

Interest Rates for loans will be increasing on 01.06.18 for new loans. See details below.

The Directors of your credit union have recently conducted a review of its operations with a view to ensuring its future financial viability. As a result of this review the monthly interest rate on loans of £1000 or less will be increased to 2% with effect from June 1st 2018. This will only affect loans agreed on or after that date – the interest rate on existing loans will be unchanged. The interest rate on loans of more than £1000 will remain at its current level.

The reasons for this decision are as follows. Your credit union has to cover its costs from the interest income on its loans. The cost to your credit union of making and administering a loan is the same whatever the size of the loan. On small loans the interest income that your credit union currently gets is less than the cost of the loan to the credit union. At the current monthly interest rate your credit union is making a loss on every loan of £1000 or less that it makes. Given the number of such loans, this is a considerable drain on your credit union's resources. Raising the monthly interest rate to 2% will greatly reduce, though not entirely eliminate, the losses on small loans.

Doubling the monthly interest rate does NOT mean doubling the monthly repayments. The increases in monthly repayments will be relatively small. The table here shows what the monthly repayments will be at the new interest rate on loans of £1000 or less – on larger loans the monthly repayments will be unchanged. The new monthly rate of 2% is equivalent to an APR of 26.82%.

Initial Loan	Months for Repayment	Monthly Payment
£250	12	£23.64
£500	12	£47.20
	24	£26.44
£750	12	£70.92
	24	£39.65
£1000	12	£94.56
	24	£52.87
	36	£39.23

The Directors of your credit union consider that members taking out small loans with it after 1st June 2018 will still be getting a loan at a very competitive rate. Banks generally do not make loans of £1000 or less. Commercial money lenders charge much higher interest rates. Using a credit card to get cash typically involves a fee of 3% of the loan (£30 on £1000) and interest is typically charged at an APR of 28%.

If you have any comments or questions please contact your local office.