

ITEM 10 c

MINUTE EXTRACT

Time started – 6.00pm

Time finished – 7.40pm

COMMUNITY COMMISSION 2 DECEMBER 2009

Present: Councillor Grimadell (Chair)
Councillors Bayliss, Chera, Leeming, Lowe, Redfern and Richards

In Attendance: Councillor Troup

Items for Discussion

68/09 Financial Inclusion in Derby: the contribution of Midlands Community Finance

The Commission received a presentation by representatives of Midlands Community Finance. Alec Shelton, Chair of the Board of the Directors, informed Members that this organisation was formed out of the first topic review by Derby City Council. This company has been able to make a real contribution to the community and has been able to provide loans to individuals who are unable to access affordable credit from mainstream banks.

Chief Executive at Midlands Community Finance, Melanie Andrew, stated that from 2004 – 2006 the company received funding from Derby Homes and Derby City Council. Originally named Derby Loans, Midlands Community Finance (MCF) has now expanded across the Midlands and has delivered £2million in loans since it was established. Currently MCF is working with Derby City Council's housing options team to provide a homeless prevention fund and the money used can then be recycled back within the system. They would also like to expand and provide loans to other deprived communities including housing association tenants.

Loans from MCF have been on the increase, which is normal in the Christmas period. The areas in Derby that have the most loans are: Mackworth, Normanton, Chaddesden, Alvaston and Boulton wards.

The Chair asked what percentage interest a customer could expect to pay on a loan. The MCF Chief Executive stated that a personal loan customer would pay 25 percent APR, though this is under review, and a business would pay 14 percent APR. Although this may seem high the only other alternative is to use a provider such as Provident who now charge 272% percent interest. Loans

are on average between £400 and £500. Mainstream banks will not offer these small loans because of the administrative costs involved and the higher risk of lending to low income households often with a poor credit history. The new homeless prevention fund is intended to be interest free. The MCF is trying to expand its service into Nottinghamshire. However, further growth of the business is dependent on the amount of funding the company can gain access to.

Councillor Bayliss informed the Commission that this scheme is the only regeneration initiative that has been able to self-finance its activities. He said that the Council should support its work. Financial inclusion should also be included in the Community Strategy. He suggested that one way to increase the company's income would be to raise the interest on the business loans. Alec Shelton, Chair of the Board of the Directors, stated that the board had debated the prospect of increasing the interest on business loans.

Councillor Leeming asked who MCF is accountable to. The Chief Executive of MCF stated the company is accountable to the shareholders, customers and the board. If there is ever a gap in the MCF's funding then additional finances would need to be found. Funding is normally sourced through the interest gained on the loans the company provides. Councillor Leeming asked if MCF has ever not recovered any monies loaned to individuals. The MCF Chief Executive informed the Commission that up to 2008 14 percent of loans had been lost and that had risen to 18 percent in the last 12 months. The industry average is 41 percent losses.

Councillor Redfern asked if MCF is linked to the Financial Services Authority. The MCF Chief Executive is registered with the FSA and audited by the DWP quarterly.

Councillor Richards asked MCF to provide a breakdown of their clients' ethnicity.

Councillor Leeming asked for the proposals on the homeless prevention to come back before the Commission.

Resolved to:

A. Note the report;

B. Congratulate Midlands Community Finance for their work to date;

C. To recommend that financial inclusion be incorporated into the new Community Strategy;

D. To request that the proposals on the homeless prevention scheme be brought before the Commission; and

E. For a breakdown of the ethnicity of MCF's clients be provided to Councillor Richards.