

Scotcash
approachable finance

10 years of approachable finance

10

2007 – 2017

2016-17

annual report and financial accounts

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Welcome to the Tenth Annual Scotcash Report



2016/17 has been an important year for Scotcash. With the passing of our 10th birthday, we celebrated 10 years of bringing approachable and affordable credit into the lives of those who need it most. Scotcash provides a lifeline for many people who fall outside the financial mainstream and who have no option but to rely on high cost credit options. Those options means paying a poverty premium that compounds exclusion and disadvantage.



This Annual Report amply illustrates that we are advancing well along that path, adding tangible value and vital support to the diverse people and communities we serve.

In Scotland the poverty premium – the idea that the poor pay more for essential goods and services – is an important social policy concern for low-income families. The average poverty premium of £490 per year is undoubtedly a significant sum to low-income households.

It might represent a family holiday, enough clothes and shoes for the children, keeping the home warm in the coldest winter months, all things considered important for a reasonable quality of life and avoidance of social and material deprivation. Scotcash is challenging the poverty premium by providing access to affordable credit in a way which helps our customers make the most of their income.

Scotcash operates in an important space. It's the financial twilight zone in which so many people outside the mainstream of finance have no choice but to exist, too often having only high cost credit options available to them - a risk premium that often compounds their disadvantage. These are people with many different stories, challenges, hopes and aspirations. But they do have one thing in common: a need for access to finance for life's unforeseen or irregular expenditure. Finance that's transparent, affordable, competitive and responsibly-made. Finance that's lent and managed with a genuine empathy for the significant difficulties this group faces in terms of its thin credit data, low credit scores and exclusion from the mainstream. Finance that is not predatory, entrapping or excessively priced.

This Annual Report amply illustrates that we are advancing well along that path, adding tangible value and vital support to the diverse people and communities we serve. Helping them navigate the financial twilight zone, our evolution from the fledgling start-up of over 10 years ago to the more established operation we are today, and our growing success, have brought additional responsibilities and the need for more infrastructure. We have therefore introduced more robust governance and controls, developed more extensive compliance and reporting processes, strengthened our Board management team, enhanced training and, importantly, have continued to foster an organisational culture committed to fairness, responsibility and client-focus. Many of these steps have been taken as part of our successful transition to a regulated entity.

But, despite so much progress, in many ways we are still only in the foothills. To deliver our important mission, and for it to have the bigger impact it needs and deserves, we need to grow more – and faster – although always in a robust and sustainable way. For the next 5 years, we have set stretching goals for the number of people we want to help, the number of loans we want to make, the total amount we want to lend and the investment that all of this requires.

I would like to thank our dedicated staff, and all our investors, supporters and other stakeholders, for their continued support, without which Scotcash would not be able to deliver the excellent levels of service our customers have come to know and deserve.

Celebrating the first 10 years and looking positively to the future

Scotcash celebrated their 10th anniversary on 25th January with a special event at Glasgow City Chambers. The day was attended by many of our supporters and marked the achievements of the first ten years of our story.

Supporters, staff, customers and partners came together to share the story of the past ten years of Scotcash. The host, respected broadcast journalist Sally McNair, welcomed Cabinet Secretary MSP Angela Constance on stage for a keynote speech. This was followed by a retrospective of Scotcash's first ten years via a panel discussion with Scotcash CEO Sharon MacPherson, Glasgow City Council Treasurer Bailie Braat, and the Very Rev John Chalmers. Customer videos revealed the real impact affordable credit can have on people's lives.

After a celebration lunch, Scotcash Chair Morag Johnston delivered a thank you speech and presented certificates of appreciation to two of our longest serving staff members. The day was capped off with a special birthday cake kindly created by the catering students of City of Glasgow College.

Reflecting on the past 10 year, Sharon MacPherson, Chief Executive, Scotcash said:

"When the doors of the Scotcash High Street branch opened on 29th January 2007 it would have been difficult to predict how big an impact the service would have on the citizens of Glasgow. 10 years later, Scotcash has outreaches all across Glasgow and has saved customers over £5million in interest charges. That's significant – not only for the customers, but the entire local economy. What has remained consistent though the last 10 years has been our commitment to our mission statement of tackling financial exclusion and giving our customers the financial products and services they need to put them in control of their finances."







Scotcash Joins Judging Panel for Giordano Dell'Amore Award

Following Scotcash's win of the Giordano Dell'Amore Microfinance Good Practices Europe Award at the European Microfinance Network (EMN) Annual Conference 2015, Scotcash were invited back to this year's event to participate in the judging panel for the 2016 Giordano Dell'Amore Microfinance Good Practices Europe Award. The Conference was held in Warsaw on the 16th and 17th of June 2016 and delegates from the Scotcash team were joined by other EMN members from over 22 countries.

The conference provided an opportunity to discuss and share ideas on financial exclusion and how we can best reflect the needs of those who are regularly ignored by traditional financial services.

During the conference Scotcash was also asked to present on the impact that winning the award has had on the company. The worthy winners of the award this year were Horizonti, a Microfinance Institution from Macedonia who have granted over 30,000 loans to support small businesses and housing needs.

Workshops at the EMN Conference included topics such as approach to risk mitigation, personal loans, and how Microfinance Institutions can prove their impact on society. Our team found these to be very useful and they sparked some lively debate. It proved interesting to hear things from the perspective of different organisations around Europe – the conference enabled Scotcash to not only hear about other projects, but also highlighted how the Scotcash model can be replicated by others.

The keynote closing speech of the conference was given by Piotr Korynski, Development Finance & Economic Development Specialist at the Microfinance Centre, who summed up by saying that microfinance is:

"Not necessarily about giving more financial services, but about increasing outreach."



This echoes the earlier sentiment made by Alessandro Tappi from the European Investment Fund, that microfinance should perhaps instead be referred to as "inclusive finance", as it's a more fitting description of what microfinance institutions based throughout Europe achieve."

Reflecting on the conference, Scotcash CEO Sharon MacPherson said:

"For more than 10 years, microfinance has figured on the European agenda and Scotcash is now part of a European movement raising awareness of these issues, while calling for more recognition and investment for organisations like our own.

The work we do at Scotcash can and does make a huge difference for our customers, not just to get a better deal on credit, but in taking time to talk to them about their situation and offering a whole range of support services."

Scotcash joins Affordable Lending Limited

Launched in 2016, Affordable Lending Limited is a portal consisting of various ethical lenders and community interest organisations which have the interests of approachable finance and community lending at its heart.

The partnership between Affordable Loans, Experian, Asda Money and Step Change Debt Charity welcomed five affordable community lenders to the fold of the business to ensure that the needs of their customers were being met in both product range and location. The online platform pulls together the information and resources needed for an individual to make an informed and safe decision when it comes to credit. Further to this, the organisation provides peace of mind for its users through a dedicated referral system to Step Change Debt Charity, and through its regulation by the FCA.

Working alongside lenders such as Five Lamps, Leeds Credit Union, Manchester Credit Union and Scotwest

Credit Union, Scotcash continues to further its reach and mission of helping those who are financially excluded to break free of high cost debt cycles and to save in interest in the process.

Jennifer Tankard, CEO of Responsible Finance said –

“Credit is an essential tool that helps families manage their finances but unfortunately too many people have had to rely on high cost lenders to get credit. The Affordable Lending Portal provides an easier route for families to borrow from affordable and responsible lenders.”

A number of pilot areas were selected to trial the new service, which is available across the whole of the UK.



Calls for Scotcash Model to be Expanded

Citizens Advice Scotland (CAS) published a report into the 'poverty premium' in September 2016. The term 'poverty premium' refers to the instance when those on low incomes pay more to access goods and services. The aim of the report was to bring attention to the difficulties and barriers low earners across Scotland face in their everyday lives, particularly relating to energy, telecommunications, credit, loans and insurance.

Scotcash was specifically identified among the major recommendations made in light of the report's findings, when it was suggested that "partnership working between the Scottish government, local authorities and other interested stakeholders to deliver more Community Development Financial Institutions (CDFIs)" should be encouraged.

Describing Scotcash as "one of the most successful CDFIs currently operating in the UK", the report also stated that the organisation has been effective in tackling barriers to finance. It was strongly recommended that the Scotcash model be replicated across Scotland, in order to enable low-income consumers to access affordable finance products and services.

An independent evaluation of Scotcash carried out by the University of Sheffield in 2011 was referenced in the CAS report, stating that at that time, Scotcash had issued 12% of all the micro-loans in the UK and that the organisation had been successful in easing financial exclusion among customers. The CAS report

also made additional reference to a Carnegie UK Trust examination into affordable credit in Scotland, which called for "more robust and sustained backing of credit unions and CDFIs" and featured Scotcash as a case study. This substantiates the need for more accessible credit, with the Carnegie UK Trust report also stating that a holistic, preventative approach such as that offered by Scotcash, can help people to become more financially secure and ultimately improve their quality of life and standard of living.

Reviewing the Citizens Advice Scotland report, Scotcash CEO Sharon MacPherson said:

"We are delighted that the positive impact Scotcash has on our customers' financial situations has been recognised. If the Scotcash CDFI model can be realised Scotland-wide, it will make a real difference to the lives of many in this country – with the potential to improve not only their financial health, but also their physical and mental wellbeing by reducing some of the pressure they face on a daily basis."



If the Scotcash CDFI model can be realised Scotland-wide, it will make a real difference to the lives of many in this country

New West Glasgow Partnership

Scotcash was pleased to announce two new outreaches in Glasgow West in Drumchapel and Anniesland, after continued support from Glasgow Housing Association to help deliver accessible services across the city.

At the beginning of 2017, Scotcash were able to further our commitment to an integrated service delivery through the expansion into Glasgow West. The services, supported by GHA allowed Scotcash to ensure that the presence in these areas underpinned the commitment to supporting individuals and communities most in need.

Working with our partners at GHA Great Western Tenant Partnership and GHA Drumchapel Scotcash hope to provide the right services and advice to financially vulnerable individuals and families to help them make the most of their money. With these new outreach bases, affordable finance will be more accessible to the communities and people of the West of Glasgow. This partnership builds upon the years of continued support between Glasgow Housing Association and Scotcash, within which Scotcash has been able to provide financial support and aid to GHA tenants and those of other housing associations. In our latest customer survey, it has been noted that



15% of customers surveyed heard about Scotcash services through their local housing association. These partnerships and routes of referral are vital for tenants who without information on Scotcash and our services, could be forced to use unsafe or expensive ways of gaining financial assistance and credit.

Scotcash Extends Partnerships with Local Credit Unions

Scotcash was delighted to announce a new partnership with Pioneer Mutual Credit Union (formally East Renfrewshire Credit Union) in 2016.



This partnership builds upon the strong network of support between Scotcash and local Credit Unions within Glasgow, and enables Scotcash to provide a more flexible range of services to customers looking to save money.

Scotcash strives to provide accessible and approachable services for its customers, and partnering with Pioneer Mutual Credit Union allows us to provide more customers with the option to open an account and save with a credit union.

As a responsible lender, it is important for Scotcash to promote financial resilience amongst our customers – and this comes in the form of providing the necessary information and means for our customers to start saving money, and to gain more control over their finances.

Pioneer Mutual Credit Union is a not-for profit financial services co-operative founded in 1993 which provides low cost financial services to those who live or work in a G, PA or ML postcode.

This new partnership is an expansion of our Savings Service which also includes Glasgow, Scotwest and Pollok Credit Unions giving our customers more choice when saving.

Members can then access a variety of savings products including Savings Accounts, Christmas Club Accounts, First Savers, and School Accounts.



Responsible Finance: The Industry in 2016

In 2016 responsible finance providers lent £19.8m to 36,957 individuals, and £2.8m to 389 homeowners for home repairs according to the latest report by Responsible Finance.

Scotcash's trade body Responsible Finance supports a strong and growing network of finance providers who are building resilient economies throughout the UK.

Responsible Finance recently released their flagship annual report 'Responsible Finance: The industry in 2016' on the responsible finance industry, with updates and figures on business, social enterprise and personal lending.

The report lays out key findings and recommendations across the sectors of Small Business lending, Social Enterprise lending, and Personal lending. Scotcash is one of Responsible finance's participants within the Personal lending sector.

The main findings underlined the need for financial inclusion, the barriers that are present, and the positive work being done by responsible lenders and other responsible financial organisations.



"6 million people, 10% of the population, either do not have or struggle to use a bank account. They will frequently turn to alternative forms of finance to make ends meet. This often means high cost payday lenders or illegal loan sharks. Cuts to welfare and economic instability over the past decade have exacerbated the precarious position of many in the UK. The responsible finance industry is committed to supporting this segment of the market, often providing wraparound services to promote financial wellbeing and literacy, and encourage saving." - Responsible Finance: The industry in 2016.

You can find the full report on the Responsible Finance website.

Spotlight on Staff Member



Susan McClelland

Deputy CEO

- **What roles have you held with Scotcash:**

I started as Senior Loan Officer when Scotcash opened in 2007. At the time there were only 5 staff so it was a close knit team, and we worked hard to get the Scotcash name known in as many places as possible. I regularly went out and did presentations to Housing Associations and various other groups to spread the word about the work we were doing. I then moved on to the position of Office Manager in 2013 based in the Glasgow office before being promoted to Deputy CEO in 2014.

- **What do you find most rewarding about your role as DCEO:**

I think seeing how the Company has progressed and expanded since 2007 and having been a part of that is the main thing, but being involved on a day to day basis in major decisions affecting Scotcash is both interesting and exciting.

- **What is the most challenging aspect of your current role:**

In effect my role is to oversee and manage the day to day operational side of the business and ensure that we have staff in the right places at the right times to meet demand. That can be a challenge when unforeseen circumstances happen but the main challenge is just not having enough hours in the day!

- **What changes have you seen since 2007 in the organisation:**

There have been so many but to pick a few I would say the increase in staff from 5 to 20, the creation of new job roles to reflect the success and growth of the business, the inception of Online applications, our improved website, the opening of our Head Office, I could go on!

- **What has been the highlight of your time with Scotcash:**

Again, there have been lots of highlights but I would pick winning the Giordano Dell'Amore Microfinance Good Practices Europe Award in Dublin in 2015 and Scotcash being awarded 50,000 euros prize money, as being in the Number 1 spot.

- **Where do you see Scotcash in 5 years' time:**

Hopefully being able to meet the affordable credit needs of customers all over the UK and continuing to grow and expand even more than we have done over the last 10 years.

Board Member Announcements

It was with great pleasure that Scotcash welcomed new Board members Steven Henderson and Jim Gray to the Scotcash Board.

Steven has a wealth of knowledge and experience to bring to Scotcash. As a Chartered Accountant, Steven has specialised in housing and regeneration finance throughout his career. Working as the Group Director of Finance of the Wheatley Group, his experience within the UK social housing sector is invaluable to Scotcash.

Jim Gray, the Head of Democratic Services at the Glasgow City Council, brings forward and continues to represent the support that Scotcash receives from the Glasgow City Council.

As Scotcash was delighted to welcome new members to the Board, the departure of two long serving board members was announced: Lynn Brown and Richard Brown. Scotcash wish them well with their future endeavours, along with a heartfelt thank you for the time they spent with the company.

Staff Appointments and Leavers

As Scotcash continues to move forward as a company, there have been a number of changes within the staffing to cater to our changing services and needs.

Throughout the year, Nabeeha Ali, Deborah Mooney, Carlene O'Carroll and Linzi Wilson moved onto pastures new, and Scotcash wish each of them the very best of luck in their new career paths.

Scotcash continued to build upon our staffing team with a further three new members of staff joining us this year. Eamon O'Donnell joined Scotcash as the Finance Manager, a new position created to assist the Senior Management Team in the handling of the business plans, projections, and financial matters. Lea O'Neill joined the team as the Debt Intervention Officer, helping to recover default payments.



Rachael Simpson was hired as the new Community Liaison Officer, taking the role over from Deborah. Rachael worked to strengthen partnerships and bonds within the community, along with taking on some of the marketing activities for Scotcash.

We also welcomed our very first Scotcash baby when staff member Katie Clark gave birth to baby Brodie in January.

Customer Survey

Scotcash ask customers to undertake annual surveys to ensure we are receiving honest views and opinions which enable us to keep improving our services and products. This year our survey was sent out to customers who had taken a loan within the year but did not have an appointment booked with us to provide an unbiased and even result.

A total of 66 customers completed the survey. They told us:

- **59% heard of Scotcash through friends/family/word of mouth, and 15% found out about our services through their Housing Association**
- **88% said that Scotcash has helped to improve their overall financial circumstances**
- **The average score out of 10 for service was 9.3**

We asked what customers would change. They told us:

- **More contact from us regarding how many payments are left on their loan**
- **Higher loan amounts for existing customers with a reliable repayment record**
- **To be able to check balance and repayment schedule online**

They said the best things about the service were:

- **Staff were friendly and helpful**
- **It helped to improve credit ratings**
- **Provided alternative to high cost lenders**
- **Gave customers more control over their finances**
- **Reduced money related stress for a number of customers**

How Scotcash customers said we helped them:

"You have potentially helped me to build a credit rating which will change my future and help me to possibly achieve things I couldn't."

"Scotcash has made my life a lot easier for times when my finances were stretched."

"We were able to book and plan ahead for a holiday. Without the loan we would have had to book closer to the time and spending money would have been more difficult to manage."

Scotcash Facts and Figures 2016/17

SCOTCASH AT A GLANCE FOR 2016/17

Number of Enquiries	9438	Customer Demographic	
Number of Loans	3061	Loan parents with dependent children	39%
Average Term	39 weeks	Single person household	31%
Average Payments per week	£18.61	Couple with dependent children	7%
Value of all loans	£1,664,981	Customers divorced/separated or widowed	14%
Average loan amount	£543	Couple with no children	9%
Bank accounts opened	194		
Savings on 'like for like' loans	£988,703		
Percentage of customers on low income	61%	Average Age	
		Age 18-24	6%
		Age 25-34	32%
		Age 35-49	37%
		Age 50-64	20%
		Age 65 and over	5%
Reason for Loan		Gender	
Home Improvements	30%	Female	72%
Christmas	36%	Male	28%
Other	2%		
Car / Driving Lessons	1%		
Events (birthday, wedding etc)	8%		
Clothes	2%		
Home Deposit	1%		
Holiday	20%	Loan Customer Household Tenure	
		Renting from RSL	53%
		Renting from private landlord	22%
		Living parents/other	23%
		Owens home / mortgage	2%

Independent auditor's report to the members of Scotcash CIC

Opinion on Financial Statements

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

We have nothing to report in respect to the following matters where the Companies Act 2006 requires us to report to you, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the director's report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Jenny Simpson (Senior Statutory Auditor)

For and on behalf of Wylie & Bisset LLP Statutory Auditors, 168 Bath Street, Glasgow.

Statement of total comprehensive income for the year ended 31 March 2017

	Notes	2017 £	Restated 2016 £
Turnover	4	527,033	477,840
Administrative expenses		(916,912)	(874,145)
Other operating income		416,348	460,436
Operating profit	3	26,469	64,131
Interest receivable and similar income	5	1,978	2,892
Profit before taxation		28,447	67,023
Taxation	6	(396)	(1,656)
Profit / total comprehensive income for the year		28,051	65,367

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

Balance Sheet

at 31 March 2017

Balance sheet at 31 March 2017

	Notes	£	2017 £	£	Restated 2016 £
Fixed assets					
Tangible assets	7		89,310		66,371
Current assets					
Debtors	8	913,318		876,237	
Cash at bank and in hand		1,388,971		956,216	
			<u>2,302,289</u>	<u>1,832,453</u>	
Creditors: amounts falling due within one year	9	<u>(532,635)</u>		<u>(67,911)</u>	
Net current assets			1,769,654		1,764,542
Total assets less current liabilities			1,858,964		1,830,913
Capital and reserves					
Profit and loss account	11		<u>1,858,964</u>		<u>1,830,913</u>

These financial statements have been prepared in accordance with the provisions applicable to the company subject to small companies' regime. The financial statements were approved and signed by the directors and authorised for issue on 23 November 2017.

Morag Johnston
Director

Robert Tamburrini
Director

Registered number SC309656

Company Information and Acknowledgements

Directors:	Morag Johnston CHAIR Lynn Brown David Fletcher Morag Johnston Hugh Kelly Eric Munro Ian Sillars Robert Tamburrini Richard Brown Ann Marie Devlin Kate Willis GHA Steven Henderson Jim Gray	Registered Office:	55 High Street, Glasgow, G1 1LX
		Auditors:	Wylie & Bisset, 168 Bath Street, Glasgow, G3 4TP
		Bankers:	Royal Bank of Scotland plc, 10 Gordon Street, Glasgow G1 3PL
		Solicitors:	Burness Paull LLP, 120 Bothwell Street, Glasgow, G2 7JT
Secretary:	Burness Paull LLP		

The Board, Management and Staff thank the following people and organisations for their support and assistance over the past year.

ACCESS	Edinburgh City Council	Lloyds Banking Group
Affordable Lending Limited	efniti	Money Advice Scotland
Barclays	GAIN	Money Advice Service
Big Lottery Fund Scotland	Glasgow City Council	Ng Homes
Burness Paull LLP	Glasgow Credit Union	One Parent Families Scotland
Carnegie Trust UK	Glasgow Housing Association	Pollok Credit Union
City Building	Glasgow Caledonian University	Responsible Finance
City Property	Henderson Loggie	Royal Bank of Scotland
City of Glasgow College	Home Energy Scotland	Screenmedia
Creanor Consultants	i.s.4	Scottish Government
Department for Work and Pensions	Improvement Service	Scotwest Credit Union
DRS Graphics	Inverclyde Council	The Spark
G-Heat	Jobs & Business Glasgow	Virgin Money
Glasgow Central CAB	JobCentre Plus	Wylie & Bisset
DSL	Joseph Rowntree Foundation	





How to contact us:

Scotcash
55 High Street
GLASGOW
G1 1LX
Tel: 0141 276 0525

Visit: www.scotcash.net