

Neath Port Talbot County Borough Council
Cyngor Bwrdeistref Sirol Castell-nedd

Democratic Services
Gwasanaethau Democrataidd

Decision Notice

CABINET (FINANCE) SUB - URGENCY ACTION , MONDAY, 27TH JULY, 2020

Please see below approval of decision as follows:

1. **Miscellaneous Application – Celtic Credit Union - 57TD - Urgency Action** (Pages 3 - 6)

Miscellaneous Application – Celtic Credit Union – extension to existing subordinate loan agreement.

To consider an application received from Celtic Credit Union for an extension on the existing loan agreement taken out on 10 July 2015.

That the application for a 5 year extension to the current subordinate Loan Agreement from Celtic Credit Union, be approved.

For Immediate Implementation

Yours sincerely

Tammie Davies

p.p Chief Executive

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NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET (FINANCE) SUB COMMITTEE

URGENT REPORT - 27 JULY 2020

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES – HYWEL JENKINS

Matter for Decision

Wards Affected: ALL

**Report Title – Miscellaneous Application – Celtic Credit Union
– extension to existing subordinate loan agreement**

Purpose of the Report:

1. To seek Member approval in relation to an application received from Celtic Credit Union to extend an existing loan agreement.

Background and Financial Impacts

2. The Council has been approached by Celtic Credit Union for an extension on the existing loan agreement provided previously to NPT Credit Union (now known as Celtic Credit Union) which was taken out on the 10th July 2015 for a 10 year period. This is to enable the Credit Union to comply with FCA regulatory requirements and to assist them during the recovery period of Covid as there is a regulatory need to set aside repayment of the loan equally over the last 5 years of the agreement. Whilst Celtic Credit Union has continued to operate during the Covid19 lockdown period, there has been a reduction in activity. However, following due diligence of their financial reports, including those they have provided recently

to the regulatory bodies, it is proposed that we extend the loan agreement for a further 5 years.

3. The following section sets out an overview of subordinate loans

Subordinate Loans – An Overview

To be included in the calculation of capital, subordinated loans must meet the following conditions:

- a) The maturity of the loan must be more than 5 years from the date on which the loan is made
- b) The subordinated loan ranks behind all other creditors including members shares
- c) Any amounts owed to the credit union by the lender cannot be offset by a subordinated loan
- d) The only events of default are non-payment of any interest or principal
- e) The remedies available in the event of default are limited to petitioning for winding up or proving any claim in a liquidation
- f) The subordinated loan must not become due and payable before its stated final maturity except in the event of default
- g) The terms of the loan must be set out in a written agreement that contains terms that provide for the conditions above
- h) It must be unsecured and fully paid

The PRA/FCA regulation concerning subordinated loans specify that the Credit Union must:

- a. Repay the loan on the maturity date from then existing resources
- b. Place the funds in total on deposit in a higher interest rate account and leave them there until maturity
- c. Make regular monthly payments into a higher interest account sufficient to repay the capital on maturity
- d. Negotiate a rolling contract where at any time the maturity date is at least 5 years and 1 day i.e. a non-repayable loan

4. This report proposes to extend the loan agreement for a further 5 years to 2030 at the same interest rate of 1% i.e. as per original loan terms.

Integrated Impact Assessment

5. There are no impacts in respect of the obligations to the Council under the Equality Act 2010, the Welsh Language Standards (No 1) Regulations 2015, the Environment (Wales) Act 2016 and support via this grant provides generally a positive impact in respect of the Wellbeing and Future Generations (Wales) Act 2015.

Valleys Communities Impacts

6. The Credit Union provides support across the County Borough.

Workforce Impacts

7. There are no workforce impacts.

Legal Impacts

8. A loan agreement will be in place for the extended period.

Risk Management Impacts

9. All applications are considered on their own merit and in line with the approved scheme criteria.

Consultation

10. There is no requirement for external consultation on this item.

Recommendation

11. It is recommended that Members approve the application for a 5 year extension to the current subordinate Loan Agreement from Celtic Credit Union.

Reason for Proposed Decision

12. To decide on the request from Celtic Credit Union to extend the existing loan agreement to comply with FCA regulatory requirements.

Implementation of Decision

13. The decision is an urgent one for immediate implementation, subject to the consent of the relevant Scrutiny Chair and is therefore not subject to the call-in procedure.

Appendices

None

List of Background Papers

14. Grant Application]
15. PRB report dated 28th May 2015.

Officer Contact

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