

Penilee Credit Union - Loans Policy and Procedures Manual

Updated 30th May 2025

Legal Restrictions

Loans can be made to Members over the age of 18 years of age.

Loans shall not be made to non-Members or members under the age of 18.

The maximum interest rate charged on loans shall be no higher than 3% per month on a reducing balance, (42.6%APR)

Regulatory Controls

The maximum loan repayment period that the credit union can make loans over is 5 years for unsecured loans and 10 years for secured loans.

The maximum amount that can be loaned to a member is dependent upon the amount of capital held by the Credit Union and will be determined by the regulator.

Rulebook requirements

The primary goal of this lending policy is to ensure that protecting members' shares is paramount in any decision made as to whether to lend or not.

The Credit Union has a credit committee responsible for granting loans in accordance with Board policy.

The Credit Union can agree to accept a guarantor for a member's loan in certain circumstances. e.g. When a member is over the age of 80 for the duration of the loan.

It should be noted that the guarantor must be a member and the maximum they can borrow is split between them and the applicant meaning the maximum they may borrow or be guarantor for would be £5000. Subject to credit committee.

Volunteers, staff & officers who are members of the Credit Union, may apply for a loan on the same terms and at the same rates as any other member in the Credit Union. Such an applicant, or their family member, shall not take part in any decision concerning their loan.

The Supervisory Committee shall be informed of loans to volunteers, officers and employees within 14 days of the loan being approved.

All volunteer, officers & employee loans will be subject to scrutiny by the board prior to processing.

The Credit Union will attempt to service the borrowing needs of all Members who are approved for a loan. However, where there is insufficient liquidity to meet all Member's needs, smaller loan amounts will be prioritized in order to ensure that funds available benefit the maximum number of people.

The maximum amount that Penilee Credit Union can loan to a member is £10,000.

Members' eligibility for loans will be determined according to the Members' needs, credit worthiness and capacity to repay the loans to the Credit Union.

Members will be required to provide full information on their income and expenditure and to provide evidence of such as required by the Credit Union.

All lending decisions will be made in a fair, consistent and objective manner, according to the criteria set out in this lending policy.

The Credit Union reserves the right to refuse a loan application request.

Loan repayments shall be required to be made on a regular basis, this can be weekly, fortnightly, 4-weekly or monthly.

The Credit Union offers the same loan product to all its Members:

Personal Loans

The interest rate charged on all loans shall be 1.5% per month on the reducing balance.

Loan Policy

Members must be 18 years and over to apply for a loan.

Loans may be applied for in person, over the phone or via the app.

Secure loans (where a member's shares are higher than the loan principal) may be applied for at any time and do not require approval of the credit committee.

Any member known to the interviewing officer has the option to request another officer to carry out the interview. Members should note that a valid reason, i.e., close friend, neighbor, relative etc. should accompany this request.

The interest rate on loans shall be at a rate of no more than 42.60% per annum.

All loans other than previously stated will be subject to a waiting period of seven days.

The maximum repayment period for loans issued by Penilee Credit Union shall be 5 years.

All loan applications will be assessed based on a member's needs, credit worthiness and ability to repay the loan back.

All loan applications will be treated equitably.

If collateral or a guarantor is required, then the appropriate forms must be completed and retained for the duration of the loan.

Any member who is refused a loan shall be given the reason for refusal and will have the right of appeal.

The appeal will be to the board of directors and if there is no satisfaction then the appeal can go to the supervisory committee.

All loans shall be for a provident and productive reason.

All loans will be granted at the discretion of the credit committee.

Any member residing at an address which is currently the subject of a credit control issue, may not be considered until the issue has been resolved.

If the issue is resolved, then a waiting period of at least 3 months will be implemented before any further applications can be made.

Any loans granted out with this policy will be sanctioned by the Board of Directors.

Any member who has engaged in a bankruptcy, trust deed or debt payment plan, must make the credit committee aware before applying for a loan. Evidence of the award must be produced and in the event of discharge, a discharge letter or certificate must also be produced.

Any member who has had a loan written off with the credit union may be expelled from membership.

Penilee Credit Union will review and approve its loans policy at least once a year, and more frequently if necessary (for example if there is an escalating arrears problem), especially in the light of significant changes in business

First Loan Twice a member's shares up to a maximum of £500.00, member must be seen to save for a minimum of thirteen weeks before the first loan can be applied for. Secure loans will be decided upon by the credit committee.

A member with shares over £500.00 may be allowed to borrow their share value plus up to 50%.

All first loans are to be paid back over a minimum period of three months before applying for second loan.

There will be no top ups on first loans.

Second Loan Twice a member's shares up to a maximum of £2,500.00.

A top up may be given up to two times the member's shares at the discretion of the Credit Committee and the Board of Directors after six months of the previous loan being granted unless it is a secure loan. **The original loan needs to be at least 30% repaid, before applying for a top up.**

Third Loan Three times a member's shares up to maximum of £4,000.00.

A top up may be given up to two times the member's shares at the discretion of the Credit Committee and the Board of Directors after six months of the previous loan being granted unless it is a secure loan. **The original loan needs to be at least 30% repaid, before applying for a top up.**

Fourth (and subsequent) Loans

Four times a member's shares up to maximum of £10,000.00.

A top up may be given up to two times the member's shares at the discretion of the Credit Committee and the Board of Directors after six months of the previous loan being granted unless it is a secure loan. **The original loan needs to be at least 30% repaid, before applying for a top up.**

Loans over £5,000.00 (Max. £10,000.00) must have Credit Committee and Board of Directors approval. Maximum loan term is 5 years or 60 months.

Credit Control

Failure to make regular payments will result in action, in line with our non-payment policy and the principles underlined within the GDPR framework.

The Credit Union can agree to accept a guarantor for a member's loan in certain circumstances. e.g. When a member is over the age of 80 for the duration of the loan.

It should be noted that the guarantor must be a member and the maximum they can borrow is split between them and the applicant meaning the maximum they may borrow or be guarantor for would be £5000. Subject to credit committee.

Should you encounter any financial difficulty while paying back a loan don't hesitate to contact us, **we are here to help**. The earlier we know the better quality of help we can provide.

If member is or has been in arrears or missed more than 3 payments a top up may not be approved.

It is the member's responsibility to amend their standing orders as necessary.

Penilee Credit Union: Loan Process

Loan Process Flowchart

