



CO-OPERATIVES UK



**Little book
of money**

Move your money to Co-operatives, credit unions and mutuals.

A short guide to why you should move your money to a better bank... and how to do it.

A bank that allows those everyday people to decide how it is run. A bank that invests ethically, rather than speculating recklessly on financial instruments so complex that even the bank's senior executives don't understand how they work.

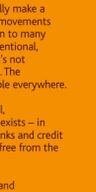


Early in 2012 a group of grassroots campaigners launched Move Your Money – a short guide to why, where and how you can move your money to a better bank.

First amongst these banks are co-operatives, mutuals and credit unions which, right across the UK, reinvest every pound for good not bad. At an individual level, you can't do everything you don't for an unfair economy right? It's not you who can do something.

Move Your Money is the new fair trade. It is THE campaign for our times. This little book, it's a short guide to why, where and how you can move your money to a better bank.

Ed Mayo
Secretary General
Co-operatives UK



It sounds too good to be true. A bank owned by ordinary people who share the profits.

Taking inspiration from a successful campaign in the US, a new group is running a Move Your Money campaign in the UK, encouraging individuals to switch current and savings accounts to more responsible providers of banking services.

Ten years ago, the idea of moving money from one bank to another might have seemed too complicated. But internet banking makes it much easier than before, and younger people in particular have become used to the idea of switching providers of all kinds of services. As many as 10 million account holders in the US have taken action by moving their money out of big banks and into co-operative banks and credit unions.

The aim of this booklet is to encourage you to do the same.



In the wake of the credit crunch and the financial crisis, people everywhere have yearned for more responsible banking like this. People whose jobs have been put at risk, and find it hard to cover their ordinary expenses, look on with horror as investment bank directors collect multi-million pound bonuses.

Occasionally, a few people actually make a fuss. The UK Uncut and Occupy movements have successfully drawn attention to many problems associated with a conventional, plc-based banking sector – but it's not only activists who feel frustrated. The disillusionment is shared by people everywhere.

So it is easy to forget that ethical, membership-led finance already exists – in the form of building societies, banks and credit unions run as co-operatives and free from the whims of the stock market.

Credit unions, building societies and The Co-operative Bank have seen significant customer growth over recent years. Despite the wider economic conditions, the mutual sector's revenue has grown by over 33% since 2008, according to thinktank Mutuo.

"Four years ago I was walking past my local church and noticed an open day to join the local credit union, South Manchester Credit Union.

"I had wanted to join a credit union for years because I fully support the fair and ethical values they offer. As an existing Co-operative Bank user, I was keen to put my money into another ethical and fair institution.

"I found the process of setting up a credit union account straightforward and I currently save £100 per month. I transfer money by direct debit and receive regular updates and statements. Credit unions have an interest in human need, and by moving my money to a credit union I can help others have access to funds which may have not have otherwise been available to them."

- Brenda

Why switch?

There are many good reasons to move your current account or savings account from one of the big banks to a credit union or a bank or building society that is owned and managed co-operatively.



- It helps to nurture a more diverse, competitive, responsible and community-oriented banking system by promoting local financial institutions that are generally more willing to reach out to customers overlooked by larger banks.
- Not having external shareholders to support, co-operatively run building societies, banks and credit unions can reinvest their profits, and usually offer better rates and charge lower fees.
- In big high street banks, pressure to generate dividends for external shareholders can lead to a conflict of interest between those shareholders and customers mis-selling of financial products has led to the loss or transfer of an astounding £32bn from ordinary customers to executives and shareholders in the last five years alone.
- Members of co-operative and mutually owned institutions tend to have shared values, or come from a particular area, so investments directly increase economic development in a particular community, and create more jobs.

But the most important reason to move your money is to make your voice heard, and to stop being part of a banking system that has run amok.

"I'd been with a high street bank for about 15 years when I finally decided I couldn't stay any longer!

"But it wasn't the credit crunch that did it. I was put off by the impersonal service, the bank's huge scale, and a creeping awareness that it was investing in things I didn't like.



The big banks gambled with our money, then demanded a stunningly large bailout.

Their sheer size threatens the entire global economic system, but since we bailed them out they've only got bigger.

If government won't step in, then we must move our money ourselves and end 'too big to fail' banking once and for all.

A very short history of banking.

Lending and borrowing are as old as history, but banking as we know it today started in the Middle Ages.

To stop short of repeating again, many countries introduced legislation separating 'investment banks' that speculate on complex financial products from 'retail banks' that deal directly with the public. But in the 1980s, legislators reversed that, allowing 'universal banks' and other large financial organisations to deal with the public and speculate on money markets too.

As a result, banks such as Northern Rock – which had previously been run prudently as a mutual – began to speculate recklessly as a plc. When it became clear what had been happening, savers rushed to withdraw their deposits and Northern Rock had to be bailed out by taxpayers.

There is nothing wrong with banks making a profit, like any other business. But if a bank is owned by external shareholders, as a plc, it may struggle to balance the interests of those shareholders and its customers. In a mutual bank or credit union, the shareholders are the customers. They're unlikely to invest their money unwisely – or to encourage mis-selling of financial products that customers don't need or can't afford.

What is mutual finance?

An alternative to conventional banking started to appear in the 1700s. Rather than rely on bankers who charged impossibly high rates for borrowing, people got together to combine their savings, and lend to each other in order to build homes or deal with times of difficulty.



Some of the merchants most closely involved were goldsmiths, whose secure premises were used to keep on people's gold safe. They issued receipts that were subsequently treated between people as paper money. Realising that customers only rarely brought in the paper notes to reclaim their original gold deposit, the banks took a risk by issuing IOUs for more gold than they actually had in reserve. In effect, they were creating new money out of thin air.

As long as people had confidence, the system worked. Banks made a profit from the loans benefited from easy credit. But if every body rushed to withdraw their gold at once, the bank was ruined. In the 1930s, about 9,000 banks in the United States failed for this reason, after speculating on riskier stocks than their customers. This wiped out about a third of the American money supply.

In the 1980s, laws were changed to allow building societies to offer a wider range of services, similar to the banks. Soon after, some building societies came under pressure to de-mutualise – to turn themselves into plc companies listed on the stock exchange, with shareholders who were not necessarily customers. As a result, ten societies de-mutualised, taking with them a substantial proportion of building society assets. Sadly, today not one of these former building societies remains independent, having all merged with, or been taken over by, other financial services groups.

But since then, mutuals have flourished.

In 1999, the Co-operative Banking Group launched Smile, an internet-only service for personal banking, and in August 2009 the group merged with Britannia Building Society. Meanwhile, the credit union movement that had started in Germany spread around the world, providing a genuine people's bank for over 188 million customers in 100 countries.

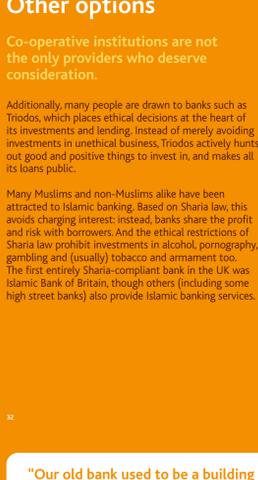
Credit unions operating in Britain today are extremely varied in size, membership and the range of services they offer. Most have a strong regional identity and tend to be closely involved in their local communities, others are for people working for a specific employer, in a particular profession or for those who belong to an association such as a trade union or religious group.

And these aren't the only providers of mutual finance. Others include insurance companies with assets of around £80 billion, and development funds that lend around £200 million a year to individuals, enterprises and charities within particular communities.

Building societies were the first mutual finance providers. Not long afterwards came the first credit unions, established in Germany to help farm labourers avoid the clutches of loan sharks when times were hard. And in 1872, The Co-operative Wholesale Society formed a retail 'deposit and loan department' that would eventually become The Co-operative Bank.

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Some co-operative and mutual providers



There are many different financial organisations, run along co-operative lines, that provide current and savings accounts. This booklet does not attempt to describe them all.

Broadly speaking, they fall into three main types:

- Building Societies
- Credit Unions
- The Co-operative Bank

Building societies

There are about 50 building societies in the UK. Some are large organisations others are smaller and operate regionally or locally.

The range of services that they offer varies but it always includes savings and mortgages.

The biggest, and listed, has around 800 branches and is ranked as one of the world's 50 safest banks by Global Finance magazine. The main purpose of building societies is to encourage savings, and to give people mortgages to buy residential property in the UK.

What's to like?

Building societies are owned by their customers, which means customers can influence the way their business, which often means cheaper mortgages and more attractive rates for savers. Building societies have tended to offer consistently attractive rates of interest for savers, according to Which? Some high street banks, by contrast, offer high rates initially and then drop them.

Building societies must raise at least 50% of their funding from savers, which is low risk and tends to be for the long term. Typically, they raise 75% or more of this way. High street banks on the other hand tend to money markets to borrow and lend for short periods of time. Excessive reliance on the money markets, and complex financial instruments, led to Northern Rock going bust.

Building societies are prohibited by law from engaging in commodities or foreign exchange trading. So if you give your money to Nationwide or Coventry Building Society for example, they won't use it to push up the price of food to the point where people in developing countries go short.

Credit unions

Credit unions let people in a particular community save and borrow money with each other, whether that community is based on geography, workplace or faith.

There are over 580 credit unions in the UK, but some parts of the country are better served than others. (In Glasgow, one in five people belong to a credit union.)

Larger credit unions provide current accounts or debit cards that give access to ATM networks. A few offer cash ISAs and even mortgages.

What's to like?

With no external shareholders extracting profits, building societies can reinvest in their own business, which often means cheaper mortgages and more attractive rates for savers. Building societies have tended to offer consistently attractive rates of interest for savers, according to Which? Some high street banks, by contrast, offer high rates initially and then drop them.

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The Co-operative Banking Group

The Co-operative Bank, Smile and Britannia offer much the same range of banking services as any high street bank. They're subsidiaries of the UK's largest co-operative business, The Co-operative Group, which is owned by over six million consumers – many of them bank account holders.

What's to like?

Whether there are 341 branches of The Co-operative Bank and Britannia, making their services easy to use (Smile is internet-only). Even if there is no branch locally, account holders can use ATMs in all the major networks. In other words co-operative banking is already on your high street.

For 20 years, the Co-operative Banking Group has refused to finance business activities that members deem to be unethical. The policy covers human rights, slavery and the tobacco industry.

In a 2009 survey by Ethical Consumer magazine, the Co-operative was rated more highly than any other bank. Subsequently the Financials magazine has named it the most sustainable bank in the world. Smile, the internet bank for personal accounts, has consistently scored highly in Which? surveys of customer satisfaction.

The Co-operative Bank helps small businesses by providing free banking to members of the Federation of Small Business and Co-operatives UK.

Other options

Co-operative institutions are not the only providers who deserve consideration.

Additionally, many people are drawn to banks such as Triodos, which places ethical decisions at the heart of its investments and lending. Instead of merely avoiding investments in unethical business, Triodos actively hunts out good and positive things to invest in, and makes all its loans public.

Many Muslims and non-Muslims alike have been attracted to Islamic banking. Based on Sharia law, this avoids charging interest; instead, banks share the profit and risk with borrowers. And the ethical restrictions of Sharia law prohibit investments in alcohol, pornography, gambling and (usually) tobacco and armaments too. The first entirely Sharia-compliant bank in the UK was Islamic Bank of Britain, though others (including some high street banks) also provide Islamic banking services.

What's to like?

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How to move your money

First, identify the institution you want to join and ask about opening an account. Make sure you become a member and co-owner at the same time, as this may not happen automatically.

When you have received your cheques, credit cards, and other forms of confirmation that the account has been set up, you can think about moving across all the regular payments in and out of your old account.

Give your new account details to your employer and to anybody else who makes payments. It may take some time for the first payment to go through, so keep your old account open until that happens.

Update your direct debits and standing orders by listing any businesses authorised to take money directly from your old account. Ask the new bank, building society or credit union to help set up the same arrangements on your new account.

Amend any online billing arrangements – including regular payments that come out of debit or credit cards associated with your old account.

When you are sure that all the arrangements have been set up correctly, you can finally close your old account. Take good care to do so, following the correct procedure, because if you take the money out and don't close it, you may continue to be charged for having an empty or inactive account.

Enjoy your new banking arrangements!
<http://moveyourmoney.org.uk>

Spread the word

Moving your money is not the end. To make the campaign truly effective, tell your friends what you have done and encourage them to think about doing the same.

Visit <http://moveyourmoney.org.uk>

Order more copies of this little book at www.coop/moveyourmoney

About the author

John-Paul Flintoff is a writer, journalist and broadcaster.

He has worked for The Sunday Times, Financial Times, Daily Telegraph, Guardian and other leading English-language papers and magazines. His latest book is How to Change the World.

2012 International Co-operatives

Published during the United Nations International Year of Co-operatives. From Argentina to Zambia, the 1.4 million co-operatives will be showing they are building a better world.

Co-operatives UK is grateful to a number of its members for their support of its work over the International Year of Co-operatives.



CO-OPERATIVES UK



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