Banking on local wealth

Exploring the case for credit unions as local economic infrastructure

FAIRNESS FOUNDATION

Jason Bunting | 27 July 2026

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The online version of this report is at https://fairnessfoundation.com/banking-on-local-wealth

About this report

This report outlines why credit unions should be viewed as place-based levers for good growth in towns and make the case for a stronger role for credit unions in the government's flagship communities programme, Pride in Place.

About the author

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About the Fairness Foundation

The Fairness Foundation works to change the debate around fairness in order to build a fairer Britain. We are a registered charity (1044174). Our vision is a Britain where everyone has the 'fair necessities' (fair essentials, fair opportunities, fair rewards, fair exchange and fair treatment). We believe that inequality is not only unfair and unpopular but is also damaging our society, economy and democracy. We work to persuade UK policymakers of the moral, the political and the policy arguments for tackling inequality.

Cover: Detail from *The Harvesters* by Pieter Bruegel the Elder (Netherlands, 1565)

Executive summary

Across the UK, credit unions act as everyday vehicles for financial inclusion, opening the door to financial security for those furthest from it and keeping wealth circulating within local communities in an economy too often built on short-term extraction. They serve as anchor institutions within local town economies, helping to capitalise new investment, boost household incomes and prevent some of the most vulnerable members of our community from falling into financial distress. And beyond supporting the most disadvantaged, credit unions often sit at the heart of a community as a sound, ethical financial choice for people of any means to save.

Official statistics show that over 2 million people are adult members of credit unions, and that the value of loans to members reached a record £2.63 billion last year. Moreover, there is little doubt that the sector has recently gained a higher profile in government policy, not least through the Government's commitment to double the size of the mutual and co-operative sector, the publication of a new Financial Inclusion Strategy, and the launch of the new Fair4All Finance Credit Transformation Fund.

However, despite their significant role in maintaining and improving the health of our local economies, credit unions remain an under-recognised and under-priced tool in Government policy on local economic development, remaining largely confined to provisions around financial inclusion. This is a missed opportunity: a lack of sustained support for the credit union movement is a lost source of local wealth that could otherwise strengthen town economies.

In this short report, we outline why credit unions should be viewed as place-based levers for good growth in towns and make the case for a stronger role for credit unions in the government's flagship communities programme, Pride in Place.

New analysis backs our assertion, and demonstrates the scale of the opportunity. Of the 212 English constituencies receiving Pride in Place funding, 56 already have a credit union headquartered within them. The infrastructure for expanding locally rooted, affordable finance already exists in dozens of the places the Government has prioritised for regeneration.

We argue that the government should seize that potential by making a bet on credit unions and trusting them to deliver good growth in the places that need it most.

The case for credit unions

Research from the University of Birmingham has revealed that more than 9 million adults were declined credit from April 2022-2023, with 39% of adults who responded to a 2023 survey saying they did not expect to save any money in the next 12 months. Similarly, research by the Money and Pensions service found that nine million people have no savings whatsoever, and another five million have less than £100. Other evidence has found that millions of people are unable to build adequate savings buffers because they are excluded from mainstream credit. Meanwhile, our own research, found that nearly one-third of 25-to-34-year-olds have zero or negative wealth. The picture varies across the country, with 28% of working age adults in Wales having zero or negative financial wealth, compared to just 18% in London.

These levels of exclusion are not only morally harmful but are also damaging to economic growth, and limit the development of healthy and inclusive local economies, by preventing wealth-building among ordinary people and locking them out of opportunity. They have also proven corrosive to community bonds. Polling by the UCL Policy Lab, found that financial inclusion is one of the strongest predictors of whether British people felt disconnected from society, with 63.5% of people with an income under £10,000 reporting such disconnection.

As those familiar with credit unions will be aware, these locally rooted financial providers help stave off challenges of financial inclusion faced in communities, by providing low-cost loans to people who are locked out of traditional lending. They have been strongly linked to financial inclusion by lending to more low-income people, including those with poor credit ratings who might otherwise might have fallen prey to more risky or problematic lending such as doorstep lending or loan sharks. Increased levels of financial inclusion have been found to expand opportunity, unlock investment and boost growth.

“When a household is financially vulnerable, one fault in their car or one failed fridge or freezer can be the difference between staying afloat and facing a downward spiral of increasingly costly credit. The resilience of having £1,000 in savings is the firewall that stops that spiral”.

Katrina Murray MP, House of Commons, 16.07.25

“There’s a massive gap between a bank and a high-cost lender, and credit unions fill that gap in such an amazing way. Why are we not capitalising on that?”

Kathryn Fogg, CEO, Northern Community Bank

The evidence is conclusive: credit unions offer “fairer lending, promote financial inclusion and reinvest in members”. As All Together Money’s evidence to a Treasury Committee inquiry noted:

Credit unions provide affordable and inclusive personal lending services, reducing household cost of credit and mitigating negative market outcomes. Credit unions lend at lower values than banks, lending as little as £50 and with interest rates capped at 42.6% APR, or 3% a month, they are the cheapest in the market for many of those with limited credit options seeking small-sum credit.

Further, they act as a safeguard against the closure of financial providers, particularly in towns. The profits of financial institutions have been well reported, amounting to more than £45bn in 2025. Yet at the same time as these profits have soared, the number of local bank branches has steadily declined. In fact, from 1986-2023, the number of UK bank branches has fallen from 14,689 to 5,745, while the number of high-street bank branches has fallen by 62% since 2010 alone. This has major implications for a range of vulnerable groups, including people with disabilities and other vulnerable groups. Recent analysis has made the case that the disappearance of community places such as the bank represent a civic threat, “remove[ing] places where people become visible to one another” and leading in part to the decline of the social contract. By contrast, credit unions are likely to occupy regenerated buildings, providing much-needed locally visible financial architecture. As banks have consolidated and withdrawn from local areas, credit unions have increasingly filled the gap left behind.

"We're still in the high streets and in many cases have taken over and refurbished old banking institutions - there is a kind of sense of rejuvenation and pride in place".

Martin Fisher, Irish League of Credit Unions

"In many town centres, it's gambling shops, betting shops, it's big corporations and that money is just directed elsewhere, not staying in the town, not staying in the community. So that's something that it's inbuilt in the way that we're founded. At Metro Moneywise, we've paid about £3.5m back into our members, which all of that, you know, stays very much close to where we're based."

Ciara Davies, CEO, Metro Moneywise

"There's a very strong argument that it's the for-profit financial institutions that ought to be engaging and supporting the establishment of credit unions, knowing that this is a category of people within their community that don't have access."

Professor Helen Haugh, Cambridge Judge Business School

Credit unions also play a crucial role in ensuring that wealth circulates throughout the local economy. As evidenced above, low-cost loans offered by credit unions help to boost local incomes, with this additional disposable income often spent in local communities on local providers. Instead of leaking out to distant shareholders, a credit union returns surpluses to its own members rather than paying it out to external investors or head office. It's not hard to see how original deposits, once reinvested in the form of loans and the annual dividend, are producing multiple rounds of economic activity in one local community.

"These are not distant financial giants; they are member-owned, community-run mutuals that put people before profit…More widely, credit unions circulate money locally. It is not siphoned off to faraway shareholders; it stays in the community, helping neighbours and strengthening the local economy."

Kenneth Stevenson MP, House of Commons, 16.07.25

"The monetary value of dividends is considerable…that's money going back to its members- where we take the interest off a loan, reinvest and give it back, that money disappears with some other providers."

Sean Lynch, CEO, Citysave Credit Union

"Any profit that we make goes back to our members, which is then usually spent in the local communities, recirculated in local shops and establishments. That's fantastic circulation of money and profits."

Kathryn Fogg, CEO, Northern Community Bank

"Any surpluses that they generate stay within that community rather than being paid back as dividends to shareholders or going back to central HQ. That's a real strength in terms of community wealth, because local money that stays in the economy gets regenerated within that economy rather than moving out."

Anita Mangan, University of Bristol

Payroll deduction schemes also contribute to this circulation of local wealth. In Preston, the City Council developed access to payroll savings with the local credit union, which "contribute[d] to a revolving loan fund available not just to council staff, but also to community members of the credit union, supporting access to finance in deprived areas of the city".

"That's probably where the future for credit unions is, providing payroll savings to local organisations, becoming a name that local organisations recognise and a trusted source for small loans or an alternative savings product- that's a niche that they fit very well into".

Adele Atkinson, University of Birmingham

There is a clear link between town decline, financial exclusion and social disconnection. Almost half the population lives in towns, and a third of national employment is based there – yet the Social Market Foundation argues that "their economic potential has often been overlooked, with investment and policy focus skewed towards cities". While credit unions should not be overstated as a panacea to these challenges, they could be viewed as part of the solution by boosting local financial architecture in towns.

“The alternatives are commercial banks which tend to be centred in London and are increasingly abandoning towns. There could be a very important role for credit unions with a sort of national network, linked into the building society sector and underwritten by government through their regional policy”.

Professor Jonathan Michie, University of Oxford

The case for credit unions is, to some degree, recognised in the Government’s Financial Inclusion Strategy and the Credit Union Transformation Fund. But not all parts of government have caught up with this thinking. By circulating local wealth, acting as anchor institutions for left-behind places and providing vital community space in areas that have been forgotten, credit unions do not only act as mechanisms to support financial inclusion, but can also be understood as levers of place-based economic development. Increased investment in credit unions would support the most vulnerable in society. Yet importantly, it would also produce economic activity and locally-rooted good growth which can support a town economy in other ways, notably by counteracting the impact of wealth extraction.

“There is a tension between the impulse to see a greater role for credit unions in supporting people with lower financial resilience and the reality that you need them to be much more popular and bigger in scale to be able to do that. And then they have a broader income spectrum using their services, more people saving, they're offering more services and then being able to recycle that or use some of that money to deliver services that may increase financial resilience among low-to-middle income households.”

Adam Butler, StepChange

There is also potential for devolved authorities to engage in a substantive manner with credit unions. As Mayor in Greater Manchester, Andy Burnham MP helped to lead the development of a partnership between GMCA and a group of 12 credit unions: the SoundPound group. This group of credit unions began in 2016 and brought credit unions from across Manchester together. Through working with the GMCA, the credit unions partnered with Transport for GM to introduce a discount for public transport through credit unions, helping to boost both credit union membership and the use of sustainable affordable transport. As devolution gathers pace, effective local leadership will be essential to expand this model.

Despite this potential, membership of credit unions in Britain remains low. According to House of Commons research, other Anglophone countries have far higher levels of membership. Around 2% of the population in England are members of credit unions, compared to 40% in Northern Ireland, 64% in Ireland, 27% in Canada and 20% in Australia. It’s not hard to imagine that a significant improvement in support for credit unions, and their expansion into new localities, would help close this gap.

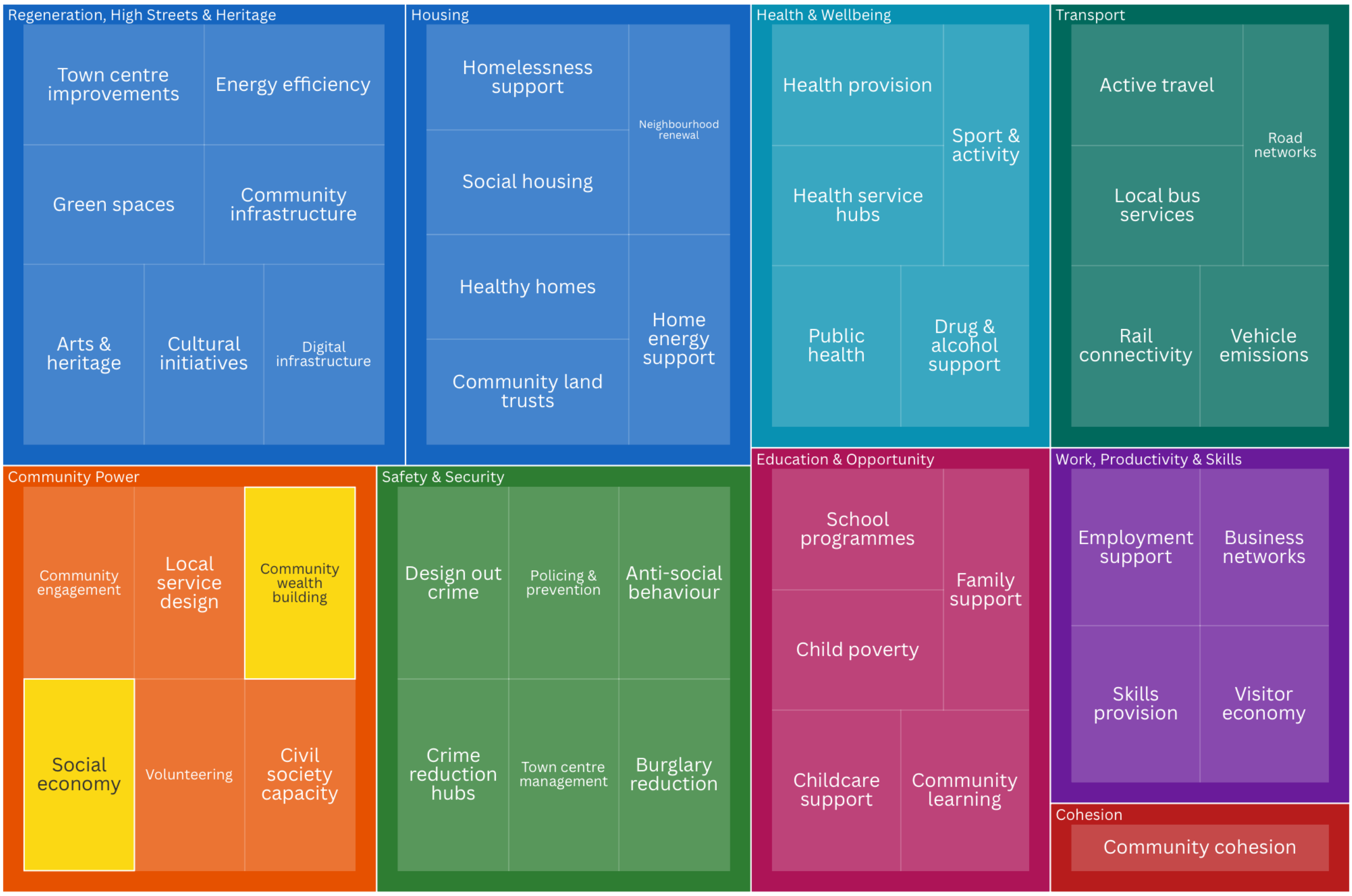
Pride in Place: the case for financial inclusion

Pride in Place is the current Government's flagship programme for local economic development, and represents significant investment, with an estimated £5.8bn allocated to nearly 284 communities across the UK. Each area is due to receive up to £20m of funding over a ten-year period to make long-term improvements. Distinctively from previous programmes, Pride in Place is community-led. Each area forms a 'Neighbourhood Board', bringing together local stakeholders – including community organisations, local businesses, the local MP and residents – to decide locally how the funding is used. By late July 2026, the 169 phase 2 Neighbourhood Boards will have confirmed their membership, allowing them to draw up a Pride in Place plan from an indicative list of eligible interventions.

The programme has been repeatedly expanded over Labour's two years in government, growing from an initially smaller number of places, to a further 40 confirmed in February 2026. Its ten-year time horizon is intended to support a more strategic, long-term approach than previous schemes, delivering "lasting change beyond the 10 years of investment". The methodology used to select areas applied consistent indices, including an Index of Multiple Deprivation (IMD) and a Community Needs Index, to identify areas with the poorest outcomes, a significant improvement on the competitive, bid-led process used by previous schemes.

Pride in Place therefore represents ambitious investment that could make a meaningful difference to communities across the UK. Yet despite being designed in part to improve the financial resilience of the most left-behind places, the programme's own design gives little explicit attention to the role credit unions could play. Under "enabling community wealth building", the indicative list of interventions includes creating a regional mutual or community bank, and buried further down, a proposal that funding could support a credit union. But sector terminology in the guidance is thin, with no accompanying note on how a Board might establish or connect with a credit union or reach a sector body such as All Together Money. Most Neighbourhood Boards, as a result, are unlikely to put credit unions on their agenda unless prompted and are left to work out the sector for themselves.

The Pride in Place Strategy also fails to join up financial inclusion with its town centre focus. It notes the decline of high-street banks and references the Heritage Revival Fund but offers little else in this area. In fact, bank closures are acknowledged as evidence of neighbourhood decline, without a corresponding commitment to address financial services provision.



Financial inclusion is a small corner of a crowded menu | All 45 indicative interventions available to Pride in Place Neighbourhood Board (yellow tiles = financial inclusion interventions)

This is a structural gap, since the selected neighbourhoods are almost certainly places where financial exclusion is acute, but because credit unions are only referenced in passing, there is no built-in expectation that Neighbourhood Boards will consider their expansion or adoption. This is particularly exacerbated by the low levels of awareness about credit unions in the population.

"Where funding's available, you need a good information campaign first to actually explain not just to local communities but community leaders, business development agencies. Etc what credit unions are, what they do, why they're good and why they're not just banks. A public information campaign on those lines would do a large amount of good in terms of policy".

Anita Mangan, University of Bristol

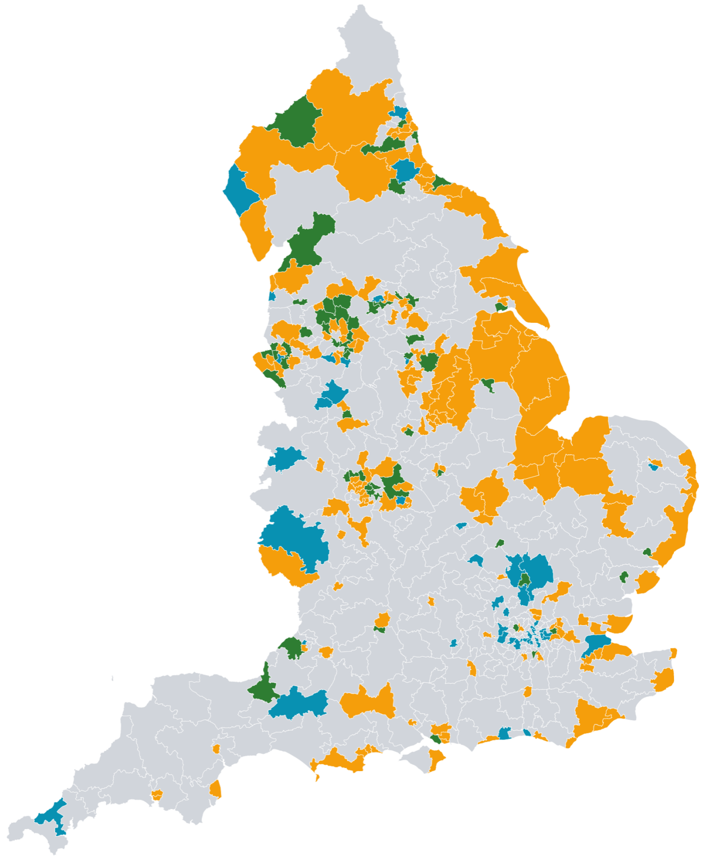
In practice, financially vulnerable places risk being funded to improve their local area without a key lever to address financial inclusion being addressed. As such, it could be fairly argued that Pride in Place has a financial inclusion blind spot in its design, one that remains unaddressed by national policy on economic development. A better approach could marry these areas, meeting the sector's target to double membership by 2035.

Using Pride in Place funding

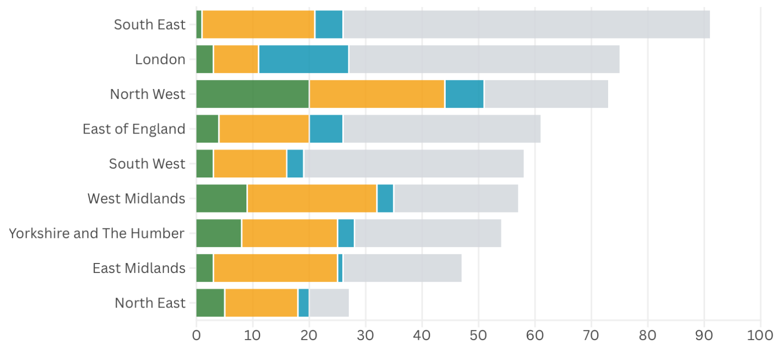
In order to consider whether Pride in Place funding might be usefully applied to credit union expansion or development, we combined Pride in Place funding data with the Urban Institute's Financial Vulnerability Index at constituency level, producing a picture of every English Westminster constituency covering PiP designation and phase, the presence of any credit union and a Financial Vulnerability Score (FVS). The full methodology, including data sources and caveats, is set out below.

Mapping the two datasets against each other reveals a largely untapped asset already sitting inside the programme. Of the 212 English constituencies receiving Pride in Place funding, 56 already have a credit union headquartered within them. These are places where Neighbourhood Boards have both a funding stream and a ready-made, member-owned financial institution in place (though headquartered presence does not itself guarantee exclusively local coverage - see the methodology). Pride in Place guidance does not seize this opportunity, despite 56 boards being in a position to replicate the model of other places, without waiting for a new credit union to be established.

This may represent a lower-risk and better-evidenced intervention than establishing new credit unions, and could be actioned within the current programme. MHCLG could act on this priority list of constituencies without waiting for a new funding round, by developing guidance in Neighbourhood Board toolkits on capitalising an existing local credit union.



Financial inclusion deserts | Credit unions and Pride in Place funding across English constituencies (green = both, blue = credit union only, orange = PiP only, grey = neither)



Big Local

In considering how Pride in Place funding might be put to effective use in supporting credit unions, valuable lessons could be drawn from the Big Local funding delivered by Local Trust. This programme, which ran from 2012 to 2026, offered a unique and innovative approach to building wealth in communities- rooted in community development and convening local people in 150 areas to decide on their priorities for £1m investment in their communities. It offers valuable lessons on how non-prescriptive and long-term funding can deliver effective outcomes.

For example, in Withernsea, a group of residents used £99,000 of Big Local funding as a loan with Hull & East Yorkshire Credit Union. The community partnership employed the funding to tackle doorstep lending and employ a part-time Development Officer, expanding the credit union's presence and reach in the area. Over the initial four years of funding, the Credit Union members increased savings by 293%, with evidence showing that they collectively saved around £30,000. Similarly, in East Coseley, residents invested £20,000 in the local Castle and Crystal Credit Union. It's estimated that residents saved around £30k through this project, with a grant programme established using the repaid deposit. Meanwhile, other projects signposted residents to credit union membership.

These examples of Big Local funding capitalising or expanding credit unions offer a clear picture of the value for money a defined, flexible pot of funding can deliver. The sums involved are also modest against the scale of Pride in Place. Replicating Withernsea's £99,000 capitalisation exercise across all 56 constituencies with an existing credit union would cost around £5.5m, less than 0.1% of the programme's £5.8bn allocation.

Recommendations

Three key recommendations emerge from this short report's analysis of the link between credit unions and local wealth-building.

1: Embed credit unions explicitly in Pride in Place and the wider devolution agenda

MHCLG should embed credit unions more centrally in the devolution agenda, while the Treasury should give them a more substantive role in its approach to regionalism and local economic development. As this report shows, 56 Pride in Place constituencies already have a credit union in place, and MHCLG should produce supplementary guidance naming credit unions explicitly- including a practical note on how a Neighbourhood Board can partner with or help capitalise an existing local credit union, modelled on the Big Local precedent. Financial inclusion data should also be built into the programme's selection and monitoring methodology, so places are flagged as needing intervention rather than simply being permitted to fund one if a Board happens to think of it. Neighbourhood Boards should be connected directly to the credit union sector, including named contacts so Boards are not left to work out the sector for themselves.

"Politicians have got a big part to play in this – they have a duty, at every opportunity, to talk about their local credit union."

Cllr Carmel Swan, Derby City Council, June 2026

2: Improve banks' cooperation with credit unions

Large banks currently treat credit unions as, at best, an afterthought. This should be addressed, including through the Government backing the Banks (Financial Exclusion and Access to Finance) Bill introduced by Gareth Thomas MP. The Bill would require banks to measure and disclose their performance in reducing financial exclusion and would require banks to cooperate with credit unions and community development finance institutions to address financial exclusion and improve access to finance to SMEs, among other purposes. One such way in which banks could demonstrate this collaboration is through opening up access to banking hubs for credit unions. Banking Hubs, are owned by Cash Access UK, a not-for-profit company funded by nine high street banks. Link had recommended 280 banking hubs across the country to protect access to cash. Credit unions currently have no formal route into that shared infrastructure, despite being exactly the kind of local, member-facing institution the hub model was designed to support.

3: Roll out payroll deductions across the civil service and Parliament

Payroll deductions have been shown to be a consequential way to involve more people in credit unions, simultaneously growing the membership and increasing awareness. The Joining Forces CU has already collaborated with the Ministry of Defence to make it possible for members to save and borrow through payroll deductions. As written evidence provided by Commsave Credit Union has recommended, the Government "could lead by example and enable all civil service departments to provide payroll savings to their employees". The Civil Service and IPSA should work with staff unions to explore whether the same model could boost credit union membership and involvement among government payrolls and among Parliamentary staff.

Taken together, these three recommendations amount to the basis for a national commitment to affordable finance that is locally generated and circulated productively within local economies, with credit unions acting as the natural vehicle for that commitment. Such a commitment would be a natural step for the new administration, given the importance of credit unions within the co-operative movement.

Conclusion

If the Government is serious about delivering good growth in every postcode, credit unions are among the most affordable and immediately deployable place-based tools for doing so. To tackle wealth extraction and build an economy that works for all people and places, the Government must create more opportunities for wealth to stay in local places. Credit unions do exactly that, addressing financial exclusion, supporting local incomes and acting as a lever against the worst effects of bank closures and the wider marginalisation of towns relative to cities.

As such, credit unions should be embedded within the agenda of local economic development, instead of being treated as a footnote to it. The task now is to connect the existing infrastructure of credit unions to the funding and political attention it has so far lacked. Financial infrastructure is a place-based fairness issue. The Government should make a bet on credit unions, trusting them to help deliver good growth in every postcode.

Image: *The Sower* by Vincent Van Gogh (France, 1888)

Methodology

Data sources

This analysis combines three datasets at English Westminster constituency level:

- Pride in Place designation and phase, drawn from published Government lists
- The presence and identity of credit unions, matched via the FCA Mutuals Register
- The Urban Institute's Financial Vulnerability Index, which produces a Financial Vulnerability Score (FVS) for each constituency

Data quality

There is a slight disparity between the number of credit unions in our dataset and the number of quarterly regulatory returns submitted for the same period. This reflects our exclusion of credit unions in administration or liquidation, which are no longer lending or opening accounts. In addition, the reliability of official credit union data is contested.

What credit union presence measures

A credit union is recorded as "present" in a constituency where it is headquartered there, based on registered address. This does not mean the credit union serves only that geography: a community credit union may be based in one town but serve an entire county or beyond, and in some cases have limited practical ties to parts of the area it nominally covers.

Coverage

The analysis covers 543 English Westminster constituencies. Scotland, Wales and Northern Ireland are excluded, reflecting both the geographic scope of Pride in Place and differences in credit union regulatory and market context across the UK nations.

Interviews

This report draws on 19 semi-structured interviews conducted between May and July 2026, with credit union chief executives and staff, sector bodies, academics, elected representatives, and Big Local project participants.

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