**Background**

The £200 Microloan Project, a collaborative effort between Bradford Council and funded by West Yorkshire Mayor Tracy Brabin's 'Cost of Living Fund,' addresses the 'Cost of Living Crisis.' Its goal is to aid residents in Bradford, Kirklees, and Craven, particularly those with low credit ratings who are employed, in rebuilding their credit scores. As at the mid-year report, 238 out of the targeted 300 individuals, or 80%, have been enrolled in the scheme.

**Rebuilding Workforce Credit Score**

Tracy Brabin, the Mayor of West Yorkshire, established a fund to bolster financial resilience among residents in the region. The initiative provides £200 Microloans to support those who are typically excluded from traditional lending. This pilot program not only assists with immediate needs but also helps participants improve their credit scores through structured repayment plans. It is the first project of its kind nationally for a credit union receiving funding to lend to people facing significant financial challenges, making it a pioneering effort in promoting financial inclusion.

**The statistics are remarkable:**

* Only 19% of struggling borrowers have defaulted, the assumption was 60%.
* To demonstrate the power of the project, a staggering 60% who applied for a top up loan and could afford it were granted showing increased credit score.

**Incentivising a Savings Habit**

Under the scheme, borrowers also receive a £10 starter to begin saving while repaying their loans. Saving regularly reduces stress about paying bills and boosts mental well-being. Bradford Credit Union is recognised for its innovative approach to financial inclusion, particularly in promoting saving habits. BDCU has helped 10,000 members save over £7.2 million, showcasing its commitment to fostering saving habits.

**Researching the Need**

The StepChange 2024 report, [‘In Work but Still in Debt’](https://www.credit-connect.co.uk/news/one-in-five-who-are-in-work-unable-to-make-ends-meet/?utm_source=brevo&utm_campaign=Consumer%20Credit%20News__copy_copy_copy&utm_medium=email) reveals a 16% rise from 2021 to 2024 in full time staff dealing with problem debt. The 'Cost of Living Crisis' is identified as the primary cause of in-work indebtedness among StepChange clients and the broader population, while one in ten (10%) also mention covering living expenses as their primary debt factor.

**West Yorkshire Mayors Funding Support**

Mayor Tracy Brabin empowered the community with a £120,000 investment through UniformSavers and a £200 Loan scheme. On March 15, 2024, she visited BDCU at Bradford City Hall, meeting staff and key partners, including Bradford Council, FoodSavers, Mind in Bradford, and BD25 City of Culture.

The event also celebrated BDCU reaching its 10,000th member milestone, achieved through a pivot towards creating innovative partnership community development projects, resulting in a increase of 7,000 members over the past 7 years.

Media links:

[Yorkshire Post Article on Mayors Visit](https://www.yorkshiretimes.co.uk/article/Mayor-Of-West-Yorkshire-Helps-Credit-Union-Celebrate-Milestone)

[T&A BDCU Welcomes West Yorkshire Mayor](https://www.thetelegraphandargus.co.uk/news/24205105.bradford-district-credit-union-now-10-000-members/)

**What we learnt:**

Participants with poor credit scores receive substantial support from the credit union, including assistance in both setting up loans and maintaining repayments.

We issue loans in tranches as needed to aid applicants. Delays in obtaining necessary documents are common but serve as preparation for future applications.

Despite overlooking low credit scores, we decline loans if unaffordable, often due to high debt levels. Through 'Open Banking', we monitor accounts and notice high gambling levels, leading to loan denials. We refer such cases to partners for further assistance as part of our comprehensive service offerings.

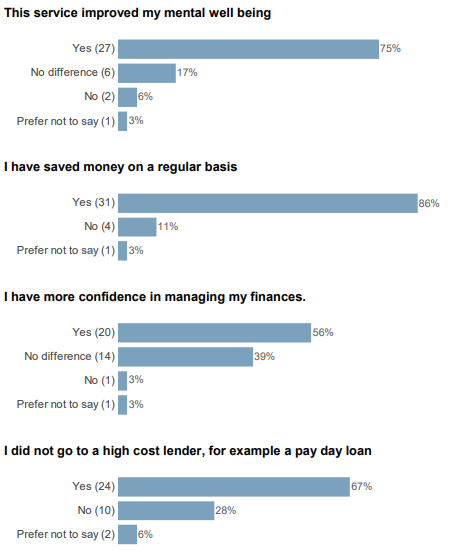
**Case Study**

Despite these challenges, there have been numerous successes with one member sharing her story with a national newspaper.

Sheryl Falkenham’s s and also appeared on Radio Leeds and BCB Radio [interviewed by the Guardian](https://amp-theguardian-com.cdn.ampproject.org/c/s/amp.theguardian.com/money/2024/feb/04/uks-credit-unions-face-uncertain-future-amid-cost-of-living-crisis) ‘Credit Unions can help more consumers such as 43-year-old Sheryl Falkenham from Bradford. Despite working for a local energy supplier, a surge in living costs left her with little room to manoeuvre when her 10-year-old daughter needed a new school uniform last summer. “Up until two and a half years ago, I would have had that disposable income, but because the cost of living has increased more than my salary, I just don’t have that anymore,” she said. The Bradford District Credit Union arranged a £20 a month repayment plan, with £10 reserved for building up a new savings pot.’

**Members Survey**

Working with the council’s Commissioning Team we have the following feedback through a survey:

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**Project Feedback**

Here are some notable comments from participants:

* Most participants were previously unaware of the credit union but were introduced to it through this project.
* All single parents involved are either on low incomes or benefits.
* Participants acknowledged their poor credit history having been rejected by banks in the past, leading to a lack of trust in traditional banking institutions for loans.
* All were facing challenges with bills and has considered seeking help from friends, family, or alternative sources such as loan sharks.
* Joining BDCU was perceived as easy, and participants appreciated the user-friendly website and internet banking services.
* The loan application process was described as straightforward and helpful, with positive remarks about the speed of contact, the friendliness of staff, and the assurance that help was available.
* All participants intend to continue saving after repaying their loans to build a savings buffer.

**Conclusion**

This partnership exemplifies the transformative impact of the Mayor’s funding initiatives with the Credit Union. The loans project has helped 60% of borrowers to elevate their credit scores and integrate into mainstream lending, stands as a testament to its remarkable success, boasting an astonishingly low default rate within the cohort.

Through groundbreaking initiatives like the Mayors £200 Microloan and UniformSavers, we have the means to extend a lifeline to those on the brink, fortifying financial resilience and ensuring no one is left behind.

**£200 Microloan Project Statistics – Based on 238 participants**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | **Participant** Profile | | | Female | 84% | | Male | 16% | | **Credit Union Membership** | | | Existing Members | 1% | | New Members | 99% | | **Age Range (Ave 35 Yrs)** | | | 18-19 | 2% | | 20-29 | 22% | | 30-39 | 42% | | 40-49 | 26% | | 50-59 | 6% | | 60-61 | 1% | |

|  |  |
| --- | --- |
| **Work Status** | |
| Unemployed | 1% |
| Employed | 99% |
|  |  |
| **Ethnicity** | |
| White English, Irish, Scottish | 81% |
| Asian/Asian British | 9% |
| White Eastern European | 6% |
| Black | 4% |
|  |  |
|  |  |

**Project Results to date**

|  |  |
| --- | --- |
| **Microloan Project in Numbers** | |
| Total Sign up (Target) | 300 |
| Total Sign up (Achieved to Date) | 238 (80%) |
| Total Savings | £5,813 |
| Average savings per member | £24 |
| Total loans | £47,600 |
|  |  |

**Change in credit score**

|  |  |  |
| --- | --- | --- |
| **Loans Defaulted - Value** | | |
| **Default** | **Total No** | **Average** |
| £8,529 | 46 | £185.41 |
| **Loans Defaulted – Members (Assumed 60%!!!)** | | |
| **Total** | **Defaults** | **%** |
| 238 | 46 | 19% |
| **Members who have increased their credit score by successfully applying for top up loans** | | |
| **Total** | **Top Ups** | **%** |
| 238 | 143 | 60% |

**Where People Live**

**See ACORN Map Below**

|  |  |  |
| --- | --- | --- |
| **Postcode** | | |
| BD1 | 4 | 2% |
| BD2 | 16 | 7% |
| BD3 | 10 | 4% |
| BD4 | 31 | 13% |
| BD5 | 7 | 3% |
| BD6 | 25 | 11% |
| BD7 | 14 | 6% |
| BD8 | 12 | 5% |
| BD9 | 5 | 2% |
| BD10 | 16 | 7% |
| BD11 | 1 | 0% |
| BD12 | 12 | 5% |
| BD13 | 10 | 4% |
| BD14 | 8 | 3% |
| BD15 | 4 | 2% |
| BD16 | 6 | 3% |
| BD17 | 4 | 2% |
| BD18 | 14 | 6% |
| BD19 | 1 | 0% |
| BD20 | 6 | 3% |
| BD21 | 17 | 7% |
| BD22 | 7 | 3% |
| Bradford | 230 | 97% |

|  |  |  |
| --- | --- | --- |
| HD2 | 1 | 0% |
| HD4 | 3 | 1% |
| HD6 | 2 | 1% |
| HD8 | 1 | 0% |
| WF15 | 1 | 0% |
| Kirklees | 8 | 3% |

**Acorn Summary of Mayor’s £200 Microloan  
Geographical Impact Map by Ian Goodliffe, April 2024**

BDCU collaborates with an ACORN geographic data mapping consultant, who was commissioned to create a map illustrating the residential locations of the Mayor’s £200 Microloan project members using blue dots.

For comparison, the second map displays both UniformSavers and Loan members, with members represented by orange and blue dots, respectively.

**Project Mapping Report**

Account Distribution in Bradford, Shipley, and Keighley

Both types of accounts, UniformSavers and the £200 Loan, are primarily concentrated within Bradford, Shipley, and Keighley areas. However, the distribution of the £200 Loan is more widespread within these areas, with a few accounts also located in Kirklees.

**Bradford:**

In Bradford, there is a notable distinction in account preference between the two types. UniformSavers accounts appear to be more favoured in inner-city areas, whereas the £200 Loan accounts have a broader reach, particularly in suburban areas such as Idle, Low Moor, and the region north of Tong Street.

**Demographic Analysis:**

**£200 Loan:**

- In contrast, the most common Acorn category for £200 Loan members is "Singles and couples in rented flats" from the Stretched Society category, which falls lower in the Acorn hierarchy of affluence.

- Overall, the affluence score is 30% for UniformSavers and just 17% for the £200 Loan, indicating significantly below-average affluence compared to the country's average, which stands at 46%.

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**UniformSavers:**

- The Acorn demographics of UniformSavers indicate a slightly better-off segment compared to £200 Loan members.

- The most common Acorn category for UniformSavers is "Young Families, limited means in terraced houses" from the Steadfast Communities category.

**Conclusion:**

The distribution pattern and demographic analysis highlight the varying preferences and economic backgrounds of account holders within the Bradford, Shipley, and Keighley areas. Understanding these trends can aid in tailoring services and support to meet the diverse needs of residents in these regions.

A map with blue dots

Description automatically generated

A map with blue and orange dots

Description automatically generated