

## Banking with the Co-operative – A dilemma for Friends

Many individual Friends, Local and Area Meetings bank at the Co-operative Bank, previously part of the Co-operative Group. Recent developments have posed questions about whether this is something they wish to continue. The following information is intended to help Friends address the dilemma and reach their own conclusions. It is not financial advice and should not be interpreted as such.

In light of recent events it is likely that you may have two serious concerns about continuing to bank with the Co-operative: Is my money safe? And is this bank still the best fit for my values?

### Is my money safe?

The Financial Services Compensation Scheme (FSCS) is a government backed scheme which protects savings up to the value of £85,000 in the event of the collapse of your Bank, Building Society or Credit Union. This may reassure individual Friends but may not help a large AM or an LM which is legally part of such an AM. More information is available on their website [www.fscs.org.uk](http://www.fscs.org.uk). The site also contains a useful 'calculator' tool that will enable you to check based on the amount you have and with who whether your savings are protected.

You should be aware that some charities are exempt from this protection. This advice appears on the FSCS website:

'Charities are covered by the scheme to the same extent as other organisations and individuals. However a number of important exceptions apply and generally it is smaller charities that will be eligible.

The COMP Rules, which set out who is eligible to benefit from the protection provided by the FSCS, do not specifically mention charities. Instead the rules set out the exceptions that will apply, and those most likely to include charities are:

- a body corporate (which includes a company, industrial and provident society, Royal Charter body, and statutory corporation) which has two or more of the following
  - more than £6.5 million turnover
  - more than £3.26 million balance sheet total
  - more than 50 employees
- collective investment funds (these would include common investment funds).

If your charity meets any of the above criteria it will not be eligible for compensation.

If you are a charity and unsure of your eligibility, please contact the FSCS on 0800 678 1100 or 020 7741 4100. Your auditor or professional advisor may also be able to advise. Further information on the FSCS and what it means for charities can be found on the [Charity Commission website.](#)'

## Action taken by BYM

Britain Yearly Meeting has held an account with the Co-operative Bank for over thirty years. In response to the recent instability the following actions have been taken:

- BYM's current account remains with the Co-op
- BYM has spread its cash term deposits across a range of deposit takers, bearing in mind security and interest rates applicable as well as ethical position
- Like many other Quaker organisations, BYM has used CAF Bank (part of the Charities Aid Foundation), Epworth (owned by the Methodist Church), and CCLA (a mutually owned investment manager) as appropriate providers of banking and investment services at various times
- The current Co-op customer consultation is not in an appropriate format for BYM, as a corporate customer, to complete. Instead, a letter outlining BYM's position was sent in March 2014. A summary of this letter is available on request.

These decisions have been reached after careful thought by the Trustees. Individual Friends, Local and Area Meetings need to take their own circumstances into consideration before making any decisions.

The article on the next page 'Is the Co-op still the right ethical choice for me/us?' originally appeared in the March edition of Earth and Economy.

Alison Prout April 2014

# The Co-op Bank: Should I stay or should I go?

It's a question lots of people are asking. Should ethical customers leave the scandal-ridden Co-operative Bank? And if so, where can we go? Symon Hill investigates.

Media interest in the Co-op Bank shot up in November after former chairperson Paul Flowers was filmed apparently buying cocaine. But for the bank's own customers, the more important issue had come some time earlier.

Until recently, the Co-op Bank was owned by the Co-operative Group, which is owned by its customers. The Group also owns the Co-op supermarket. In 2013, the bank revealed its financial problems and announced that it will now be floated on the stock market, with the Co-op Group keeping only 30 per cent.

Much of the rest is expected to be bought up by two hedge funds, Aurelius and Silver Point. They are both labelled 'vulture funds' for their practice of buying up unpaid debt and suing for full repayments.

## Sticking with ethics?

The Co-op Bank insists that its ethical policies have been written into its constitution and cannot be changed by new owners. Therefore, the bank should continue to avoid the arms trade, cosmetic animal testing and certain environmentally destructive practices.

Some are happy with this; others predict the hedge funds will get around it; yet others object to the bank no longer being a co-operative, regardless of its ethical policies.

Supporters of the 'Save Our Bank' campaign say, "Don't switch yet, stick together and we can influence the outcome". The campaign is supported by Ethical Consumer magazine. However, the Jubilee Debt Campaign insists that "a bank owned by vulture funds cannot be ethical".

## The alternatives

If you decide to leave the Co-operative Bank, there are several options available, although views and preferences differ:

- Building societies are owned by their members, each of whom has one vote. You can find out which ones offer current accounts, along with an assessment of their ethics, on the Move Your Money website.
- Credit unions allow people to pool their savings and take out loans. They lend money only to their own members – those who have put money into



them. Members share a 'common bond', such as living in the same area. The staff are usually subject to an elected voluntary board. Some offer current accounts. You can find a list of them on the Move Your Money website.

- Islamic Bank of Britain rules out "immoral" industries such as alcohol and gambling. Rather than paying interest, customers share a proportion of bank profits.
- Reliance Bank, a bank that rules out involvement with arms, alcohol and the sex industry, is owned by the Salvation Army. Reliance offers both current and savings accounts.
- Triodos Bank puts funds only into projects it deems socially beneficial. It offers savings accounts but not current accounts.

We want to hear your thoughts on the Co-op Bank and the alternatives. Please visit [www.quaker.org.uk/quakernomics](http://www.quaker.org.uk/quakernomics) to keep up the discussion.

Association of British Credit Unions – [www.abcul.org](http://www.abcul.org) or 0161 832 3694

Scottish League of Credit Unions – [www.scottishcu.org](http://www.scottishcu.org) or 0141 774 5020

Move Your Money – [www.moveyourmoney.org.uk](http://www.moveyourmoney.org.uk)

Your Faith, Your Finance – [www.yourfaithyourfinance.org](http://www.yourfaithyourfinance.org)

Save Our Bank – [www.saveourbank.coop](http://www.saveourbank.coop)

Islamic Bank of Britain – [www.islamic-bank.com](http://www.islamic-bank.com) or 0845 145 1200

Reliance Bank – [www.reliancebankltd.com](http://www.reliancebankltd.com) or 020 7398 5440

Triodos Bank – [www.triodos.co.uk](http://www.triodos.co.uk)