of the effects of poverty within wider British society. Within a developing emphasis at national governmental levels on the effects of financial exclusion (within the seemingly all-encompassing 'mantra' of social exclusion), credit unions are progressively being posited as one route to a more inclusive society, both in social and economic terms. However this work has argued, through an analysis that has considered credit unions as 'civil' institutions in the specific context of their development in Kingston upon Hull, the achievement of such a goal is not a straightforward issue. In particular it has emphasised that in taking the route to a more financially included society through increased usage of the credit union model, a number of barriers, both real and perceived, will have to be surmounted.

This worked began by highlighting that credit union development in Britain is currently surrounded by as many concerns, as it is hopes. By and large, the hopes relate to the current 'en vogue' status of credit unions in relation to the Government's desire to see the credit union movement expand in Britain, whilst maintaining a focus on the poorer members of society. The concerns, on the other hand, largely refer to the manner of this expansion, and its implications for the credit union 'model'.

Chapter Two analysed the increased attention in the geographies of financial services over the last decade. It considered work on 'financial infrastructure withdrawal', its links to wider processes of restructuring within the global financial services industry, and its critique and subsequent 'reinvention' under the guise of financial exclusion. It noted that this reinvention has allowed a far broader perspective on matters of money and finance to be entertained, epitomised by a flourishing concern for the geographies of alternative institutions of accumulation. Here the methodological concerns espoused in Chapter One were exemplified through documentation of the long history of credit union development, which in many ways belies their more recent 'discovery' both within and outside the academic world. The main characteristics of the British movement were introduced, with an emphasis placed on the distinction between idealist and instrumentalist perspectives on development which underpin many of the subsequent chapters

Chapter Three considered available evidence concerning the extent to which credit unions have historically contributed towards financial inclusion, as a form of a 'sustainable' financial service. This was considered through analysis of the extent to which they can be shown to have combated poverty and reduced inequalities, strengthened local economies, impacted positively on local employment levels, and incorporated environmentally-friendly schemes that possess an environmental, in addition to socio-economic focus. In light of recent claims from within Government circles, three main conclusions were drawn from this analysis. First, the extent to which credit unions in Britain can be shown to have achieved these aims is partial. At most, and this should perhaps not be underestimated, evidence suggests that they represent an additional, more accessible, and (in most cases) cheaper source of credit and finance for many people on low incomes, and especially for the financially excluded. Secondly, it was noted that there is surprisingly little data available to undertake this task. Clearly, this may be one major reason for the inability to state the case for credit unions in a more forthright manner.

However, it was argued that this relative paucity of supporting data does sit uncomfortably alongside the current en vogue status of credit unions noted at the outset of this work, and the roles they are being groomed for within social and financial exclusion and inclusion. Thirdly, and despite this ambiguity, the potential credit unions offer was noted, with the suggestion that in terms of the simple effects of accessibility to a source of credit and finance in many localities, the benefits for many are real.

In light of this analysis, Chapter Three concluded by noting the recent publication of an influential commentary from within the movement (Jones, 1998b), alongside a range of proposals from within Government circles. It was argued that these sources have all called for the adoption of a new direction for credit union development in the future, as an attempt to improve the performance of credit unions outlined previously in the chapter. In so doing, these publications implicitly revolve around the need for the British credit union movement to surmount a number of barriers to development if this aim is to be achieved. Chapters Four and Five considered these barriers in the context of an observable British credit union discourse, thereby enabling the linkages between the structural features of the credit union environment, and their manifestations in development on the ground to be explored in detail.

Noting a previous lack of consideration of their effects, Chapter Four analysed what I have referred to as the 'structural' barriers to growth and development, exemplifying such issues through reference to credit union development in Hull. These barriers relate to the issues of restrictive credit union legislation, and weak and disunited national credit union trade representation and organisation. Beginning from the viewpoint that British credit union development has failed to progress to the extent of its Irish and American counterparts in particular, this chapter highlighted the role played by a continually overly restrictive legislative environment. Through tracing the development of legislation over the last 30 years

it was argued that the historical rigidity (Fitchew, 1998) of the British legislative environment has been a product of both the legislation itself, and the role of the Registry in interpreting and enforcing that legislation.

In so doing, analysis of the 1996 Deregulation Order also highlighted a potential tension concerning the importance of the common bond within credit union philosophy, and the manner in which it has become 'easier' to 'prove' the existence of common attributes amongst a credit union's potential membership base. Through experience from Hull it was shown that the potential exists for the over-zealous inclusion of areas that perhaps previously would not have been combined together, and which may lead to exclusionary tendencies instead of the inclusionary sense of belonging that such common bonds are supposed to engender. This analysis also highlighted the tension between the desire amongst project funders and workers to make credit unions work within any locale, alongside the need for such credit unions to be underlain by the required degree of trust in order to make them effective and responsible institutions. It was suggested however that in many ways such new flexibility is ultimately worth this risk, in that experience from the United States in particular has shown how liberalisation of common bonds to incorporate wider fields of membership has led to strong surges in credit union memberships.

Further experiences of groups in Hull highlight the rigidity of the registration process within this legislative environment, and the often inflexible responses and attitudes that have emanated from the Registry in recent years. This largely concerned the confusion (pre- and post-deregulation) surrounding the application process and the type and quantity of information the Registry require before it becomes satisfied with any application. In particular it was felt by groups in Hull that whilst it was clearly performing its self-proclaimed role as the 'prudent regulator', such confusion and the lengthy time periods the registration could subsequently take

could only impact negatively on the energy, morale and efforts of the group in question. In summarising the current post-Deregulation legislative environment, it is argued that the legislation continues to be perceived within the movement as overly-restrictive.

The second half of Chapter Four considered the second (and related) structural barrier to growth and development of the British credit union movement, the lack of united and effective national trade body representation and organisation. The two main organisations, ABCUL and the NFCU have been generally represented as holding widely varying perceptions on the roles credit unions should play that mirror both Berthoud and Hinton's instrumentalist and ideological poles of the movement and the earliest forms of credit union outlined in Chapter Two. Through an analysis of their historical development and operations it becomes clear that both have had (and in many ways continue to have) their problems, whether financially or otherwise. For a long time they have been viewed as largely oppositional, competing for every new credit union group to come under their wings. It was argued that such oppositional standpoints, combined with the differing ideologies they espouse, have hardly been conducive to the furthering of development and representation of the whole credit union movement at the national level. Despite this, it can be suggested that perhaps such a bi-polarised view becomes somewhat less obvious 'on the ground'. Evidence from Hull suggests that ideological affiliations are more confused, complex and inter-weaving than such an organisational dichotomy would suggest, and that sometimes affiliations occur for what would appear to be the most trivial of reasons.

However, what is clear from this analysis is that both the national legislative environment, and weak and disunited national representation have combined to represent a non-facilitating environment within which credit unions currently operate. It is argued that even if these 'structural' factors have failed to have any direct effects upon the British movement (and

evidence suggests otherwise), they may have initiated, or played some role in developing a range of paths of action for credit union development on the ground. These paths can be thought of as representing a range of indirect or direct 'qualitative' barriers to growth and development.

These are considered in Chapter Five as a range of beliefs, assumptions and values that have arisen within and through the prevailing structural environment. It is argued that, in essence, the structural environment has acted as a form of matrix in structuring understanding of credit union development within and outside the British credit union movement, as represented and exemplified by these more 'local', or qualitative barriers. These barriers incorporate such issues as credit union image, volunteer recruitment and training strategies and aims, marketing, group dynamics and learning, and credit union operations. Credit union image impinges on many other aspects of development in that the perception of what credit unions are, and whom they are for directs the practical strategies towards development within any locality. In many ways this relates back to Berthoud and Hinton's (1989) development dichotomy, which as noted above makes a bi-polar distinction between instrumentalist (larger common bonds, more business-oriented) and idealist (smaller common bonds, community-based, volunteer-driven) approaches. Whilst again suggesting that the actual strategies enacted in practice often fail to exhibit such polarised positions (as exemplified by reference to development in Hull) it was argued that the overall perception of image structures a variety of operational approaches on the ground.

At a most general level it relates to the paradoxical position of credit unions regarding who they are seen to target as customers within any locality. This, it is argued, refers to the conundrum of whether credit unions are 'poor persons banks', with a focus on those excluded from 'mainstream' services, and those most in need, or whether they represent a more generally

applicable alternative to all sectors of the population. In practice the picture is often more confused than this simple division would again suggest, with for example, groups in Hull noting the need for wealthier members of the population to be included within their operations, whilst arguing for their credit unions to remain small in size, and 'local' in nature. Such issues become further manifested within such simple matters as credit union publicity and marketing, as illustrated in the attempts by Central and West Study group to design and disseminate publicity material.

The image 'problem' was seen to have implication for the perception of credit unions within local governance organisations. In particular this relates to a general a lack of understanding and co-ordination as to whether credit unions represent community development, community economic development or local economic development. In many ways, the manner in which they have been defined within local governance circles directs what they are intended to achieve (in terms of social, economic, political or environmental goals) as well as acting as a barrier to their strategic development. This was highlighted by the confused interpretation of credit union development in Hull.

Chapter Five also indicates that volunteer recruitment and training is also affected by the uncertain position credit unions inhabit both nationally and locally. On a most basic level this relates to the role of the volunteer, and whether paid staff are seen as complementing or undermining the particular credit union philosophy being espoused. This has implications for the training programmes being delivered, and degree to which volunteers should move towards a more 'professional' outlook on their positions within a financial service provider. This was exemplified through an analysis of the group dynamics observed as one group in Hull made the move from study group, to fully registered and operational credit union, and the stresses and strains felt by 'ordinary people' within an increasingly 'professional' environment.

The final part of Chapter Five indicated the importance of this prevailing discourse through consideration of attempts that were made in Hull to alter the strategic route to credit union development within the city, as one illustration of what Jones (1998b) has suggested is a national problem. As this section noted, discussion around strategies for development, underpinned by particular visions of how and why credit unions should develop, arouses passionate and committed debate amongst credit union protagonists. However, in the context of discussions in Hull at least, the lack of support and direction from the weak and disunited national representative bodies has helped manifest a situation whereby new directions to development continue to be represented by these polarised viewpoints. Although in reality development is more confused and mixed between the instrumentalist and idealist positions, the lack of a strong national voice, an over-rigid legislative environment, and strong regulation of this environment has led to the situation that approaches to development tend towards the conservative, and change is viewed with suspicion, if not fear, as to the negative consequences it might engender.

2.0 Conclusions - potential and concern in the British credit union movement

Through the course of this work, and through close, active collaboration with the credit union movement in Kingston upon Hull I have analysed the degree to which credit unions may perform a positive role in countering both social and financial exclusion. By and large I have become convinced of their merits, or at least convinced of the potential credit unions have to offer, in relation to these issues. Whilst considering the extent of the historical impact of credit unions in Britain, and (perhaps paradoxically) the potential they embody, this work has highlighted a number of reasons why this potential is not being realised. This has been considered in some depth in terms of the barriers identified in Chapters Four and Five, which are operating on a variety of levels and scales, some with direct and observable consequences,

others less so. This work has argued that, in combination, they have undoubtedly played varying roles in hindering the growth and development of the British credit union movement to date. Plainly therefore, the realising of the potential credit unions offer relates to the ability of the movement to surmount these barriers.

In seeking routes to the further development of the British credit union movement, the potential for further growth within the British credit union movement is also articulated in the same breath as an increasing concern over the 'health' of the British credit union movement, and the 'success' of community-based credit unions in particular (Jones, 1998b). In many ways, the perceived potential, and the concern for the health of the movement go hand in hand; they represent intrinsically-related and critical questions for the future of the credit union movement in Britain. Importantly, such issues are currently at the forefront of both the movement itself, and the wider political environment in Britain.

Challenges and changes

This chapter, and this work as a whole, began by highlighting the fact that credit unions are currently very much 'en vogue'. Activists inside the movement argue that it must take advantage of this current position of favour, and use this positive climate surrounding credit unions to its own advantage, in tackling the barriers currently seen to hinder its development, and in making the move towards the status of a real alternative to the financial 'mainstream'. In this setting, there are a number of key developments underway within the British credit union environment that represent fundamental challenges to the movement, and its attempts to reach such a status. The remaining sections of this work therefore serve to highlight these challenges, and consider them in relation to where analysis of credit union development and financial inclusion moves from here.

These challenges are likely to strongly influence the contribution credit unions can and will make towards financial inclusion. First, attempts are currently being made within the movement to transform the nature of credit unions as more widely used local providers of credit and finance (Jones, 1998). Second, and as noted above, the Government has been keen in recent years to highlight the positive impacts credit unions can make in terms of combating social exclusion and financial withdrawal (Fitchew, 1998; Social Exclusion Unit, 1998). Finally, in line with this support, two major developments are under way. First, the Credit Union Taskforce and the Social Exclusion Unit's Policy Action Team 14 have recently published their reports designed to explore ways of helping more people on low incomes gain access to financial services. Secondly, progress is being made on the reform of British credit union legislation, 'the most restrictive credit unions legislation in the world' (Fitchew, 1998:1). Whilst being contentious in nature, it is clear that all of these measures and challenges confronting the credit union movement are likely (if not intended) to influence the ways in which the movement evolves, and in particular, which vision of the role of credit unions in British society takes hold in the future.

2.1 Challenges and changes (I) - transforming the credit union 'model'

It has long been acknowledged within the credit union movement that, in most cases 'industrial' (employee-based) credit unions are 'easier' to develop and run than their community-based (residential) counterparts. This is mainly as a result of pre-existing membership fields, operating systems, routes of information and publicity, and so on that most firms which are the sites for such credit unions possess prior to their development. Such factors can be manipulated at a relatively low cost to serve the credit union's functions. It is fair to argue that industrial credit unions have also been seen as being more 'successful' than their community-based alternatives, in terms specifically of their asset / membership ratio. Reasons for this

'success' have often been attributed to these same factors. However, there is increasing evidence that this relative success may have at least as much to do with the poor development of residential credit unions, as it does the 'success' of the industrial types. It is increasingly apparent that there are a number of underlying weaknesses within the community-based approach. This suggestion can be illustrated through reference to the gradual reduction in the relative asset base of community-based credit unions, vis-à-vis industrial forms (Table 6.1).

These figures highlight that in 1996 residential credit unions outnumbered employee credit unions by over five to one, and yet had a lower level of overall membership. This relates to considerably lower average levels of membership amongst residential credit unions compared to those which are employee based. Many residential credit unions have levels of membership lower than 200 members (and have had for some time). For example, of 11 residential credit unions operating in Newcastle upon Tyne in June 1996, 8 had membership levels below 100 people. Crucially however, in terms of assets residential credit unions accounted for only 24.1%, despite having over 45% of members, a figure which has declined steadily since the early 1990s.

In light of these findings, attempts are currently being made within the wider credit union movement to transform credit unions as local providers of credit and finance for all. The Jones report (Jones, 1998b) has highlighted how, 'a substantial number of credit unions are failing to grow in any significant respect. It is clear, from contact with credit union activists, that many, particularly community, credit unions are remaining very small and neither generating sufficient income nor surpluses to achieve financial self-sufficiency or viability. Many credit unions seem to struggle on with overworked and stressed volunteers, serving maybe only a fraction of their potential membership within the common bond' (Jones, 1998b: 4). Whilst stressing the role played by the factors discussed in the Chapter Four (restrictive legislation and

Membership						
	1991 Members	% of total membership	No. of credit unions	1996 Members	% of total membership	No. of credit unions
Residential	35,269	51.0	239	86,412	45.3	395
Employee	28,409	41.1	47	89,084	46.7	75
Association	5,493	7.9	42	15,308	8.0	79
Total	69,171		328	190,825* *includes 21 res/emp members		550* * includes 1 res/emp
Assets						
	1991 Assets (£000's)	% of total		1996 Assets (£000's)	% of total	
Residential	7,510	31.5		24,203	24.1	
Employee	13,026	54.7		67,043	66.8	
Association	3,272	13.7		9,099	9.1	
Total	23,808			100,348* *includes 3 res/emp		

Table 6.1: Credit unions - analysis by common bond type, 1993-96 (Source: adapted from Report of the Chief Registrar of Friendly Societies for 1994/95, 1996/97)

weak and disunited national bodies), the 'research hypothesis' of the project identified the prevalence of the 'old model' of credit union development (Jones, 1998b). This model has given rise to a set of standard assumptions about credit union development:

[It] typically assumes community credit unions to be small (*maybe only a few hundred members*) and entirely operationally organised by volunteers. These volunteers, irrespective of background and experience, are assumed to be able to develop the skills and knowledge to run the credit union without any particular difficulty so long as they are able to access the relevant training programme. It is further assumed that most of these credit unions will require grants or other external funding for some considerable time as they are not expected to generate significant income from making loans to members. In some places, they can also be seen as a panacea for local economic development and are linked directly to anti-poverty initiatives. This latter point is maintained even though there is little evidence of these credit unions ever being able to reach a significant proportion of the local population (*ibid.*)

As such, it is argued that this model of development is ultimately unsustainable, tending to concentrate more on community activity, and the personal, and educational needs of the volunteers (the 'social leg' of sustainability outlined in Chapter Three), than on offering a quality financial service to all people applicable within the common bond:

[F]ew of these credit unions will have the energy, entrepreneurship or skill to create a much larger membership base. They will continue to struggle on, offering a basic savings and small loans service, with an ageing and

increasingly tired group of volunteers until external factors and forces take over. These forces will come not only from the demands of the business environment but also, over the next few years, from the Financial Services Authority, and an increasingly rigorous system of regulation, and from share protection monitoring and assessment programmes (ibid.)

Jones' suggests that this old model of development represents the prevalent *modus operandi* of credit union development over the last ten years, as grassroots and community activists have come to characterise the main source for development of those services and products that the Government has either been unwilling or unable to provide. Certainly evidence from Hull would seem to support such a view. However, it is argued with particular reference to the trends observed in Table 6.1, that for credit unions epitomised by this model of development to survive, a move away from such approaches needs to be undertaken. This move was summarised by another activist as the need for a 'cultural shift' in the approach to credit union development, or as Jones suggested at the outset of the project (1998a), a move towards a 'new model' of credit union development:

[I]f such 'old model' credit unions are to survive, they will have to search out a new model of organisational operation and development that affords the possibility of sustainable growth, of financial stability and of expanding services to members. It is envisaged that this 'new model' will involve a redefinition of the concept of 'small' within the credit union context, a re-working of the rôles of credit union volunteers, the development of an understanding of running a fully professional financial service and the increasing introduction of paid staff to carry out day-to-day activities. There

will be clearly implications here around the size and nature of common bonds, around credit union mergers and, for some, around take-overs and closures.

It is acknowledged that some 'new model' credit unions already exist. However, it is clear that such credit unions occupy a position more clearly towards the instrumentalist perspective identified by Berthoud and Hinton, than the idealist route. As such, in addition to an attempt to redefine the concept of what a credit union is, and who it is for, the proposal clearly also represents an undertaking by ABCUL to reposition the notion of a credit union more directly in line with its own development model, than that of the, now defunct, National Federation. However, rather than representing a move away from servicing the needs of those in the most disadvantaged areas of the country (and community), Jones' hypothesis suggests that through the development of commercially successful credit unions, which continue to retain their commitment to mutuality, democracy, and social inclusion, such areas will be served better as a result of the increased ability to serve 'diverse populations, employing paid staff and offering a range of financial services' (1998a: 2).

As noted in this work, the development of credit unions in Hull has been heavily weighted towards the community-based, residential type, and in many ways, this development history can be seen to represent Jones' 'old model'. However, the history also represents a more confusing and sometimes contradictory picture than simple reference to one model or another would suggest. That is, some aspects of development can be seen to fall squarely within the old model discourse, especially in terms of the basic idealistic philosophy that key activists in the city often espoused, alongside occasional and often highly emotional opposition to more instrumentalist perspectives. However, in reference to other parts of the development process, these 'old model' values were often interspersed with 'new model' ideals and views, as a result

of the locally-contested nature of credit union development, producing a messy amalgam/hybrid, rather than clear cut direction.

Clearly, Jones et al's old model suggests that such groups would struggle on, but that without an increasing level of support, it would be hard to imagine the credit union developing in any meaningful manner that would allow it to achieve what it wanted to. For instance, one local community development worker in Hull argued that it would take a long time before the operational credit union began to reach those who were most needy, if indeed it ever reached them. Hull Northern's experiences, particularly in terms of their development strategy, and experiences with the Registry over interpretation of the legislation, seem to be fairly typical for most community-based credit unions. Based around an area characterised locally as deprived and 'problematic', their development shows clear signs of the 'baggage' associated with Jones 'old model' of development: perceived locally as an assault on local deprivation; heavily indebted to the work of volunteers, who, in turn have become heavily reliant on the efforts of the local development worker; steadily growing, but with no real dynamism; and continually hoping to reach the perceived level of 'critical mass' through which their credit union membership will multiply exponentially. As Jones (1998:2) notes, '[t]here may indeed be an argument that such credit unions, set up to respond to the needs of some of the most disadvantaged areas of the country, should never be expected to be financially viable nor commercially successful. This argument could maintain that the primary purpose of such credit unions is social rather than economic and, as such, they will always require permanent subsidy both in the form of grant-aid and free volunteer labour.' However, in terms of providing the maximum benefits to the maximum population, it is argued that such a scenario falls a long way short.

As such therefore, these moves will involve a widespread (and controversial) re-styling of the 'traditional' model of credit union development, which tends to be based around notions of small-sized, volunteer- and grant-centred unions, towards a 'new model,' based on the inter-linked aims of being commercially successful, mutually-committed *and* socially inclusive. As a consequence, and whilst acknowledging the locally-contingent nature of many routes to development, there is a need to understand the general conditions that enable community credit unions to develop into commercially successful and socially inclusive institutions. Why does the British credit union movement incorporate wildly differing examples of growth and stagnation? Are there generally identifiable factors or strategies that represent the most hopeful routes to sustainable and effective development? On a more general level, it is clear that such a transformation lies (crudely at least) more firmly alongside instrumentalist interpretations of credit union development, and it is perhaps no surprise that ABCUL (whose own philosophy would seem to mirror such claims) is at the forefront of these moves. In these terms there is a clear need to analyse the consumption of these ideas within the movement, as, in many ways these suggestions require a re-assembling of notions of both the credit union model as an 'alternative' form, and also definitions of credit union development 'success' (Fuller and Jonas, 1999). This requires analysis of the interface between credit union groups (the members, not only those that run the individual credit unions) and the national representative bodies, and how these ideas are interacted with 'on the ground'. These points are further explored through more explicit consideration of the recent proposals from within Government circles.

2.2 Challenges and changes (II) – the impact of HM Government

Recent years have witnessed the British credit union movement gaining strength in the national arena, seeking to influence policies and regulations that it hopes will serve to empower people and communities, financially and socially (Fuller and Jonas, 1999). As such, it can be argued

that credit unions are being absorbed into the mainstream of community economic development (CED) initiatives, and perhaps through this, absorbed into the 'mainstream' political agenda in Britain. Such CED initiatives have flourished throughout Britain and the rest of Europe and North America (see for example, Amin, Cameron and Hudson, 1998; Mayer, 1998; Regional Studies Association, 1997). While these initiatives are currently in favour under the Labour Government (most notably through the activities of the Social Exclusion Unit) the precise role of credit unions remains ambiguous. The Government has been keen to highlight the positive impacts credit unions can make in terms of combating social exclusion and financial withdrawal (Fitchew, 1998; Social Exclusion Unit, 1998).

In line with this support, the second challenge to the British credit union movement relates to recent proposals from the HM Government. These have been derived through work conducted by the Credit Union taskforce, and the Social Exclusion Unit's Policy Action Team 14. The Credit Union Taskforce, established in 1998, had a main objective of helping more people on low incomes gain access to financial services. This included an exploration of the ways in which banks and building societies could help further the development of credit unions locally. The Taskforce was chaired by Fred Goodwin, Deputy Group Chief Executive of the Royal Bank of Scotland, and was comprised of senior representatives from banks, building societies and the credit union movement. Its remit was: to explore ways in which banks and building societies can work more closely with credit unions to increase their effectiveness; to look at ways to widen the range of services that are provided to credit union customers; and to encourage the continued expansion of the movement (HM Treasury, 1998). In so doing, it aimed to identify best practice in these areas and consider how this could be promoted more widely, as well as proposing new areas for co-operation. In a similar vein, the Social Exclusion Unit's PAT 14 is one of eighteen teams set up under the initiative to tackle social

exclusion (see Social Exclusion Unit, 1998). In particular this group had an emphasis on widening access to financial services.

Both organisations reflected the Government's determination to see credit unions play a more emphatic role in countering social and financial exclusion. Their central aim is related to improving individual access to financial services, and they have recently made a range of recommendations to further this aim relating to both the credit union, and financial services sector more generally. In many ways, they are also reflective of the increasing awareness of a number of barriers to credit union development in Britain, and draw in large measure from the Jones critique.

As Helen Liddell, then Economic Secretary to the Treasury (whose remit includes responsibility for credit unions) argued at the launch of the Taskforce, 'Credit unions have an important role as a place for savings and source of low cost credit for the less well-off. They can also provide a first rung on the ladder of financial services for young people. We want to build on that. If banks and credit unions work together we could see more people having access to bank accounts and credit who do not presently do so' (ibid.).

Following the recent publication of reports from both these sources, the current Economic Secretary to the Treasury, Melanie Johnson, has recently outlined six main initiatives designed to 'help people in disadvantaged communities excluded from key financial services' (HM Treasury, 1999a). A key emphasis within these proposals concerns the need to 'boost' credit union development within Britain through the provision of a new Central Services Organisation to support and enhance the role of credit unions, and through changes to the regulatory framework for credit unions.

The regulatory framework

Proposals initiated from the Treasury highlight a number of changes to legislation affecting credit unions in Britain, alongside the development of a new regulatory regime. These measures are intended to, 'encourage growth in the movement while retaining credit unions' focus on providing financial services to the poorer members of society' (Social Exclusion Unit, 1999). Despite the 1996 Deregulation legislation, there has continued to be widespread dissatisfaction with the legislation governing the operation of credit unions throughout England, Scotland and Wales. At the recent World Council of Credit Unions' conference in Glasgow, the Chief Registrar of Friendly Societies argued that reasons for reform are threefold:

The 1979 [Credit Union] Act restricts very severely the range of services credit unions can provide to their members and how they can fund themselves. Second, the system of supervision and regulation laid down in the Act is rudimentary and the powers of intervention given to the Registry as supervisor are far too inflexible. In effect, if a credit union gets into difficulty, the only options we have are to do nothing or close it down....Last but not least, UK credit unions have no share protection scheme. Both we and the credit union movement believe that the surest and quickest way of bringing in a share protection scheme is to make it a statutory requirement (Fitchew, 1998: 1-2)

The deregulatory measures designed to improve the legislative environment are largely in accordance with proposals outlined in 1997 by the Inter-Association Legislative Liaison Group (see Appendix Two). Members of the group included the Association of British Credit Unions Limited (ABCUL), the Association of Independent Credit Unions (AICU), the National

Association of Credit Union Workers (NACUW), the National Federation of Credit Unions (NFCU) and the Scottish League of Credit Unions (SLCU). They produced a report entitled 'Common ground: national goals for improving the laws governing credit unions', which argued that the current laws governing credit union operations in the UK 'have been a principal impediment to the growth of the movement and its ability to serve its members' needs (1997:1).

The report was conducted from the guiding principle that 'any changes to the Credit Unions Act must preserve and promote the unique nature, structure, philosophy and ethos of credit unions as mutual, democratic and not-for-profit financial co-operatives, managed and directed by volunteers and operated for the economic and social benefit of their members' (ibid.). Importantly, many of the recommendations contained within this report were included within the Treasury's 1998 consultation document on legislative change, 'Proposed amendments to the Credit Unions Act 1979' (HM Treasury, 1998). This has formed the basis, after consultation, for the recent proposals.

These proposals relate to the following changes in credit union legislation: increases in the maximum repayment period for loans; greater flexibility in the common bond requirements; alignment of the maximum amounts that can be held in youth accounts with adult account levels; the removal of the maximum membership limit for individual credit unions; allowing credit unions to charge for ancillary services; greater flexibility on the disposal of re-possessed collateral; alongside further consultation on increasing the sources from which credit unions can obtain credit, and greater flexibility on dividend accounts (HM Treasury, 1999b). Clearly, taken as a whole these measures are intended to further remove the restrictions from the original 1979 Act. However, like the work of Jones which is drawn on in support of the need for such changes in these reports, there seems to be an additional implicit argument that all

credit unions should follow, and benefit from, these changes, irrespective of their own identity, priorities, and philosophical outlook.

Alongside these measures, and in light of the 'considerable scepticism' surrounding the effectiveness of the current system (HM Treasury, 1999c), the Treasury has also announced a new regulatory regime for credit unions based around the Financial Services Authority (FSA). Both the PAT 14, and Credit Union Taskforce reports stress the need for effective regulation and enforcement as a means of protecting depositors, ensuring confidence, and ensuring quality service provision. However, they also note that whilst 'stronger regulation is the natural counterpart of a stronger credit union movement' (Social Exclusion Unit, 1999: 17) there is also a need for a gradual shift towards these aims (with an explicit acceptance that, 'sudden moves might jeopardise the survival of many small community credit unions' outlined in Jones' work (1998b)).

There are two key questions in relation to these changes which are still being debated within the FSA and credit union movement. The first question relates to the level of fees payable from credit unions vis-à-vis other financial sector institutions, since the FSA will need to cover its own costs. There are concerns here regarding the impact of such fees on smaller credit unions in particular. The second question concerns how the FSA will be sensitive to the 'principle of proportionality' (ibid.) throughout the financial services sector. As the PAT 14 report highlights, '[w]hilst it is clear that these measures *could* enable credit union growth, their effectiveness, assuming they are implemented in due course, will depend on the readiness and capacity of individual credit unions to exploit the opportunities. This cannot be taken for granted. Indeed, there may be a danger of too little response, particularly from community credit unions, unless there is positive encouragement' (Social Exclusion Unit, 1999: 13).

Where this encouragement derives from is related to the second main initiative, the initiation of a Central Services Organisation, in order to promote credit union growth and development in Britain.

The Central Services Organisation (CSO)

Derived in part from awareness that countries where the credit union movement has grown substantially and 'successfully' are characterised by the provision of some form of CSO (HM Treasury, 1999c), this proposal represents an intriguing opportunity for banks and building societies to help further the development of credit unions in Britain. Whilst again few exact details have yet emerged, CSOs overseas have highlighted a range of possible services that a British equivalent could provide, either directly or through out-sourcing to banks or other organisations with skills and expertise in that area.

These services include back office processing services to relieve volunteers of book-keeping and other 'administrative' tasks such as bill payments and other transaction services, assistance with business planning and financial management, assistance with member financial education and marketing, the provision of a treasury management facility, assistance with product development; recycling surpluses from credit unions with an excess of savings to those with an excess of borrowers, general and encouragement and support at each development stage (HM Treasury, 1999c: 13, Social Exclusion Unit, 1999: 16). Again however, there is little discussion of how such services may be relevant to those with a more local, community-focused agenda.

The actual structure of the CSO is yet to be determined, with options including a single body for the UK, or a more federal structure. However it is suggested that the CSO would carry out

many of the roles currently assigned to local authorities, with local authority money being channelled through this source for the provision of such services. One clearly important consequence of this procedure would be the effective standardisation of 'local' approaches to credit union service issues, again possibly benefiting those whose service provision philosophy is in line with Government (and ABCUL) views. In a similar fashion, it may also have implications for local development processes and perspectives in the future.

It is envisaged that the CSO will work alongside local development agencies, who would have this more organisational and developmental role, but the extent of influence the CSO might have in this relationship is unclear. It is intended that the CSO would be of value to the whole of the movement, irrespective of which trade organisation is belonged to, in an attempt to bridge, unify, or perhaps nullify the theoretical gap between any representational organisations. As PAT 14 argue, '[t]he establishment of the CSO in particular... would be a significant step towards providing a central focus for the movement' (Social Exclusion Unit, 1999: 19). Further 'rewards' for those who embrace these perspectives include the suggestion that bank and building society assistance might be achievable (through the CSO) in terms of initial capital (to enable the establishment of the organisation itself), material gifts such as premises or equipment, and through the secondment of staff with appropriate expertise.

2.3 Exciting times - the sting in the tale

These are exciting times for the British credit union movement, and for the credit union researcher. Clearly, many, if not all of these proposals are still open for consultation and change, with, in particular, specific details concerning both the regulatory regime (the role of the FSA) and newly proposed Central Services Organisation yet to be decided. As such, it is possibly too early to be speculating on the possible effects it will have on British credit union

development. However, in attempting to ensure that credit unions, 'make a significant impact on the provision of reasonably priced financial services for those who currently lack access to them through these measures', it is clear that British credit union development will need to take a 'new direction' (HM Treasury, 1999c: 9). As such, a number of areas for further research can be identified. These relate to issues of central importance for the future of the British credit union movement.

Clearly, this process of legislative change represents one key area for future study. It is both a major source of hope in helping to release the potential credit unions offer, and a major source of concern if it fails to address all (or at least many) of the issues identified in Chapter Four as forming a key barrier to the growth of the movement in Britain. Considering the identification of this critical role, analysis of these discussions, their ultimate manifestation in policy, and the reality of its implementation 'on the ground' are key issues for any geography of credit union development and financial inclusion over the next few years.

As noted the new direction currently being recommended for British credit union development seemingly entails a move firmly towards the (ABCUL) instrumentalist perspective, as espoused and exemplified through the critical commentary on the current state of the movement from Jones (1998b). This is emphasised in each of these documents through detailed inclusion and unequivocal acceptance of the Jones report (1998b), its findings, and the philosophical perspective and outlook on credit union success and failure, thereby adding to the sense of these times as a critical period for British credit union development. There are clear issues concerning how credit unions from a more Raffeisen/Federation-esque tradition and perspective will fit into these new model views. Further it leads to important questions concerning the 'alternative' nature and status of credit unions, at a time when they appear to be being appropriated by the state with a definite sense of (instrumentalist) direction concerning future

development trends. Certainly these are intriguing issues deserving of increasing analysis in the months and years ahead.

As such further questions are apparent concerning whether credit unions are being groomed as a form of second-tier banking service, allowing 'mainstream' players to continue to target the wealthier sections of society, whilst relieving their conscience (and bad publicity) through participation in the development of an effective alternative for those left behind. In short, there is a need to consider the politics behind these relationships, and who will they benefit. We need to assess how these aims relate to attempts identified in this work to re-direct credit union development as a source of credit and finance for all; will this entail British credit unions becoming a source of true competition to the 'mainstream', or will they simply become part of the 'mainstream'? In particular, future work in this field will need to consider the implications of such issues for the 'alternative' status of the credit union model in Britain in the future.

Perhaps on a more 'local' level, and in relation to use of credit unions within existing or future community economic development initiatives, the relationships between local credit union groups, existing CED initiatives, and wider institutions of local governance will also merit increased scrutiny. It has been noted how there was a lack of understanding within political circles in Hull concerning whether credit unions were seen to represent local economic development, community economic development, or community development, and it would be unfair to suggest that such confusion would only occur in this one locality. Consequently, with potentially differing approaches to credit union development in different localities, producing different development strategies, different aims, and different outcomes, it is not unreasonable to suggest that their use in each of these general strategic manifestations of local policy formation may have affected the degree of 'success' credit unions have enjoyed from area to area. There is therefore a need to reflect on what could be a wide range of local routes to

development, set within a wide range of collaborative ventures between local credit union groups, their supporting structures or organisations, and local governance. Further, questions arise concerning how the establishment of the CSO will affect these routes; will they become standardised around a certain (Government/ABCUL?) inspired way of 'doing credit union development'?

Finally, and implicitly related to all of these issues, future work may argue that there has been too much emphasis on 'the movement' as an uncontested and holistic concept. It has been noted in this work how the credit union 'movement' in Hull is comprised of a far messier amalgam of views and perspectives on credit union philosophy, development and outcomes than is perhaps reflected in notions of two polarised groupings. There is need to explore this idea further, and to include the views of 'ordinary' credit union members, alongside the key gatekeepers and spokespeople.

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Appendix One

Current credit union legislation

According to the 1979 Credit Union Act, the main objectives of a credit union are:

- the promotion of thrift among the members of the society by the accumulation of their savings;
- the creation of sources of credit for the benefit of the members of the society at a fair and reasonable rate of interest;
- the use and control of the members savings for their mutual benefit; and
- the training and education of the member in the wise use of money and in the management of their financial affairs.

Rules and the common bond

Each credit union, in order to qualify for registration, must possess a set of rules which are acceptable to the Registry. Normally such rules will be adapted from whatever national association the credit union belongs to, and will include information such as the credit union's name, procedure for the appointment and removal of the committee, terms for loans, and audit arrangements.

With specific regards to membership, there are a number of alternative common bond qualifications that the credit union may be based around. These are:

- following a particular occupation
- residing in a particular locality
- being employed within a particular locality
- being employed by a particular employer
- being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a credit union
- residing in or being employed in a particular locality

During the registration process, a decision is made regarding which of these common bonds is most applicable, with the statutory declaration confirming its existence being made by three members, alongside supporting evidence.

Credit union structure

Credit unions are comprised of either the three way structure of Management Committee (Board of Directors), Credit/Loans committee, and Supervisory Committee, as directed by the Irish League and British Association, or one central committee as suggested by the National Federation. The following represents a summary of the British Association template rules (these representing the majority of credit unions currently registered in Britain), which comprises a tripartite structure of management committee, credit/loans committee, and supervisory committee.

The Management Committee

The Management Committee has responsibility for overall management and strategy of the credit union, operations which take place within the credit union's registered rules, its bye-laws and its stated written policies. Committee members are elected in line with the credit union's rules, and should include a Chair, Vice-Chair, Secretary and Treasurer. Meeting monthly, the committee should establish objectives and formulate policy, decisions which should be properly minuted and communicated to all volunteers and members as well as the other committees, as well as continuing to evaluate the financial position of the credit union. Consequently the credit union, 'must take steps to ensure that all committee members have the requisite knowledge and proper training, and that adequate arrangements for the succession of officers have been made to enable it to continue to function correctly' (Registry of Friendly Societies, 1997b: 5).

The Management also has a number of other responsibilities, as exercised through the Committee:

- the recommendation of a dividend to members on shares, within the statutory limit, which will be dependent on the financial position of the credit union, and the maintenance of adequate reserves;
- the recommendation of transfers to the general reserve complying with statutory requirements, whilst taking into account the maintenance of the financial strength of the credit union;
- the provision for bad and doubtful debts
- the maintenance of insurance to comply with statutory requirements in respect of fraud and dishonesty, and the additional insurances for protecting members' funds;

- ensuring the submission of the annual return to the Registrar by the due date. The return, accompanied by the statutory filing fee, should be fully and accurately completed, and should be properly audited.

The Credit/Loans Committee

The Credit/Loans committee discharges the lending function of the credit union, although such responsibilities may be delegated to a loans officer. As the Registry argue (1997b: 7), '[t]he decisions of the Credit Committee will have a strong effect upon the soundness of the credit union. They influence the attitudes of individual members refused or granted loans, and affect the security of member's funds put out on loan. A credit union may grant loans that would not be entertained by other financial institutions, but nevertheless it has to make sure that they are likely to be repaid'.

The Credit Committee must also:

- work within the written loans policy set out by the main Committee, thereby contributing towards maintaining consistency and objectivity and reducing the risk of losses;
- regularly review the loan portfolio, to evaluate the need for change to the main Committee's policies and its own priorities, so that loan arrears may be kept to an absolute minimum, or ideally, be eliminated;
- when considering a loan application from a member, take into account such factors as the amount of funds available and the member's financial record;

- prescribe and follow special procedures to avoid partiality and self interest in respect of loans to officers, in addition to documenting all its decisions and making written reports to the main committee.

The Supervisory Committee

Members of the Supervisory Committee, whilst taking no other roles in the credit union, must be familiar with the legal requirements, procedures and rules of the credit union. They then use these skills to analyse and report any weaknesses and deficiencies to the main committee. As such, a number of internal controls are required, such as a proper system of books of account and cash holdings, in order to evaluate the credit unions accounts. According to the Registry, a satisfactory system of internal audit will include:

- terms of reference - these should be specified with precision and should include, amongst other matters, scope and objectives of the internal audit function, access to records, powers to obtain information and explanations from staff, and reporting requirements. They should be approved by the Committee
- risk analysis - risks and/or controls objectives should be identified in each area or cycle of the credit union's business and the adequacy of the specific controls which have been established to address these risks/control objectives should be assessed
- detailed programmes - these should be based upon the internal audit plan, together with the controls and their objectives specified in the control documentation. Each programme should be comprehensive, specifying the frequency with which the various parts of the programme are to be carried out and how the work is to be performed (sample size, method of selection, etc.)

- working papers - adequate working papers should be maintained to evidence the individual who performed the programmed work how it was controlled and supervised, and to record the conclusions reached, with cross-referencing to the reports made and action taken
- system of reporting - provision should be made for the submission of formal reports at the conclusion of each area of programmed work stating the areas covered together with any recommendations and conclusions reached

Clearly, as a spokesperson for the Registry reiterated:

The Registry recognises that as with any successful business, the way the business is managed is the most significant element.

Membership

Individuals become members through having a £1 paid-up share. This entitles them to have one vote within the credit union, regardless of how many shares in excess of £1 they own. Members who later fail to fulfil the membership qualifications (for example by moving out of an area) are termed 'non-qualifying members' (unless the credit unions rules allow otherwise) and some of their entitlements are restricted by statute. However, after deregulation, despite not being allowed to number more than 10 % of any credit union's total membership, non-qualifying members now enjoy the same borrowing rights as full qualifying members. However, 'such non-qualifying members might be considered to be a higher risk than full members in the credit union where, for example, they no longer reside within the common bond area' (Registry of Friendly Societies, 1997a: 8)

Members must be over 18 years of age in order to borrow from the credit union, but may save at any age. In addition, there must be at least 21 members in the credit union, with a usual maximum of 5000, although the Registrar may increase this amount in special circumstances. In order to borrow, members have to save for a number of weeks (determined by the individual credit union) before being applicable. Any loans which are granted are paid back by the terms agreed, in addition to continued payment into their savings. Both savings and loan repayments can be as little as £1 per week, but are usually determined in conjunction with the credit committee. Should problems with repayments arise, members are advised to contact the credit union in order to reassess their repayment schedule.

Most credit unions are formed through an evolutionary process of development of a study/working group over a period of time normally in the region of 6-36 months. During this time period all members willing to serve on the registered credit union will have undergone training in order to ensure they can function within the credit union's operating committees described earlier.

Appendix Two

Inter-Association Legislative Liaison Group: Common ground: national goals for improving the laws governing credit unions

Basic principles

- There should be no change in the legal form, values and philosophy of credit unions;
- The law should not create a two-tiered movement, with two classes of credit unions having differing powers and privileges;
- The purpose of credit unions should be expanded to include providing financial services generally to their members.

Common Bond and Registration of Credit Unions

- Each credit union should be allowed to define and interpret its own common bond, which may include multiple groups, each with its own common bond;
- The credit union's statutory declaration of common bond, as signed by the officers of its main committee, should be sufficient to establish its common bond, and additional information should not be required for registration.

Membership

- Any restriction on the maximum number of members should be eliminated, each credit union being allowed to determine its own maximum membership;
- The concept of non-qualifying members should be eliminated, establishing the principle 'once a member, always a member'.

Member Accounts and Dividends

- Allow dividends to be declared at such times and on such classes of share accounts as the credit union's board determines;
- Allow for additional classes of share accounts with different terms and dividend rates (e.g. share certificate accounts and accounts subject to withdrawal by draft or ATM/debit cards);
- Eliminate the limit on the maximum amount that can be held in youth (juvenile) accounts;
- Retain the 8% maximum dividend payable, but transfer direct power to the Financial Services Authority to increase this maximum without need to refer to the Treasury.

Loans

- All credit unions, regardless of reserve levels, should be permitted to make loans to any single borrower up to the greater of £10,000 or 1.5% of assets in excess of a member's shares. (Pending enactment of this change, the rules for expanded lending under deregulation should be simplified);
- Extend the maturity limits on secured loans to 30 years and on unsecured loans to 5 years;
- Retain the 1% per month limitation on interest charged, but transfer direct power to the Financial Services Authority to increase this maximum without need to refer to the Treasury;
- Confirm that members may be granted open-end (revolving) lines of credit;
- Permit a reasonable time to dispose of repossessed collateral.

Incidental Powers and Miscellaneous

- Credit unions should be provided authority to exercise such incidental powers as may be necessary or appropriate to achieve the purposes for which they are established;
- Allow sponsoring and community organisations, legal entities owned by members and other credit unions to hold non-voting shares in, and obtain loans from a credit union;
- The ability to charge an annual membership fee and other fees should be confirmed;
- Credit unions should be able to borrow from any source not prohibited by the regulator;
- Credit unions (including those with unlike common bonds) should be allowed to merge, if merger is desired and approved by the membership of the credit unions involved;
- The law should allow for establishing a credit union central finance facility, membership of which is voluntary, for providing loans to credit unions, subject to appropriate safeguards;
- Allow credit unions to own land and other property for the benefit of their members and their community;
- Allow for a lay audit of a credit union with less than £10,000 in total assets;
- Allow for a simple procedure to expel non-participating members;
- Allow a credit union, if it chooses, to contract to serve as agent for another credit union in order to provide services to the latter's members (such as on a reciprocally agreed basis);
- Allow credit unions, individually or jointly, to own subsidiary companies to offer financial services other than shares and loans.

Regulation and Supervision

- Any increase in government's regulatory powers over credit unions should be opposed, and self-regulation should be promoted instead;
- It should be established that the mission of the new Financial Services Authority includes a mandate to facilitate the growth and expansion of credit unions;

- Assure that the new Financial Services Authority retains a specialised section to deal with the unique needs of credit unions, which will respect and preserve their mutual, democratic and volunteer-directed nature;
- Assure that the cost of supervision remains affordable by credit unions;
- Extend to credit unions the right of appeal from regulatory actions;
- The quarterly and annual returns required of credit unions should be simplified.

Appendix Three

Participant integration, nuts, bolts, and narrative

This appendix is intended to supplement the methodological discussion contained within Chapter One of this work. It expands on the discussion of the active and engaged methodological style employed throughout this study (what I will term 'participant integration'), provides more specific methodological details of how this study was undertaken, and briefly comments on the narrative style which characterises this work.

In Chapter One I discuss the questions that arise when the researcher becomes involved in social action as I did within my ethnographic study of credit union development in Hull, using some of my experiences to illustrate these issues. Cook and Crang (1994) have noted that despite the general favourable reception given to ethnographic methods in recent years (particularly within feminist and new cultural geographies), a number of basic criticisms, or areas of concern remain: first, subjects of any ethnographic research have been viewed as having a 'culture' which can be 'unproblematically 'read' by an apparently detached researcher; secondly, these subjects have often been 'treated as pure, transparent, and knowable carriers of uncontested cultural codes' (1994: 5); thirdly, the 'cultures' of the subjects have been viewed as 'isolated, pure and homogeneous entities' (ibid.); whilst finally, ethnographic researchers air their results in the face of criticisms over the 'subjective nature' of their findings.

These are certainly pertinent concerns. However, whilst acknowledging the 'non-hygienic' and inter-relational nature of the research process (Cook and Crang, 1994; Punch, 1986; Stanley and Wise, 1994), I have used the experiences I have had during the course of my research to explicitly confront and consider these issues. First, in coming to recognise that

researcher subjectivity is unavoidable, I have argued that, on a general level, it is beneficial for the researcher to get 'closer to the action', most notably through use of ethnographic and participant observation methods in writing about issues of social and financial exclusion. I have argued that this can help minimise erroneous assumptions that can be made from a more hands-off approach. Secondly, and more perhaps in a more confrontational vein, I have suggested that benefits can also accrue to all concerned from the researcher attempting to actively counter such exclusions by going beyond conventional ethnography and participant observation by developing a more active, and integrated approach, something I would like to term participant integration. I would argue that use of ethnography, and participant observation in particular, continues to be imbued with expectations of at least a degree of detachment (participant observation, not participant integration), a need for the researcher to retain some degree of distance from those s/he is studying. This detachment perhaps becomes most clear in the confrontation between the openness and inter-relational nature of the methods, and what can perhaps be considered as a range of institutionalised pressures and expectations as to the right way to behave, and importantly, to document any findings that are uncovered, during the course of the 'research'.

Through the course of such participant integration within credit union development in Hull (as described throughout this work, but specifically in Chapter One) I have come to recognise that all research is personal, and that unavoidable subjectivity can be used as a strength - in other words, 'the personal is the political' (Stanley and Wise, 1993). As noted in Chapter One, Routledge (1996) suggests that political awareness can come through personal involvement, and that this strategy makes it possible to deconstruct barriers that are all too apparent between the academy, and 'the lives of the people it professes to represent, so that scholarly work interprets and effects social change' (1994:73). From a starting point that acknowledges that academic disengagement is tantamount to complicity in oppression (Blomley (1994), Katz (1992), and Kitchin (in press)), I have argued that it is necessary to

occupy a space in which the situatedness of our knowledges and our positionalities is constantly renegotiated and critically engaged with, in order primarily to construct non-innocent ethnographies (Haraway, 1988). This space involves the removal of artificial boundaries between categories such as researcher, activist, teacher and person, and proposes instead movement between these various identities in order to facilitate engagement between and within them (Routledge, 1996). Being in this space, and the reciprocal flexibility it demands in all areas of the research process (from thinking to writing) is challenging, and so it should be.

Through such critical engagement, there is a continual questioning of the researcher's social location (in terms of class, gender, ethnicity and so on), in addition to the physical location of their research, their disciplinary location, and their political position and personality (Robinson, 1994). Katz (1994) terms this the 'space of betweenness', but it can perhaps be thought of as reflecting what we do, day in and day out, in reacting to different situations and different parts of our lives in different ways. In so doing it becomes possible to 'frame questions that are at once of substantive and theoretical interest as well as of practical significance to those with whom we work' (Katz, 1994: 72). In this way it should be possible for us to 'build a politics of engagement and simultaneously practice committed scholarship' (ibid.). I would argue that it is acceptable to be committed to a cause, and to reflect that commitment, as long as the commitment itself is engaged with openly. As a result in addition to attempting to disrupt the status quo of those being researched (the 'research-ed community') the status quo of research as it is traditionally deemed to be conducted, experienced, and communicated necessarily also necessarily becomes disrupted. In the same way the active researcher takes up a liminal position within and between these various identities, so this should be reflected in the writing. Method, action, thoughts and style become inter-related themselves, artificial boundaries are removed and the flexibility of the approach is reflected through the text. Such an approach has been attempted within this work

through the positioning of the methodology at its outset, in the hope that the reader will reflect on, and actively consider that such methodological issues pervade the remainder of the chapters, and through the narrative style of the text, and the use of the research-ed community's (original) voices where possible, in order to imbue this work with a form of polyvocality and to allow the reader to interact with (and interpret) the 'original material' as they see fit.

I have argued that through taking such roles, the researcher can immediately address many of the basic criticisms outlined in Cook and Crang's work. This is addressed in Chapter One through the documentation of some of my own experiences. Incorporated within these experiences lies a high degree of self awareness and self scrutiny, not to be confused with self adoration, but instead interpreted within the context of the rest of this work; that is, my convictions developed through the consequences of my relations with others. I hope the manner in which I have argued that we, as academics should confront the moral and political responsibilities of our actions, is reflected not by the stamp of the authors authority, but in the awareness of the positionality of myself in relation to those confronted, received and confided in during my research (see Okely, 1996).

Let me expand a little on the justifications for increased awareness and scrutiny of 'alternative institutions of accumulation' in the hope that this helps to illustrate the potential benefits from taking more engaged positions. First, it has been argued that elaboration of such alternatives has illustrated the manner in which a number of these have developed 'bottom-up', from 'largely practical initiatives' or 'institutional templates moving from the Third World to the First World' (Leyshon and Thrift, 1996: 1154). This, it is argued, acts as a humbling of the academic gaze 'which tends to ignore social developments that are practical in nature, and therefore often not written down' (ibid.). However, during the course of my research I came to believe that the lack of previous interest in these alternatives also stems from other inter-

related issues, such as a denial of the agency of the 'financial excluded', the issue of financial 'suffering' (Fuller, 1998), methodological blindness (or at most partial-sightedness), alongside a general lack of engagement with social activism within the academy.

I would argue that these alternatives were ignored in debates on financial infrastructure withdrawal partly because consumers were assumed to be reacting to an agenda set by mainstream financial services. They were effectively perceived as 'suffering' if they did not have access to these mainstream sources. Their own withdrawal, a proactive choice was not envisaged, and hence alternatives were not entertained. Further, at least some of these alternatives have not been derived from 'flatter, more modest, and more contextual theoretical frameworks' (Leyshon and Thrift, 1996: 1154), but instead are based and grounded locally around highly developed theoretical and philosophical arguments.¹ Further, whilst some have been derived from the developing world, others certainly have a European history that belies attempts to characterise them as alternatives from far off places - they have been under our noses for some time now.² Closer, more active ties between the academy and such alternatives would perhaps have helped to eradicate these omissions. Such awareness also helps to counter the Dickensian 'Gradgrind' mindset (ibid.), which assumes that money is only ever about harvesting profits. For a number of these alternatives, LETS and credit unions especially, this is a necessary starting point, understanding of which is only helped by a closer relationship with those actually involved in their operation. The ethics and ideals behind both these movements would surely be unintelligible (and I am sure continue to be) for those grounded in the need and expectation for making money out of money.

¹ For instance, the package of material sent out from LetsLink UK underlines the broad, well developed theoretical basis upon which the LETS movement has grown throughout the world.

² LETS have been attributed to the Canadian, Michael Linton, who developed such a system in Courtenay, British Columbia in the early 1980s, whilst credit union development has had a longer European trajectory, originating in Germany and Italy in the 1850s and '60s (Berthoud and Hinton, 1989).

Such views have implications not only for the depth of the academic gaze, but for the methodological ‘eyes’ through which we seek to uncover (yet alone understand) these alternatives. For as Sibley argues, ‘[i]n the case of some minorities, the importance of agency may be underestimated, by academics and policy makers, because of a lack of knowledge and a failure to recognize other *knowledges*...which may be hidden from the view of the observer’ (1990: 483). This has particular resonance for these kinds of alternative financial systems, in that many of them are ‘invisible’ in the sense that they are constructed through networks of people, and not simply based around visible points of reference within the city landscape. Clearly as Sibley argues, ‘if the world view of the group lies beyond the observer, it becomes necessary to use a method of analysis which allows a faithful representation of that world view’ (1990:484).

In the case of my own research into financial exclusion in Kingston upon Hull, and the alternative forms of credit and finance available to the city’s inhabitants, such methods began with ethnography in the first instance, but then developed (in a highly uncontrolled manner) into a form of participant observation that I would consider went beyond what might be inferred by the use of ‘observation’ within this phrase. My actions, and the experiences I have had, led to the conviction that there is a role for the researcher within financial inclusion (but not of course solely restricted to this area) to enter into meaningful and methodologically sound interventions with those traditionally deemed to be ‘under study’; that is, to enter into the political and practical realm of money and finance through critical interventions and engagement, whilst being aware of the political, ethical and moral dilemmas behind (and inside) the research process. In short, this entails a need for my social and emotional involvement in the research setting to be accepted itself as ‘data’, rather than via a retreat into a more detached, ‘observational’ approach.

From this point, the action of presenting this research as 'scientific' and 'objective' would create more problems than it does solutions. At the most basic level, the detached researcher and its accompanying 'objective' account belies the involvement and interaction that is itself characteristic of the ethnographic and participant observation methods (and even more so with participant integration) ,and which, it can be argued, is the basis of all research:

The researchers outlook is unavoidably a product of social relations both within the academy and between it and the world at large and as such the inclusion of the researcher should be built upon, not hidden away behind the mask of objectivity. (Stanley and Wise, 1993)

Put simply therefore, 'ethnography does not imply a retreat from the rigorous analysis of social and cultural processes because researchers *do not need* to assume an abstract vantage point in order to study them....[E]thnographic research reveals that a range of neat theories produce erroneously neat conclusions' (Cook and Crang, 1994: 9).

Nuts, bolts, and narrative

In relation to how this 'research process' was undertaken and ultimately recorded in this work, a range of quantitative and qualitative methods were employed throughout the study. As noted in Chapter One, when I began my research in 1994 I was effectively sold on what Punch (1983: 13-14) has termed the 'smooth, almost idealized, model of the research process as neat, tidy and unproblematic'. However, I moved towards Fraser's position that critical social theory (and therefore critical geography) should frame 'its research program and its conceptual framework with an eye to the aims and activities of those oppositional movements with which it has a partisan, though not uncritical identification (1996: 113, cited in Routledge, 1996). Routledge goes further, arguing for engagement and collaboration, 'a

situation of critical thought as action-oriented and engaged with the claims, goals, and actions of social movements' (1996: 406). In particular there is a continuing need to recognise 'that people are not merely subjects to research 'but lives to be understood in the interests of working for a redistribution of wealth and justice' (Deur and Rundstrom, cited in Kitchin, in press).

Despite this, the original methodological 'tools' to be used at the outset of the study included tape-recorded interviews with representative of both the 'mainstream' financial sector in Hull and the surrounding region, (to provide some form of context for the development of the alternative forms within the city), and these various alternative sources of credit and finance, the analysis of a range of secondary data material specifically relating to the withdrawal of 'mainstream' financial institutions within the city, alongside more ethnographic work (but still 'observationally'-oriented analysis) on these alternatives as my contacts snowballed.

As Chapter One notes, the interview process commenced via two contacts known to one of the lecturers within the department. One was named as a money advice worker who was employed by the Citizen's Advice Bureau on one of the city's estates. He was known to be actively involved with the development of alternative sources of finance, and in particular the local exchange trading system on that estate. The other was 'somebody from the Leisure Services Department' within the local Council, and was my first point of call. At that meeting, which detailed in general terms the current state of credit union development at that time, the existence of the Hull Credit Union Forum was revealed. This was described as a strategic body comprised of representatives from all the credit union working groups operating in the city, alongside other interested and committed individuals.

A week later, after a number of failed attempts to contact the money advice worker, a meeting was finally arranged. We had a long discussion about the development of LETS in

the area, and his involvement with credit union development. He proved to be a very articulate, and theoretically very aware interviewee, particularly with regards to LETS. He was also useful in terms of his desire to 'publicise' the levels of deprivation that characterised the estate he worked on. At that meeting he provided a further contact whom had been a central figure in the development of a credit union working group on another of the city's estates. Whilst I was there, he rang her up, and in the best tradition of losing control over an interview plan handed the phone over to me! As a stroke of good fortune, the credit union working group was to hold a meeting the following night, and I was cordially invited to attend. It appeared that I was beginning to get into an informal network concerned with the development of alternative forms of financial services within the city.

This was a critical contact, and one which ultimately changed the course of the entire study away from a generalised study of alternative forms and towards credit union development as one specific example. As a result of the first meeting, over the next couple of months I was invited to attend the monthly Forum meetings, and gradually built up my knowledge base on how credit unions operated, what the local development situation was, and gained a reasonable familiarity with the personalities involved. As this process went on, it became increasingly apparent that the network of people I was working within was relatively few in number, the same key people coming up in conversations; some would be mentioned from various sources on a city-wide basis, with a city-wide influence, whilst others had specific importance in certain areas, and whose names would only surface if I was concerned with what was occurring in specific parts of the city. As time progressed, I became aware that I had been especially fortunate in my initial contacts - the first three people I had met were clearly gatekeepers to a wider range of contacts and information.

Many of these meetings required me to sit and 'observe', and I decided that rather than being even more 'out of place' by making notes whilst in attendance, I would record my thoughts

and recollections of these events in a diary/reflective journal compiled after the fact. As Hobbs (1988) has noted, sometimes the entries in such journals can be more problematic to construct than at other time (especially as many of these meetings would be of a very informal, and more social nature...), but over time the use of the journal increasingly enabled me to reflect upon my research, and build up a picture of the credit union development scene within the city.

At around the same time as these initial meetings were occurring (and my links with the credit union movement in Hull were developing, though still at an early stage and with little indication of how valuable they would be, or how they would progress) the main bulk of the interview schedule got under way. These were of two main types: the first were more formal, structured interviews with representatives from the 'mainstream' financial service institutions (that is, bank and building society managers, regional managers and so on) whilst the second were on the whole less formal and structured meetings with representatives from the local pawnbroking and check-trading industries, LETS, and local government officials.

Those people I interviewed from the mainstream sector were surprisingly forthcoming, if a little difficult to contact in some circumstances. Indeed one contact gave me a two hour interview as a reward for actually having been able to track him down in the first place. Most of these interviews took place in the formal surroundings of their various places of work. By this stage however, I had taken the decision not to dress up in the usual suit and tie for these meetings, but instead to play the role of the relatively naive and inquisitive, though ideologically right-on postgraduate student.³ Smart (-ish) but not over-dressed, my strategy was to try to lull them into a false sense of security before, as the interviews progressed, hitting them with meatier and more challenging questions. This certainly seemed to work, although I have no doubt they knew why I wanted the interview. They knew (more or less I

³At this stage my only commitment to credit union development was that I was becoming increasingly aware of the potential benefits to any community served by them.

suspect) the questions I would ask, and as a consequence, that I would probably disagree with their arguments. Consequently I also decided not to hide the fact that I disagreed with the strategies many of the institutions were undertaking. Certainly, the more enjoyable, and productive interviews occurred when my interviewees responded to my views and entered into wholesale debate, rather than merely reiterating the company line. These interviews were all recorded and fully transcribed for later analysis.

As a whole the interviews I undertook with representatives from other sources of credit provision within the city proved however to be far more unpredictable and entertaining. The ones that stand out in the memory illustrate the variety of experiences and alternatives provided. I had two long meetings with a local and regional manager from a major check-trading firm. The local manager confirmed my previously-held stereotypical views on what such a person would be like (very 'slimy', evasive, and with a penchant for enormous amounts of gold jewellery), whilst the regional manager was very much the public face of the reputable company. He spent a good couple of hours trying to convince me of the morality of their service, an exchange which ended with him giving me a copy of the Consumer Credit Association's ('very positive') report on moneylending. This was rather amusing as I had already been given a copy by one of my money advice worker contacts to illustrate how morally corrupt the industry was as a whole.

On another occasion, I spent a memorable morning in the back-office of a local pawnbroking firm whilst the owner provided me with a very lucid and earthy account of his day-to-day affairs. This ranged from the more 'informal' methods he used to deal with those who crossed his payment terms, alongside a breadth of material concerning the immoral operations of his main competitors. The most unorthodox interview I conducted was with a manager of a new era of town-centre pawnbroking and check-trading business (a sort of down-market Argos). Having set up what I thought would be a relatively straightforward

semi-structured interview, I arrived at the shop only to have him come down from his office, take me into the middle of the shop and ask me what I wanted to know. Totally thrown by my predicament, I forgot most of my questions, the ones I did remember were met with one sentence answers, and the whole 'interview' lasted at most five minutes.

Overall the responses I received varied enormously. Some interviewees were very defensive and treated me as an extension of the Trading Standards Association (which I thought was probably indicative of a number of matters anyway), whilst others could not help me enough. I was somewhat pleased when a meeting I held with a local Trading Standards Officer more or less confirmed my thoughts on some of those firms I had contacted and interviewed. It was the first time I really became aware of my ethical and moral position in relation to the people I was studying however, as I was asked by the Trading Standards official if I would inform him if I found out anything 'dodgy'. 'Of course I would' I replied. Fortunately however, my moral position with regards to the promises of confidentiality with informants was never seriously tested, the worst thing I ever encountered being a description of a Mick McManus-style doorstep altercation between an informant and one of his previous customers. In the context of my increasingly familiarity with the range of alternatives open to the Hull population, I must add that my views concerning the potential offered by credit unions only continued to grow.

One section of the informal financial service sector I didn't have any contact with was the independent moneylender, for a number of reasons. Firstly, at no time did I ever come into contact with, or learn about the activities of individual operators. I heard stories about them from a friend of a friend of a friend who was getting 'ripped off' or threatened, but was never placed in a position where any of this could be followed up. Secondly, and related to the first point, although stories and rumours abounded as to the pervasiveness of the loan shark, both money advice workers I knew suggested the problem was a lot smaller when placed in

relation to the activities of the legally-operating moneylenders - the big companies - and that it would probably be a more fruitful use of my time to concentrate on them instead. Thirdly, the money advice workers both advised against such a course of (inter-)action from a further practical point of view. In order to get into a position whereby people would tell me of their dealings with such sources, a long, 'getting to know you' time period (if I got to know who these people were at all) would be needed, alongside the development of a high degree of trust, both of which was probably impractical both in terms of my resources and the time I had at my disposal. It would have been a project in itself. As one of the workers argued however:

[I]t does happen. The problem with it is that we don't get to know about it - I mean we've had maybe two or three since I've been here, and I've been here three years where people have been too frightened to do anything about it. I mean, the standard way, if someone came in here and said I've given my benefit book to this guy, and he's cashing my benefit book and getting the loan payments out of that, the standard way of dealing with that is through the police and trading standards. Now what that person will have been told is that if you do anything about this I'll break your knees, and they do....Those kind of people will use all sorts of threats to stop people from going to the authorities, the police or whatever, so we don't see very much of it

However, he did go on to mention that he knew of one or two names responsible for such deeds, but that he wouldn't really fancy doing much about it. Finally, my initial thought of replying to ads in the paper met with the sobering disagreement of one of my supervisors who envisaged the problem of the moneylender 'returning' time and time again, and the degree of uncertainty over their operations and 'business-style'.

At around the same time as my main set of interviews were drawing to a close came the good news that the group I had been studying on the Orchard Park/North Hull estates had finally been registered by the Registry of Friendly Societies to act as a fully fledged credit union. As a result of my contacts on the Forum I had also begun to take an interest in another of the city's study groups, the Central and West Credit Union (Proposed), and the registration of the other group meant that I now effectively had three study groups, Hull Northern prior to registration, Hull Northern after registration, and Central and West who had recently formed a study group but were not necessarily at an advanced enough stage to consider applying to register in the near future. This provided me with a range of experiences and information from groups at differing stages of development. It soon became clear that a focus on the issues surrounding credit union development within the city would probably prove to be the most interesting route forward for the study as a whole, especially concerning my own growing interest in their services.

As my involvement with the credit union movement in Hull developed, and the focus of my work shifted to fully concentrate on this aspect of financial inclusion it became clear that the ultimate production of this thesis work would involve a combination of auto-biographical insight of this involvement, and a style of narrative which would provide 'an account of social life in terms of a story of successive events' (Sayer, 1989: 262), whilst also allowing room for my own theoretical interpretation of these events. These interpretations were openly grounded, conceptualised, considered and reflected throughout my participation/integration within the study in order to imbue these thoughts and ideas with a heightened degree of 'academic rigour', so as not to merely describe but to analyse and explain (Sayer, 1989). The resultant work could still perhaps be criticised as merely my own recollection and interpretation of events. However, and whilst arguing that this work is indeed partial in its completeness in providing the picture of credit union development in Hull (as I was not present at every discussion, every meeting, every thought during my time in the city), I

believe the methodological aspects discussed in Chapter One and above allow me to suggest that it is an accurate account of the movement, and the issues they have encountered. The thoughts, ideas, and interpretations conveyed within this work have been grounded, explored, considered, and re-considered with the movement in Hull; where possible, the voices of the members of this movement have been utilised rather than my own in order as much to disrupt the power relations between the 'analysing researcher' and the 'analysed researched', as to let them speak for themselves and allow the reader to actively consider whether the interpretative nature of any commentary bears relation to these in the context of other supporting material.