

SCOTWEST

where people count



AGM 2021

Our Vision

"Delivering better financial lives through caring about individual members and their happiness: growing together to become the leading credit union in Britain."

0141 227 2390
scotwest.co.uk

loans ▶ savings ▶ mortgages ▶

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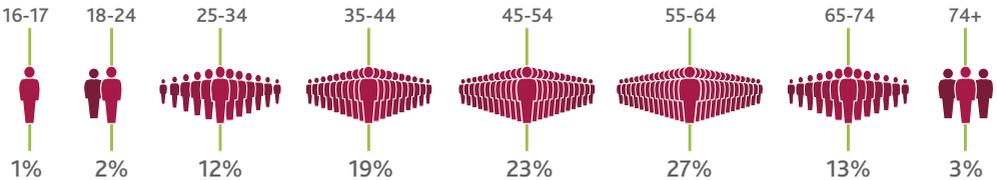
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Our Members

▶ THE NUMBERS ...

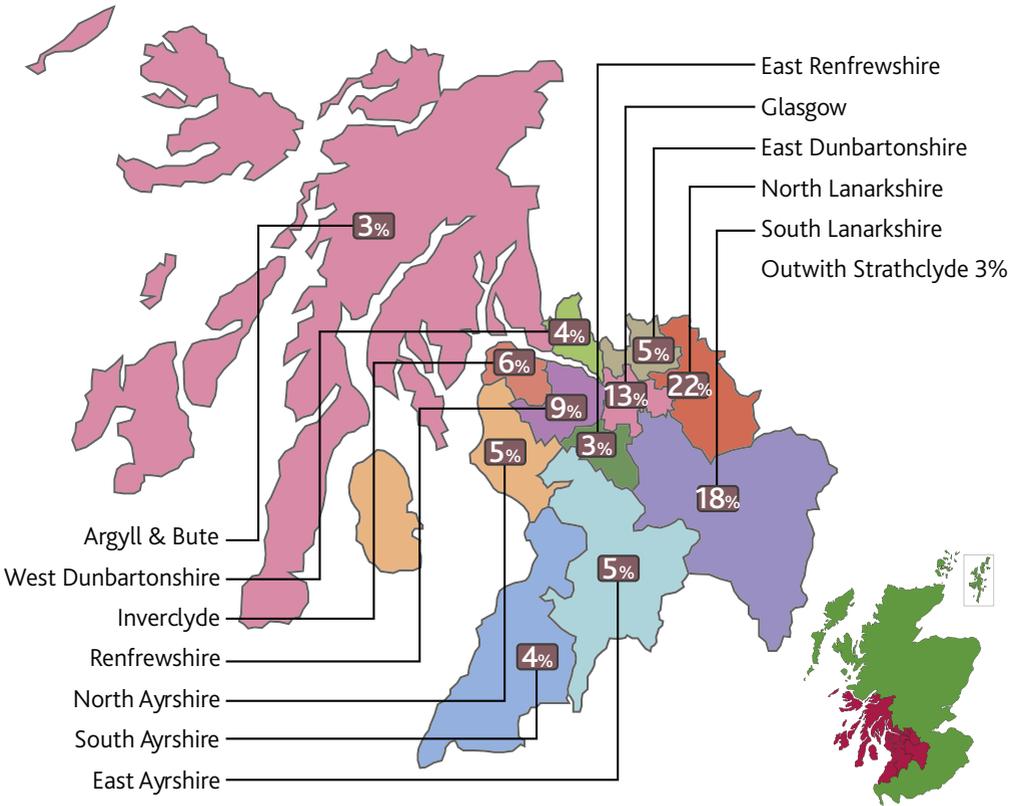


▶ AGE RANGE ...



Our Members (Continued)

► WHERE ...



Our Members (Continued)

total value of members savings



amount saved this year



our lending increased by



Our Members (Continued)

► REASONS FOR BORROWING ...



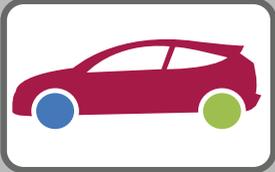
home improvements



car repairs



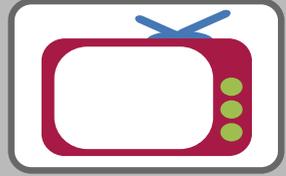
wedding



car purchase



consolidation



household items



bills



new baby



christmas



holiday



funeral

Scotwest Credit Union - AGM Agenda

31st Annual General Meeting to be held on Monday 29 November 2021 at 6.30pm

1. Ascertainment of quorum
2. Minute of previous Annual General Meeting – Monday 30 November 2020
3. Chairperson's Report
4. Chief Executive's Report
5. Questions from the meeting on Chairperson's and CEO's Reports
6. Election of Directors
7. Financial Statements and Auditors' Report
8. Questions on Financial Statements from the meeting
9. Appointment of Auditors
10. Rule Book – proposal for amendment to Scotwest Rule Book
11. Close of meeting



Scotwest Credit Union 2020 AGM Minutes

SCOTWEST CREDIT UNION LTD MINUTES OF THE 30th ANNUAL GENERAL MEETING Held on 30 November 2020 at 6.30 pm

The meeting was held remotely on the meeting app, Attend 2It.

CHAIRPERSON'S OPENING REMARKS

The Chairperson, David McRiner (DM), opened the meeting by welcoming everyone to the AGM of Scotwest Credit Union which is being held virtually, due to the current pandemic. DM announced that as the quorum of 15 had been met, the meeting could continue. He advised members that there was an option box provided on screen which would allow voting and for any questions to be asked.

ASCERTAINMENT OF QUORUM

Jackie Alexander	John Magill	Frances McCann
Neil Godsman	Jack McMahon	James Gibson
Evelyn Kearney	Tamar Lewis	Eleanor Gibson
Caroline McMichael	Kenny McLeod	Mhairi McLeod
David McRiner	Ian Turner	Gordon Keenan
Brian Davidson	Paul McGowan	John Begg
Charles Sim	Stephen Wood	Scott Craig
Cathy Jamieson	Daniel Salah	Jacqueline King
Ann Segita	Ashley McCrone	Claire Blackburn
Andrea Maguire	Barry Douglas	Robert Watt
Alex Ibe	Mark Adams	Alan Deans
Ann Welsh	Jan Thomson	Kim Stevenson

In attendance: Scott Holmes (SH) from Johnston Carmichael, Chartered Accountants.

1. MINUTE OF PREVIOUS ANNUAL GENERAL MEETING - 25 November 2019

The minute of the previous Annual General Meeting was included in the papers which had been available on the website for two weeks prior to the AGM. There were no matters arising and the Minute was proposed by Caroline McMichael and seconded by Robert Watt and approved by the meeting.

DM confirmed that Johnston Carmichael had been appointed as our External Auditors following a recent tender process.

Scotwest Credit Union 2020 AGM Minutes (Continued)

2. Financial Statements and Auditors' Report

The Financial Statements had been available on the website for two weeks prior to the AGM.

SH introduced himself and spoke to the papers, highlighting the following:

- As noted on page 3 of the Accounts, it is the responsibility of Johnston Carmichael as independent auditors, to carry out an audit of the Directors' responsibilities for the past 12 months. The audit opinion is included on pages 4-7 of the accounts and shows a clean unqualified audit opinion. External audit is satisfied that the accounts demonstrate that Scotwest is fully compliant with auditing legislation and accounting standards and is considered to be a going concern which is expected to be in operational existence in 12 months from the date of signing.
- Page 7 of the Statement of Comprehensive Income shows a surplus increase of £543,000 against £410,000 from the previous year.
- Page 8 of the Balance Sheet shows a strong Reserves position with an increase from £8.1 million to £8.6 million in the year. For the first time, the investment in corporate bonds has been split out into two separate line items on balance sheet.

SH expressed his thanks to everyone involved in the audit for their time and assistance and stated that their support helped him and his team perform the audit entirely remotely, in an efficient manner.

3. Questions raised on the Financial Statements:-

- Q** Can you advise what tranch of funding was received from the Scottish Government and what was this used for?
- A** SH stated that on page 14 of the accounts, a Government Grant of £67,000 was received from HMRC in respect of the job retention scheme which was used to secure jobs.

FM reported that Scotwest had 19 staff members on the Furlough Scheme at the start of the Covid-19 pandemic, with the remainder of staff working from home.

4. CHAIRPERSON'S REPORT

The Chairperson's Report was included in the AGM pack available on the website.

DM highlighted that the Scotwest Board consists of nine volunteer directors. Having already served two, three year terms on the Board, in accordance with Rule 60.1 and due the exceptional circumstances of Covid-19, the Board has requested that he remain as Chairperson for a further year, which he is happy to accept. DM announced that after serving six plus years, Stephen Wood (SW) will be stepping down as a Director and thanked him, on behalf of Scotwest and the wider membership, for all his hard work over his time with Scotwest. DM also announced that Jackie King (JK) in accordance with Rule 40.7, has been co-opted onto the Board and along with Barry Douglas (BD) and DM, would be standing for election/re-election towards the end of tonight's meeting.

Scotwest Credit Union 2020 AGM Minutes (Continued)

DM advised that the Board had reluctantly taken the decision not to pay a dividend in the last two quarters due to Covid-19 affecting the operating income. DM assured the members that we will resume paying a dividend, as soon as it is prudent to do so.

With regard to our Strategy and Business Plan, we continue to maintain the balance between savings, loans and dividends with additional enhancements such as investing in our Social Responsibility Promise. We continue to develop our IT and digital services and view these as being a critical parts of our infrastructure for the years ahead. As the economic outlook continues to remain very uncertain, our Business Plan incorporates a flexible approach, which we continually monitor and adjust, if required, as we continue to survive in these uncertain and fluid times.

The Board is proud to launch Scotwest's Social Responsibility Promise which will enable us to focus and articulate Scotwest's impact on the environment, community and its people. A Committee has been set up consisting of key stakeholders, members, staff and Board members and we look forward to supporting the concepts and initiatives it develops.

Regulatory Compliance

Scotwest, like all credit unions in the UK, is dual regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). The PRA requires that each credit union's governing body will report to the members at the annual general meeting in respect of compliance as follows:

Depositor Protection

Scotwest members are protected by the Financial Services Compensation Scheme. This means we are required to comply with various regulatory requirements in respect of the deposits we hold. In accordance with the PRA Credit Union Rule Book Part 10.1 we can confirm that we are compliant with the requirements of Depositor Protection 11 and 49 to 51.

Policy of Insurance

The PRA Credit Union Rule Book Part 2.10 requires us to maintain insurance to protect against any loss suffered or liability incurred by reason of the fraud or other dishonesty of any of our officers or employees. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have complied with those requirements.

Additional Activities

The PRA Credit Union Rule Book Part 4 allows a credit union to carry out "additional activities" and provides additional compliance requirements. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have carried out the additional activities of "additional investments", "additional lending" and "mortgages" and that we are compliant with the additional requirements thereon.

Scotwest Credit Union 2020 AGM Minutes (Continued)

Summary

DM offered his thanks to his fellow Directors and to the staff for their ongoing commitment throughout this difficult year. DM also offered a huge thank you to the members for their continued engagement and support to Scotwest Credit Union and encouraged them to spread the word to family, friends and colleagues.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive's Report had been tabled prior to the meeting on the website.

FM referred to the Covid-19 pandemic and explained that Scotwest commenced with a core team working from home before slowing expanding as demand increased.

FM highlighted the following to the meeting:

- Savings continue to grow
- Christmas savings broke records with over £3m being paid out to members
- Lending dipped at the start of the year but was now recovering
- Withdrawals decreased but are slowly increasing
- We have managed to maintain our capital requirements with a buffer on top.

FM thanked DM and the Directors for the time that they give freely to Scotwest and stated that without them, she and the staff would be unable to do their jobs. FM also thanked the staff for rising to the challenge and adapting so well to the difficult circumstances of the pandemic. Lastly, FM thanked the members for their continued support and hopes that they continue to borrow and save with Scotwest.

Questions:

- Q If income has gone from £3m to £3.3m, why did the Board decide not to issue dividends?
- A The Board took the prudent decision not to pay dividends due to an increase in bad debts and given the fact that we were in receipt of furlough money. We did not deem it to be appropriate to pay out money in such a volatile year, however our plan is to resume paying dividends as soon as we possibly can.
- Q Which piece of legislation or regulation gives the Regulators the power to do that (paying dividends)?
- A There is no written legislation, however, guidance to companies from the Regulators is to ask people not to pay dividends if receiving furlough money.

Scotwest Credit Union 2020 AGM Minutes (Continued)

FM added that income may be slightly higher but many factors have been taken into consideration including the Bank of England dropping its interest rate. As our strategy is not to attract bulk savings, we needed to protect our capital position and decided it was prudent to stop paying dividends for a period while looking at each quarter as the year progresses.

Questions (continued):

- Q With reference to additional investments, can we expect to see more or new investments in bonds, housing associations or other organisations?
- A We are limited in where and what we can invest in and the rules dictate that we can only invest in UK deposit taking banks. We are aware of the lack of returns from our financial markets, however we do try to work to get the best return possible.

FM added that as we are massively limited through regulations in where we can place our investments, we have an Investment portfolio managed by an Investment Manager. We are currently looking at possible new opportunities and are lobbying the Regulators to find other ways to use our money which may provide better returns.

DM advised the meeting that Scotwest staff on furlough had their salaries topped up to 100%.

DM noted a comment received from one of the members stating that she would like to commend the CEO and staff and say thank you for the impeccable service received from Scotwest staff in these difficult time

6. ELECTION OF DIRECTORS

DM announced that there are three directors standing for election/re-election.

SH asked the meeting to vote for the election of Barry Douglas and Jackie King and the re-election of David McRiner.

The proposal was accepted and confirmed by a vote of the members present and DM congratulated BD and JK on their appointments and stated that he and his fellow Directors look forward to working with them. DM also thanked the members for placing their trust in himself once again.

7. ELECTION FOR THE APPOINTMENT OF AUDITORS

DM asked the meeting to vote for the re-election of external auditors, Johnston Carmichael, Chartered Accountants.

The re-appointment of Johnston Carmichael was approved by the meeting. DM thanked SH and his team for all their hard work in the smooth completion of the audit.

Scotwest Credit Union 2020 AGM Minutes (Continued)

8. RULE BOOK – Proposed changes to Scotwest Rule Book

The Rule Book amendments were included in the AGM pack available on the website.

DM referred to the proposed changes and asked the meeting for approval.

There were no questions and the amendments were approved by the meeting.

DM expressed his thanks to John Magill, Communications and Brand Manager and Toby and his team at Attend 2It, who dealt with the IT for this AGM.

DM wished everyone a very Merry Christmas and thanked the members for their continued support.

9. CLOSE OF MEETING

The Chairperson thanked all members for attending and there being no further business, the meeting closed at 7.10pm.

Chair Report 2020/2021

Introduction

On behalf of the of the Board of Directors, I would like to extend a warm welcome and our sincere thanks to everyone joining us for the 31st Scotwest Credit Union Annual General Meeting as we come to the end of our 30th anniversary year.

Following the success of last year's virtual AGM, forced upon us because of the ongoing effects of the COVID19 pandemic, we have chosen to follow this path again. Not only does it keep everyone safe, it is also a much more inclusive approach to allow as many of our members across the West of Scotland and beyond to take part.

Governance

Scotwest Credit Union is governed by a voluntary Board of up to nine directors on behalf of its members. This year we have operated with a full complement of Directors, however, at this AGM two members of the Board are retiring.

After serving a total of seven years as a Director and six as Chair, I will be standing down and passing on the baton to someone else. It has been a pleasure to have had the opportunity to serve on the Board alongside a number of other talented and committed individuals, and I would like to pass on my best wishes to the Directors, staff and my fellow members of the Credit Union, especially whoever steps up to take on the role of Chair, for the future.

Also stepping down this year is Paul McGowan. Paul has been an invaluable member of the Board, having been elected in 2015, and who has also recently been a stalwart on the Credit Union's Nominations Committee. On behalf of the Board, I would like to thank Paul for his dedicated service and contribution over the last six years and he also leaves with our best wishes for the future.

Accordingly, these two retirements create vacancies which require to be potentially filled along with one other:

- One of our existing Directors, Alex Ibe, who was also due to stand down having served two full terms of three years, has been asked by the Nominations Committee to stand for a further year in accordance with Rule 60.1. This is in order to assist the Board with its succession planning strategy particularly over the next two years. Alex has generously accepted this invitation and is therefore standing for election again this evening.
- The Nominations Committee has also identified and worked with two promising long standing members through the Directors' Academy and it has put forward for these candidates for election tonight. You can find their biographies detailed in the meeting papers pack.

Scotwest is of course owned by its members and its governance is strengthened by new Directors joining and passing through the Directors' Academy. As I have already mentioned, we have an ongoing succession plan in place to further strengthen the Board, and I would encourage anyone interested in joining a diverse, forward thinking governing body to take a look at the relevant section on our website and get in touch with us at the earliest opportunity.

Chair Report 2020/2021 (Continued)

Dividend

Dividends, unlike interest, are not guaranteed. Because our members are the owners of the Credit Union, they receive a share of surplus funds after payment of costs and maintenance of our financial regulatory requirements.

The uncertainty around the economy in general resulting from the pandemic led the Board to take the difficult decision in June 2020 to not pay a member dividend between July and September last year. This extended into the first half of this year, and we were therefore delighted in March to reintroduce a dividend of 0.1% from April. While we acknowledge this is a modest return, we also hope that members see this as a sign of a returning to normality and the Credit Union's commitment to rewarding them for continuing to build rainy day savings.

The member dividend is considered ahead of every quarter and the Board will continue to take a responsible approach to this, carefully balancing the prudential and operating requirements of the Credit Union with the desire to reward members as much as possible. The next review of the dividend is due to take place in December.

Strategy and Business Plan

The medium to long term Business Plan is to maintain the prudential balance between savings, loans, member benefits and other costs, whilst working with our members and our communities to deliver on our purpose.

While we remain affected by the pandemic, we have also recently seen, and continue to see, additional financial stress factors prevalent such as food and fuel shortages with accompanying price increases; a reduction in Universal Credit for many, and the announcement that National Insurance contributions will rise in early April next year. Furthermore, inflation is forecast to reach anywhere between 4-5%. All of these factors mean that the economic environment will continue to pose a challenge and therefore the Credit Union will continue to monitor the key financial indicators closely.

In the short term we will employ tactics focussing on our capital and regulatory requirements; controlling deposits and lending, as well as costs. Longer term, the plan focusses on our prudential objectives; Social Responsibility Promise; tech roadmap, and social enterprise loan funding projects. At the heart of everything, however, is a commitment to ensuring Scotwest's continued sustainability, both in financial and ethical terms.

Social Responsibility Promise

The Board is extremely proud to have continued to promote a vision of Scotwest that has a tangible positive impact on our communities and society in general. We have focussed on social and environmental sustainability and have engaged with external parties to help articulate this through our branding and marketing.

We are proposing tonight an exciting extension to our common bond to broaden our reach beyond the West of Scotland and into the Highlands. The main purpose for this is to be able to further widen access to our payroll services and affordable credit across the country. It will also position the Credit Union to

Chair Report 2020/2021 (Continued)

be able to facilitate ongoing collaborations that help strengthen the wider sector.

The Board is also excited to announce that a range of green products, incorporating car and home improvement loans, as well as a green mortgage, are in development and look forward to being able to offer these to members looking to make their own sustainability impact soon.

Regulatory Compliance

Scotwest, like every credit union in the UK, is dual regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). The PRA requires that a credit union's governing body reports to the membership at its annual general meeting its compliance with respect to the following:

Depositor Protection

Scotwest members are protected by the Financial Services Compensation Scheme. This means we are required to comply with various regulatory requirements in respect of the deposits we hold. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we are compliant with the requirements of Depositor Protection 11 and 49 to 51.

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Summary

Scotwest was able to successfully come through what was possibly the most challenging year in its history last year. Nevertheless, there is still some way to go before we can fully return to the way things were prior to March 2020. Climate change also poses a far greater challenge to the way in which we live our lives than it ever has before.

I am happy to say, however, that the latter half of 2020/2021 in particular saw many encouraging signs of a return to some sort of normality. We remain strongly positioned to continue to provide a reputable financial choice to members, both now and in the future. We have also embraced the need for change and look forward to being able to share our efforts with members throughout the coming year. There has never been a better time for everyone to step forward and actively engage with their Credit Union and spread the word to family, friends and colleagues alike.

Chair Report 2020/2021 (Continued)

As my time as a Director and Chair of Scotwest comes to a close, I would like to take this opportunity to thank everyone at Scotwest – both fellow Directors and staff – for their hard work and dedication shown to the Credit Union over the last seven years, and in particular during these continued challenging times. It is to you, however, the members, that I extend a final and most heartfelt thanks to for continuing to engage with and support Scotwest. Without an involved membership, the Credit Union would be unable to continue to provide the invaluable service that it does, and for that I am grateful to you all.

David McRiner, Chair

November 2021



Chief Executive Report 2020/2021

The last year has seen us all continuing to cope with the worst global pandemic for a century and the unprecedented restrictions placed on our day to day lives as a result. Certainly not what we would have predicted, let alone asked for, at the start of 2020, Scotwest's 30th anniversary year. What it has demonstrated though, is the vital role that credit unions play in the provision of fair and affordable financial services to their members, some of whom all too often find themselves financially vulnerable and unable to access the services of high street providers. At Scotwest, we have continued to do what we do best – helping and supporting our valued members with their saving and borrowing needs. We have been there to provide a consistent and compassionate service, listening to each individual member and doing everything we can to make their financial lives better.

We've also continued to provide the most comprehensive payroll financial service in the whole of Scotland, something that is now widely recognised as one of the best ways to help people develop and maintain a savings habit, which in turn positively impacts on an individual's level of debt and is proven to improve their overall wellbeing. I cannot recommend the service highly enough and strongly encourage members to take advantage if your employer already works with us, and where they do not, I would ask that you introduce them to us and we will work together with them to bring the service to your workplace for both you and your colleagues to enjoy.

The vaccine rollout from December 2020 and the subsequent lessening of restrictions throughout this year have resulted in a return to growth in our loan book for the 2020/2021 financial year, by £5m to around £49m, which is a 14% increase on the previous year. Over the same period we have also seen savings grow by £11m, with the savings book now sitting at £89m, which is an increase of around 14% on last year.

Turning our minds to the year ahead, while it is good to see the early signs of a return to some sort of normality, it is hard to ignore the grim outlook around increasing household bills amongst other things and experience tells us that it is those of us who are already financially squeezed who will be hit the hardest. However, at Scotwest we know that access to fair and affordable financial services is essential to maintain dignity and a decent life, so please rest assured that the Scotwest team will continue to be here to support you, through thick and thin, just as it has been for the last 30 years. 2021 Performance

2021 Performance

Savings

Members have continued to save regularly throughout the year, albeit at a slightly lower rate than last year – 14% compared with 17% in 2019/2020. This increase is still well above the normal increase we have traditionally experienced though, and we attribute this to the continued COVID19 related restrictions in place, particularly in the first half of the year. With most restrictions now hugely relaxed, we anticipate a return to a more normal picture over the next 12 months.

The majority of our deposits continue to be received via our payroll service with the support of our Select Employer Partners, of which there are currently in excess of one hundred.

It is also worth acknowledging the huge success of our Christmas savings accounts which, once again, paid out a record amount in savings to members this year – well over £3m. If you do not already have a Scotwest Christmas Saver account and want access an easy way to put money aside for the next festive season, please get in touch with us or visit the website, to find out how to take part.

Chief Executive Report 2020/2021 (Continued)

Loans

The increase in lending experienced in the second half of last year, following the pandemic induced drop after March 2020, continued into this year. Despite a second slowdown in demand following the second lockdown this year, encouragingly, the end of year position shows us slightly ahead of forecast of 0.7%.

Our bad debt – that is, the debts that we have been unable to recover from members as planned – was almost 10% lower than expected. This is also encouraging and I am pleased to say that we continue to work closely with members, particularly those impacted over the last 18 months or so, to establish reasonable payment plans to help ease the pressure at what does continue to be a difficult time.

As we enter the new year with a large degree of uncertainty around rising living costs for everyone, we recognise that there will be particularly difficult times ahead for some members. Please remember, though, that this is your credit union and we care about your financial lives. If you do find yourself in need of extra support at any point, please do not hesitate to speak to us and we will do whatever we can to help.

Capital

Scotwest is an authorised UK deposit taker, regulated in a similar way to banks and building societies. As a result, we must meet extremely high standards of prudence in order to protect your savings. One of these standards is the Capital Ratio.

Put simply, capital is the equivalent of 'rainy day savings' for a business, and in times of stress it helps ensure its resilience. The Capital Ratio is a rule implemented by our regulator, the Prudential Regulation Authority (PRA) and the current requirement is that for every £100.00 Scotwest holds in members' savings, we must 'save' approximately £8.50 from our surplus, (profit). Therefore, as you will be able to see, in an environment where savings continue to grow at a rate three times higher than normal, and income drops below normal due to a reduction in lending it can be challenging to maintain the required levels of Capital.

I'm pleased to report however, that Scotwest has successfully navigated its way through 2021 whilst at all times maintaining Capital levels above the regulatory threshold in line with our Strategic Business Plan. This puts us in a very strong position as we enter 2022 and face the ongoing economic challenges posed to our communities.

It's also important to note, that this year's results have been very positively affected due to the grant of £800,000 that was received from Social Investment Scotland from the Scottish Community Lenders Fund. These funds have been added to our income but have not as yet been spent and therefore has had a direct impact on our surplus.

This purpose of this fund is to promote the availability of affordable credit in Scotland and to strengthen the balance sheet of affordable credit providers. It was a distribution of £15m of government funds, mostly to the benefit of the credit union sector, the likes of which we have never seen before and came in the wake of the pandemic.

At Scotwest, we are in the process of working on various projects and collaborations, to allow us to make the best use of these funds to help increase the provision of affordable loans and mortgages to the people of Scotland.

Chief Executive Report 2020/2021 (Continued)

People

Whether they be Directors, staff, or members, people continue to be, as they always will, at the very heart of our credit union.

All of our Directors are also Scotwest members who freely dedicate their time to the Credit Union in order that it can continue to help their fellow members enjoy the benefits of being part of one of the most successful co-operatives in the country. The past twelve months have continued to be some of the most challenging the Credit Union has ever faced, therefore I would like to thank them sincerely for their guidance in steering our ship into calmer waters. Sadly, two of our most experienced Directors will be stepping down from their roles over the next few months – our Chair, David McRiner, as well as Paul McGowan. Both David and Paul have served the Board with passion and dedication over the last seven and six years respectively, and I would like to say a special 'Thank you' to both of them on behalf of everyone involved with the Credit Union, and they leave with our best wishes for whatever they do in the future.

The team at Scotwest has also continued to play a pivotal role in helping reach where we are today. They have continued to be responsive and flexible under difficult circumstances, adapting to new ways of working while maintaining the high level of service that we have all come to expect and rely on from them. Their focus on ensuring that members come first has not gone unnoticed, and I would like to say 'Thank you' to each of them as they carry on doing a fantastic job for us all.

Finally, but by no means least, a heartfelt thanks goes to each and every one of you, our members. Without members, the Credit Union would not exist. It would not be able to provide the savings and loans so relied on by some. Over the last 30 years we have created a community of like-minded people, passionate about doing the right thing. Whether you save, borrow, or do a bit of both, please always keep in mind that by doing so you continue to play a part in what we do and what we achieve.

Thank you.

Frances McCann, CEO

November 2021



Scotwest Credit Union Election of Directors 2021

Biographies

Sarah Watters

Sarah is a Finance and Office Manager working within the IT industry, specialising in Finance Management, Human Resources and Administration. She has been a Scotwest member since January 2015.

Having used credit unions to help improve her financial stability as a younger person during a period where such things seemed difficult, Sarah hopes to bring her own experience and perspective to the Board. She is a strong believer in the value and importance that credit unions bring to communities, allowing everyone a fair chance to improve their financial wellbeing.

By joining the Board, Sarah hopes to be able to gain insight into the running of the Credit Union and to see first-hand how it benefits the membership. She believes that this would provide an invaluable experience, and allow useful relationships and connections to be formed and Sarah would be proud to be a part of the growth and development of Scotwest.

Paul Leonard

Paul is a Chartered IT professional with over twenty years' experience in IT, digital transformation and cyber security in both the public and private sectors. He has been a Credit Union member for almost thirteen years.

Paul is also an experienced volunteer, particularly in youth services, and hopes to be able to lend his time to give back to the local community and use his skills and experience to help Scotwest grow and develop as Scotland's leading credit union. He also hopes to be able to contribute to an ethical organisation making a real difference to the economic wellbeing of its members.

Alex Ibe

Alex has been a member of the Scotwest Board since November 2015, having joined the Credit Union earlier that year. He is seeking election for a further term of twelve months to assist the Board in forward planning over the next two to three years.

He has many years' experience in the financial sector as a senior consultant and business development director in the financial services sector.

Alex originally joined the Scotwest Board in order to help further represent the African and other minority ethnic communities in Scotland by using his industry experience. He hopes to continue to use his platform as a Director to make a difference in helping the Credit Union improve its members' financial stability and further develop Scotwest's network between its Directors.

SCOTWEST CREDIT UNION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

FIRM REFERENCE NUMBER: 213616

Directors

Mr D McRiner	Chair
Mrs C McMichael	Vice Chair
Mrs C Jamieson	Secretary
Mr I Turner	
Mr A Ibe	
Mr P McGowan	
Mr J Begg	
Ms J King	
Mr B Douglas	

Chief Executive Officer

Frances McCann

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EH3 7PE

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Glasgow
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Miller Samuel Hill Brown
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5 Renfield House
Glasgow
G2 5EZ

SCOTWEST CREDIT UNION LIMITED

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SCOTWEST CREDIT UNION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors present their annual report and financial statements for the year ended 30 September 2021.

Principal activity

The principal activity of the Credit Union continued to be that as defined in the Credit Unions Act 1979 with membership being open to anyone who lives or works in the West of Scotland (an area defined by the boundaries of the twelve unitary authorities: Argyll & Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D McRiner (Chair)

Mrs C McMichael (Vice Chair)

Mrs C Jamieson (Secretary)

Mr I Turner

Mr S Wood (resigned on 31 January 2021)

Mr A Ibe

Mr P McGowan

Mr J Begg

Ms J King (co-opted on 9 November 2020 and formally appointed on 1 February 2021)

Mr B Douglas (appointed on 1 February 2021)

Review of business and future developments

The impact of the pandemic has carried on throughout this financial year and continued to pose a good deal of uncertainty regarding the two main drivers of the Credit Union's finances – savings and loans.

In the first quarter of the year, the Credit Union experienced a return towards normal for lending, however, following a second lockdown in January 2021, the Credit Union again experienced a drop in demand for loans. As the year progressed and in line with the reduction of restrictions, the Credit Union saw a trend back to the normal levels of lending towards the end of the year. Meanwhile, savings have continued to grow on average about three times higher than the normal rate we would expect.

Looking forward, in the short term we will employ tactics focussing on our capital and regulatory requirements, controlling deposits and lending, as well as costs. Longer term, the plan focusses on our prudential objectives; Social Responsibility Promise; tech roadmap, and social enterprise loan funding projects. At the heart of everything, however, is a commitment to ensuring the Credit Union's continued sustainability, both in financial and ethical terms.

Results and dividends

Deposits have risen this year by 14.5% and lending has increased by 12.3% which has resulted in £3.2m in income from members' loans. This is an increase of approx. 4% on last year. Operational expenditure is up 2% year on year.

SCOTWEST CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

The increase in year on year operational costs is primarily due to increases in IT, salaries, property and marketing costs and is offset by a 28% reduction in bad debt and provision movement, mostly made up of the release of a provision made last year to mitigate the impact of Covid-19 and subsequent payment breaks for borrowers.

The above has resulted in a pre-dividend surplus of £1,427,441 (2020: £588,145) and a post dividend retained surplus of £1,387,002 (2020: 469,694).

It is important to note that the end of year results have been positively affected by the government grant of £800k which was received during the year from Social Investment Scotland in relation to the Scottish Community Lenders Fund. These funds have been fully included in this year's income with some initial spending also reflected in the year's costs.

Financial risk management objectives and policies

Our key financial risk remains our ability to lend members money at levels and rates which provide an appropriate dividend return and maintains appropriate capital reserves. Our objective is therefore to provide competitive loan products and to encourage any member who wishes to borrow to do so from the Credit Union rather than an alternative provider.

The Credit Union utilises financial instruments, comprising cash, bonds, loans and various other items such as receivables and payables that arise directly from its operations. The main risks arising from the Credit Union's financial instruments relate to credit risk, liquidity risk and market risk. The directors review and agree policies for managing each of these risks, which are described and evaluated in more detail in notes 19 to 22.

Covid-19

The directors acknowledge that the Credit Union is exposed to the Covid-19 risk as a result of the inherent uncertainty around the ongoing impact of the pandemic on the UK society and economy. The Credit Union moved to mainly remote working during each of the lockdowns and has since adopted a more permanent hybrid model of working. Homeworking has had no significant impact to the Credit Union's service delivery. Further, the directors performed a review of its impact on the business in the future by:

- analysing the potential impact on business models and strategies; and
- verifying forward-looking assumptions in respect of financial instruments and cash receipts on a prudent basis.

The directors have considered the impact of Covid-19 and are satisfied that it will not impact the Credit Union's ability to meet its liabilities as they fall due over the next twelve months and it will continue to maintain appropriate capital reserves.

Brexit

There is also the additional challenge that Brexit may bring that may impact on the Credit Union. The Trade and Cooperation Agreement between EU and UK was signed on 30 December 2020, was applied provisionally from 1 January 2021 and entered into force on 1 May 2021. As at the date of this report, the economic impacts of Brexit and of the Trade and Cooperation Agreement remain uncertain and indications are that some businesses are experiencing issues with supply chains and some sectors have shortages of skilled workers. However, the directors do not believe that Brexit will have a significant impact on the Credit Union due to the nature of the common bond.

SCOTWEST CREDIT UNION LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Auditor

A resolution to re-appoint Johnston Carmichael LLP as auditor will be put to the directors at the forthcoming Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Credit Union's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Credit Union's auditor is aware of that information.



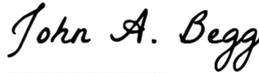
.....
D McRiner
Chairperson

Date: 23/11/2021



.....
C Jamieson
Secretary

Date: 23/11/2021



.....
J Begg
Director

Date: 23/11/2021

SCOTWEST CREDIT UNION LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under Credit Union law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the surplus or deficit of the Credit Union for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SCOTWEST CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED

Opinion

We have audited the financial statements of Scotwest Credit Union Limited (the 'Credit Union') for the year ended 30 September 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in capital and reserves, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Credit Union's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other

SCOTWEST CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED (CONTINUED)

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

SCOTWEST CREDIT UNION LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED (CONTINUED)

Extent to which the audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Credit Union, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- the Prudential Regulation Authority (PRA) Credit Union Rulebook;
- the Financial Conduct Authority (FCA) Credit Union Sourcebook;
- Co-operative and Community Benefit Societies Act 2014;
- Credit Unions Act 1979;
- The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2010;
- UK Generally Accepted Accounting Practice; and
- UK Corporation taxes legislation.

We gained an understanding of how the Credit Union is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies, the Credit Union's breaches register and board meeting minutes.

We assessed the susceptibility of the Credit Union's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;

SCOTWEST CREDIT UNION LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit is considered capable of detecting irregularities, including fraud (continued)

- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Reviewing latest available post year-end management accounts for any unexpected activity that may indicate management override in the Credit Union's financial statements.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Credit Union's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Johnston Carmichael LLP, Statutory Auditor

23/11/2021

**7-11 Melville Street
Edinburgh
EH3 7PE**

SCOTWEST CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Income			
Loan interest received and similar income	3	3,521,969	3,439,440
Interest payable	5	<u>(40,439)</u>	<u>(118,451)</u>
Net interest income		3,481,530	3,320,989
Fees and commissions receivable	3	21,191	7,058
Fees and commission payable		<u>(8,960)</u>	<u>(5,488)</u>
Net fees and commissions receivable		12,231	1,570
Other income	3	906,706	113,019
Administrative expenses		(2,441,283)	(2,200,085)
Depreciation		(31,802)	(32,546)
Bad debts and provision movement		<u>(476,659)</u>	<u>(659,810)</u>
Surplus before taxation	4	1,450,723	543,137
Taxation	7	<u>(63,721)</u>	<u>(73,443)</u>
Total comprehensive income for the year		<u><u>1,387,002</u></u>	<u><u>469,694</u></u>

Continued operations

The above results are derived from continuing operations. The notes on pages 13 to 28 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2021

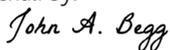
	Notes	2021 £	2020 £
ASSETS			
Loan interest received and similar income		103	175
Cash on hand	8	28,572,658	19,240,114
Cash in bank and liquid deposits	8	23,481,971	25,178,643
Investments in corporate bonds	9	52,054,732	44,418,932
Loans to members	10	48,953,126	43,578,830
Bad debt reserve	11	(1,917,468)	(1,603,542)
Tangible fixed assets	12	405,088	436,890
Other debtors	13	78,913	34,527
Total assets		<u>99,574,391</u>	<u>86,865,637</u>
LIABILITIES			
Members shares	14	89,004,235	77,706,843
Juvenile deposits		59,202	64,460
Other payables	15	396,473	313,105
Provisions for liabilities	16	-	53,750
		<u>89,459,910</u>	<u>78,138,158</u>
RESERVES			
General reserves	16	9,844,481	8,557,479
Non-distributable reserves	17	270,000	170,000
		<u>10,114,481</u>	<u>8,727,479</u>
Total liabilities and reserves		<u>99,574,391</u>	<u>86,865,637</u>

The financial statements were approved by the board of directors and authorised for issue on 23/11/2021 and are signed on its behalf by:



D McRiner

Chairperson



J Begg

Director



C Jamieson

Secretary

The notes on pages 13 to 28 form part of these financial statements

SCOTWEST CREDIT UNION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
AS AT 30 SEPTEMBER 2021

	General Reserve	Non-distributable reserve	Total
	£	£	£
At 1 October 2019	8,087,785	170,000	8,257,785
Surplus for the year	469,694	-	469,694
	<hr/>	<hr/>	<hr/>
At 30 September 2020:	<u>8,557,479</u>	<u>170,000</u>	<u>8,727,479</u>
At 1 October 2020	8,557,479	170,000	8,727,479
Surplus for the year	1,387,002	-	1,387,002
Transfer	(100,000)	100,000	-
	<hr/>	<hr/>	<hr/>
At 30 September 2021:	<u>9,844,481</u>	<u>270,000</u>	<u>10,114,481</u>

The notes on pages 13 to 28 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Surplus for the year		1,387,002	469,694
Adjustments for:			
Depreciation	12	31,802	32,546
Taxation	7	63,721	73,443
Dividends payable	5	40,439	118,451
Interest receivable		(335,272)	(388,234)
Amortisation on bonds	9	250,387	112,322
Impairment on loans to members	10,11	476,659	606,060
		<u>1,914,738</u>	<u>1,024,282</u>
Changes in operating assets and liabilities:			
Increase in debtors		(219,797)	(12,180)
Increase in creditors		34,339	22,992
New loans to members	10	(36,417,599)	(29,627,296)
Repayment of loans by members	10	30,880,570	28,474,618
Cash inflow from subscribed shares	14	45,517,197	49,640,419
Cash outflow from repayment of shares	14	(34,219,805)	(37,780,076)
Dividends paid		(40,439)	(118,451)
Corporation tax paid		(73,700)	(77,236)
		<u>7,375,504</u>	<u>11,547,072</u>
Net cash inflow from operating activities			
Cash flows from investing activities			
Purchase of investments in corporate bonds	9	(6,673,175)	(23,120,751)
Sale and maturity of investments in corporate bonds	9	8,497,947	20,400,650
Interest received		132,196	47,778
		<u>1,956,968</u>	<u>(2,672,323)</u>
Net cash used in investing activities			
Net increase in cash and cash equivalents		9,332,472	8,874,749
Cash and cash equivalents at beginning of year		<u>19,240,289</u>	<u>10,365,540</u>
Cash and cash equivalents at end of year		<u><u>28,572,761</u></u>	<u><u>19,240,289</u></u>

The notes on pages 13 to 28 form part of these financial statements.

1. Accounting policies

General information

The Credit Union is incorporated in the UK and domiciled in Scotland. The address of its registered office is 13 Elmbank Street, Glasgow, G2 4PB. It is defined as a public benefit entity and thus complies with all disclosure requirements relating to public benefit entities.

The Credit Union's activity during the year continued to be that as defined in the Credit Unions Act 1979, with membership being open to anyone who lives or works in the West of Scotland (an area defined by the boundaries of the twelve unitary council authorities: Argyll & Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire).

The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in Sterling, which is the Credit Union's functional currency. Monetary amounts in the financial statements are rounded to the nearest £. The principal accounting policies are set out below.

1.2 Going concern

The directors prepare a business plan which sets out the Credit Union's strategic and prudential objectives and its forecasted key performance indicators. The plan takes account of the continued economic uncertainty as well as the challenging outlook for the cost of living and sets out in some detail short term tactical options as well as the longer term ongoing strategic development of the Credit Union. The main objective of the directors is for the Credit Union to maintain a healthy balance between savings and loans, whilst meeting its regulatory capital requirements and delivering the strategic objectives. The directors then develop a budget in support of the business plan and interrogate the assumptions made in the budget through stress testing on a worst-case basis scenario. The conclusion of the directors is that, even if the worst-case scenario assumed occurs in relation to the budget, the Credit Union will continue to generate a surplus and meet its capital requirements.

After making appropriate enquiries the directors of the Credit Union have reasonable expectation that the Credit Union will have adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the Credit Union's financial statements.

In assessing the Credit Union's ability to continue as a going concern the directors have considered the impact of Covid-19 and Brexit as described in the Directors' Report.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies (continued)

1.3 Income

Loan interest receivable and similar income: Interest on both loans to members and cash and cash equivalents held on deposit with banks and other financial institutions is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Income represents interest and fees received on the products provided by the Credit Union. Interest and fees are recognised as they fall due.

1.4 Dividends

Dividends on members' shares are paid to members based on the actual deposits held with the Credit Union and are recognised in the financial statements when formally approved at board meetings of the Credit Union.

1.5 Bad and doubtful debts

Specific provisions are made for loans which are recognised to be bad or doubtful. Movements in bad debt provisions during the year are charged to the statement of comprehensive income.

Under FRS 102, the criteria for derecognising (writing-off) a loan is different from when the Credit Union would write off the loan for internal purposes. Under FRS 102, loans can be written off only when the Credit Union doesn't have the legal right to enforce payment. Loans written off by the Credit Union which do not meet the criteria for derecognition under FRS 102 remain part of the gross loans to members balance in these financial statements and are fully provided for in the bad debt provision.

1.6 Taxation

Current taxation is the expected tax payable for the year, using tax rates in force during the year. The Credit Union is not liable for corporation tax payable on its activities of making loans to members. Corporation tax is payable on investment income. As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

1.8 Investment in corporate bonds

The Credit Union maintains a portfolio of listed corporate bonds which are held to maturity and are therefore measured at amortised cost using the effective interest rate method, with maturities ranging from 0 – 60 months.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies (continued)

1.9 Tangible fixed assets

Tangible fixed assets are measured at cost or deemed cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on a straight line basis as follows:

Freehold land and buildings	2.5% straight line
Fixtures and fittings	5% - 50% straight line
Computers	33.33% straight line
Motor vehicles	33.33% on cost less estimated residual value

1.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.11 Creditors

Short term creditors are measured at the transaction price.

1.12 Impairment of fixed assets

At each reporting date, the Credit Union reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is decreased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.13 Loans to members

Loans to members are financial assets with fixed to determinable payments and are not quoted in active markets. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies (continued)

1.14 Financial instruments

The Credit Union has entered into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Loans to members are a financial asset recognised when cash is advanced to members and measured at amortised cost using the effective interest rate. Loans to members are derecognised when all rights to receive cash flow have expired, usually on repayment of all outstanding balances. Loans are assessed each balance sheet date, for objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Shares are redeemable and therefore are classed as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently at amortised cost.

Other financial assets recognised when the Credit Union becomes entitled to funds from another party and are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

Other financial liabilities are recognised when the Credit Union becomes liable for amounts due to another party and are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest rate method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Credit Union has transferred substantially all the risks and rewards of ownership, usually on the repayment of outstanding balances.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 Accounting policies (continued)

1.15 Pension scheme

Defined contribution scheme

The Credit Union operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Credit Union pays fixed contributions into a separate entity. Once the contributions have been paid the Credit Union has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Credit Union in independently administered funds.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Credit Union's accounting policies.

The directors are satisfied that accounting policies are appropriate and applied consistently. The key source of accounting estimation is the bad debt provision on impairment of loans to members.

The Credit Union reviews its loans to members portfolio regularly to assess impairment. In determining whether an impairment loss should be recorded, the Credit Union is required to exercise a degree of judgement. Impairment provisions are calculated using arrears experience and applying specific percentages on the arrears amounts in accordance with the guidance issued by the PRA and FCA. The Credit Union further looks at credit risk characteristics and expected cashflows and if deemed reasonable will provide further impairment provisions.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

3 Income and other income

	2021	2020
	£	£
Income:		
Interest received on members loans	3,186,597	3,051,206
Bond income	260,296	339,461
Bank interest received	75,076	48,773
	<u>3,521,969</u>	<u>3,439,440</u>
Other income:		
Fees and commissions receivable	21,191	7,058
Government grants	800,000	63,885
Distribution from Lottery	86,447	46,619
Other income	20,259	2,515
	<u>927,897</u>	<u>120,077</u>
	<u>4,449,866</u>	<u>3,559,517</u>

4 Operating surplus

The government grant in the current year of £800,000 pertains to an amount received from Social Investment Scotland in relation to the Scottish Community Lenders Fund grant, provided to promote the availability of affordable credit and strengthen the balance sheet of affordable credit providers. The government grant in the prior year of £63,885 pertains to amounts received in relation to furlough grant claims submitted under the government's Coronavirus Job Retention Scheme.

	2021	2020
	£	£
Operating surplus for the year is stated after charging:		
Depreciation	31,802	32,546
Auditor's remuneration		
- Audit of the financial statements	22,000	21,500
- Corporation tax compliance	2,000	1,750
	<u>24,802</u>	<u>34,250</u>

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

5 Dividends

	2021	2020
	£	£
Dividends paid on members' shares in the year	<u>40,439</u>	<u>118,451</u>
	2021	2020
	%	%
Average dividend rate:		
Juvenile member dividend	0.05	0.19
Ordinary member dividend	0.05	0.19
Notice account dividend	0.05	0.19
Proposed dividend		
Juvenile member dividend	0.00	0.00
Ordinary member dividend	0.00	0.00
Notice account dividend	0.00	0.00

6 Staff costs

	2021	2020
	£	£
Wages and salaries	999,046	921,989
Social security costs	89,485	83,085
Pension costs	56,723	58,157
	<u>1,145,254</u>	<u>1,063,231</u>

Average staff numbers during the year were 40 (2020: 39).

No remuneration was paid to any of the directors during the year (2020: £nil).

The key management personnel are the Chief Executive Officer, the Chief Operating Officer (IT Manager in the prior year), the Finance Manager, the Communications and Brand Manager and the Compliance and Risk Manager. The Compliance and Risk Manager has only been part of the key management personnel in the current year. Remuneration for key management personnel was £281,537 (2020: £210,222).

At the year-end pension contributions outstanding were £nil (2020: £5,886).

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

7 Taxation

	2021	2020
	£	£
Taxation charged through the statement of comprehensive income was as follows:		
UK corporation tax	63,721	73,764
Adjustments to prior year	-	(321)
	<u>63,721</u>	<u>73,443</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020: same as) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021	2020
	£	£
Surplus on ordinary activities before tax	<u>1,450,723</u>	<u>543,137</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	275,637	103,196
Effects of:		
Revenue exempt from taxation	<u>(211,916)</u>	<u>(29,753)</u>
	<u>63,721</u>	<u>73,443</u>

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and this change was substantively enacted on 17 March 2020. In the Spring Budget 2021, the government announced that from 1 April 2023 the corporation tax rate will increase to 25% and this change was substantively enacted on 24 May 2021.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

8 Cash and cash equivalents

	2021	2020
	£	£
Cash in hand	103	175
Current accounts	8,980,005	7,328,299
Deposit accounts	19,592,653	11,911,816
	<u>28,572,761</u>	<u>19,240,289</u>

The Credit Union has calculated an amount of £270,000 (2020: £170,000) to cover the interest rate risk attached to the Credit Union's fixed interest mortgage portfolio as shown in note 17. The £270,000 (2020: £170,000) is included within the balance of cash at bank.

9 Investments in corporate bonds

	2021	2020
	£	£
Balance forward	25,178,643	22,230,408
Additions	6,673,175	23,120,751
Disposals and maturities	(8,497,947)	(20,400,650)
Accrued interest	378,487	340,456
Amortisation	(250,387)	(112,322)
	<u>23,481,971</u>	<u>25,178,643</u>

Investment in corporate bonds have remaining maturities as follows:

Accrued interest	378,487	340,456
Within one year	13,380,607	7,468,980
In more than one year	9,722,877	17,369,207
	<u>23,481,971</u>	<u>25,178,643</u>

All of the above investments are in listed corporate bonds.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

10 Loans to members

	2021	2020
	£	£
Balance forward	43,578,830	42,689,840
Advanced in year	36,417,599	29,627,296
Repaid in year	(30,880,570)	(28,474,618)
Written off in year	(162,733)	(263,688)
	<u>48,953,126</u>	<u>43,578,830</u>
Loans due within one year	15,873,240	16,253,750
Loans due after more than one year	<u>33,079,886</u>	<u>27,325,080</u>
	<u>48,953,126</u>	<u>43,578,830</u>

11 Bad debt reserve

	2021	2020
	£	£
Opening provision	1,603,542	1,261,170
Charge to statement of comprehensive income	313,926	342,372
	<u>1,917,468</u>	<u>1,603,542</u>

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

12 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost or deemed cost					
At 1 October 2020 and 30 September 2021	<u>475,000</u>	<u>257,042</u>	<u>139,113</u>	<u>35,218</u>	<u>906,373</u>
Depreciation					
At 1 October 2020	59,375	245,445	139,113	25,550	469,483
Charge for the year	<u>11,875</u>	<u>11,167</u>	<u>-</u>	<u>8,760</u>	<u>31,802</u>
As at 30 September 2021	<u>71,250</u>	<u>256,612</u>	<u>139,113</u>	<u>34,310</u>	<u>501,285</u>
Carrying amount					
At 30 September 2021	<u>403,750</u>	<u>430</u>	<u>-</u>	<u>908</u>	<u>405,088</u>
At 30 September 2020	<u>415,625</u>	<u>11,597</u>	<u>-</u>	<u>9,668</u>	<u>436,890</u>

The freehold land and buildings are held at deemed cost, which is their valuation when the Credit Union transitioned to FRS102 in 2014.

13 Other debtors

	2021	2020
	£	£
Prepayments and accrued income	<u>78,913</u>	<u>34,527</u>

14 Members shares

	2021	2020
	£	£
Balance forward	77,706,843	65,846,500
Received in year	45,517,197	49,640,419
Withdrawn in year	(34,219,805)	(37,780,076)
	<u>89,004,235</u>	<u>77,706,843</u>

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Other payables

	2021	2020
	£	£
Trade creditors	68,635	8,234
Accruals	199,797	176,268
Other creditors	43,165	36,870
Other tax and social security	21,412	18,290
Corporation tax	63,464	73,443
	<u>396,473</u>	<u>313,105</u>

16 General reserve

The general reserve includes the current and prior year retained surpluses and deficits.

17 Non-distributable reserves

The Credit Union has a portfolio of fixed rate mortgage loans in respect of which there exists an interest rate risk in the event of an increase in base rate or other rises in the cost of funding, which cannot be matched by an equivalent rise in interest income from this portfolio.

The Credit Union carried out a stress test to gauge the impact of a rise in the cost of funding and used this calculation to establish a part of the general reserve which is treated as non-distributable, and which reflects the resources set aside to mitigate the interest rate risk in the mortgage loan book.

18 Lease commitments

The Credit Union's annual commitments for rental and non-cancellable revenue commitment at 30 September 2021 were as set out below:

	2021	2020
	£	£
Leases which expire:		
Within one year	172,405	172,405
Between two and five years	193,295	365,701
	<u>365,700</u>	<u>538,106</u>

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

19 Tangible fixed assets

The Credit Union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and market risk. The directors review and agree policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk, the directors approve the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. There is also the risk that the Credit Union's surplus cash held as deposits may be lost due to financial institution failure. The Credit Union mitigates this risk by holding deposits in a range of financial institutions and undertaking regular due diligence on the financial stability of these institutions. There is also the risk that the counterparties on the Credit Union's corporate bond investments will default on bond repayments. The Credit Union mitigates this risk by buying and holding corporate bond investments that are within a suitable risk profile monitored by the directors and carefully choosing counterparties making sure these are approved by the directors as acceptable counterparties.

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in Sterling and does not deal in derivatives or commodity markets. Therefore, the Credit Union is not exposed to any form of currency risk and the other price risk associated with the Credit Union's investments in corporate bonds is considered insignificant. The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of the Credit Union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on shares. The Credit Union does not use interest rate options to hedge its own positions. A ring-fenced amount is held in reserves to cover the interest rate risk attached to the Credit Union's fixed interest mortgage portfolio.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

20 Credit risk disclosures

The Credit Union holds £28,572,658 (2020: £19,240,289) in bank account and deposits. In order to deal with the credit risk of banking institutions, the Credit Union spreads its bank accounts between a number of different UK financial institutions. At the year-end bank funds were held between 6 (2020: 6) different banks and building societies. The Credit Union believes the full amount is recoverable and no provision against the bank balance is required. The Credit Union holds £23,481,971 (2020: £25,178,643), which are listed corporate bonds with composite ratings ranging between AAA and A-.

The Credit Union holds the following security against its loans to members:

	2021	2020
	£	£
Attached shares	1,480,497	1,517,293
Property (at time loan was issued)	17,854,969	15,776,985
	<u>19,335,466</u>	<u>17,294,278</u>

The total amount of loans represents the Credit Union's maximum exposure to credit risk from lending to members. The following table provides information on the credit quality of loan repayments. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount. The amounts relating to individually impaired and written off for internal purposes are loans which the directors have written off but which under FRS 102 can only be provided for and are not derecognised.

	2021	2020
	£	£
Loans not impaired		
Not past due	42,843,537	37,243,851
Up to 3 months past due	4,176,538	4,777,987
	<u>47,020,075</u>	<u>42,021,838</u>
Loans which are impaired		
Between 3 months and 6 months due	205,376	237,880
Between 6 months and 1 year past due	83,338	106,624
Over 1 year past due	21,378	14,487
Individually provided and written off for internal purposes	1,622,959	1,198,001
	<u>1,933,051</u>	<u>1,556,992</u>
	<u>48,953,126</u>	<u>43,578,830</u>

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

21 Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, the Credit Union's financial liabilities and the members shares, are repayable on demand.

22 Interest rate risk disclosures

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance.

	2021 Amount	2021 Average interest rate	2020 Amount	2020 Average interest rate
	£	%	£	%
Financial assets				
Loans to members	48,953,126	6.96%	43,578,830	7.35%
Financial liabilities				
Members shares (including juvenile deposits)	89,063,437	0.05%	77,771,303	0.19%

23 Related parties

All of the directors are members of the Credit Union and two directors (2020: two) and one member of key management personnel (2020: one) have taken out a loan on normal business terms. During the year no close family members of directors took out loans on normal business terms with the Credit Union (2020: two close family members of directors took out loans). The directors cannot use their positions to their advantage.

The Scotwest Lottery is a related party of the Credit Union as the Credit Union is the ultimate beneficiary. During the year the Credit Union received £86,447 (2020: £46,621) from The Scotwest Lottery. At the year-end £nil was outstanding (2020: £nil).

Cussco Limited is a related party of the Credit Union as the CEO and two directors of the Credit Union are directors of this company. Cussco Limited provides IT services and total charges to the Credit Union for the year were £238,972 (2020: £210,159). No balances exist at the year-end (2020: £nil)

The remuneration of key management personnel is disclosed in note 6.

SCOTWEST CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

24 Contingent liabilities

Following the outcome of the Judicial review into FSA Policy Statement PS10/12: "the assessment and redress of Payment protection Insurance complaints", the Credit Union undertook a review of its processes for dealing with PPI. No significant issues were raised in this review and the Credit Union continues to review complaints in the normal way.

No provision has therefore been made in these accounts in respect of claims to any previous sales of PPI.

25 Provisions

	2021	2020
	£	£
Balance forward	53,750	-
Addition during the year	-	53,750
Utilised during the year	(48,600)	-
Reversed during the year	(5,150)	-
	<u>-</u>	<u>53,750</u>

The amount in the prior year relates to provisions for ongoing claims, details of which are not disclosed in the financial statements as it would be prejudicial to the ongoing disputes. At 30 September 2021 there are no ongoing or expected disputes.

26 Analysis of net debt

	1 October 2020	Cashflows	30 September 2021
	£	£	£
Cash in hand	175	(72)	103
Current accounts	7,328,299	1,651,706	8,980,005
Deposit accounts	11,911,815	7,680,838	19,592,653
	19,240,289	9,332,472	28,572,761
Members' shares (including juvenile deposits)	(77,771,303)	(11,292,134)	(89,063,437)
	<u>(58,531,014)</u>	<u>(1,959,662)</u>	<u>(60,490,676)</u>

SCOTWEST CREDIT UNION LIMITED
DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021		2020	
	£	£	£	£
Income				
Interest received				
- members loans		3,186,597		3,051,207
- bond income		260,296		339,461
- bank interest received		75,075		48,773
Fee income		21,191		6,755
Insurance commission		-		302
Other income		<u>906,706</u>		<u>113,019</u>
Total Income		4,449,865		3,559,517
Expenditure				
Governance costs	49,470		47,188	
Staff wages and salaries	1,145,254		1,063,231	
Other staff costs	26,975		37,195	
Property costs	67,955		28,079	
Insurance	318,177		320,857	
Information technology	378,893		338,125	
Communications	58,798		89,706	
Marketing	116,758		58,427	
Finance costs	72,759		64,643	
Regulation	(592)		(14,841)	
Depreciation	31,802		32,546	
Professional fees	23,463		52,418	
Audit fee	30,120		26,945	
Management fees	96,432		81,539	
Bad debts and provision movement	476,659		659,810	
Sundry expenses	<u>56,820</u>		<u>6,573</u>	
Total expenditure		(2,949,743)		(2,892,441)
Operating profit		1,500,122		667,076
Interest payable and similar expenses				
Dividend		(40,439)		(118,451)
Fees & commissions payable		<u>(8,960)</u>		<u>(5,488)</u>
Surplus before taxation		1,450,723		543,137
Taxation		<u>(63,721)</u>		<u>(73,443)</u>
Surplus after taxation		<u>1,387,002</u>		<u>469,694</u>

This page does not form part of the financial statements.

2021 AGM: Proposed Rule Book Changes

1. Introduction

Members are asked to approve the following changes to of the Scotwest Credit Union Rule Book.

The proposed changes are noted below with proposed additions noted in **green** and proposed deletions struck through in **red**.

2. Proposed Rule Changes

Scotwest Credit Union

Rule 10.4 The Common Bond – amendment to our common bond to further include anyone living or working in the Highland, Perth and Kinross, Stirling and Dumfries and Galloway local authority areas in addition to our existing local authority areas.

Rule 10.5 Named Employers – updates to our named employers in line with our growth strategy.

Rule 10.6 Strathclyde – update to the rule to reflect the inclusion of anyone living or working in the Highland, Perth and Kinross, Stirling and Dumfries and Galloway local authority areas in the common bond in addition to those in the local authority areas that formed the previous Strathclyde Regional Council area.

Rule 10.12 Amendment to Rules – update to the rule to reflect the nature of General Meetings no longer being held in person only.

Membership

Rule 20.11 Expulsion and Suspension from Membership – expansion of the reasons a member may be expelled from the Credit Union for to include the following circumstances:

- where a member is suspected to of using the Credit Union as a vehicle to commit financial crime;
- where a member has been found to be 'trolling' the Credit Union.

Further amendment to the rule to reflect the practicalities of the Credit Union investigating and hearing appeals against expulsion.

Rule 20.13 Dormancy – update to the rule to reflect the practicalities of the Credit Union hearing appeals against expulsion through dormancy.

2021 AGM: Proposed Rule Book Changes (Continued)

Governance

Rule 30.5 Annual General Meeting – update to the rule to reflect the nature of General Meetings no longer being held in person only.

Rule 30.6 Notice of General Meetings – update to the rule to reflect the nature of General Meetings no longer being held in person only.

Board of Directors – Constitution

Rule 40.3 Nominations Committee – amendment to the rule to reflect the increase in a Director's maximum service length;

Further amendment to the rule altering the constitution of the Nominations Committee to specifically include the Compliance and Risk Manager .

Rule 40.6 Election Process – update to the rule to reflect the nature of General Meetings no longer being held in person only.

Rule 40.7 Casual Vacancies – amendment to the rule to reflect the increase in a Director's maximum service length.

Directors

Rule 60.1 Terms of Office – amendment to the rule to provide for Directors to be permitted to serve a third exceptional term of office of up to three years upon agreement;

Inclusion of a cap on the maximum length of service for a Director to be three terms of three years;

Other minor rewording for clarity.

Rule 60.3 Competence – removal of an outdated exemption to the minimal standard of competence requirements for Directors.

Rule 60.5 Vacation from Office – amendment to the rule to reflect the increase in a Director's maximum service length.

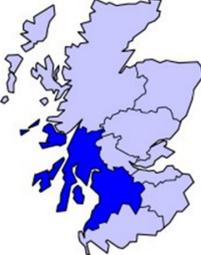
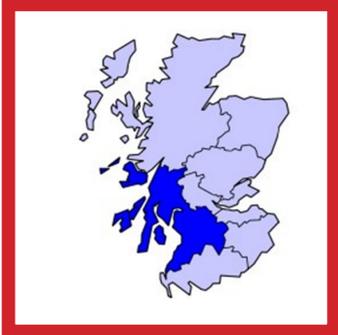
Member Accounts

Rule 100.3 Transactions – update to the rule to provide clarification that member share accounts are for personal use only.

2021 AGM: Proposed Rule Book Changes (Continued)

3. Scotwest Credit Union

Rule 10.4 The Common Bond

Current Rule	Proposed Rule
<p>Membership of the Credit Union is not open to the general public. The Credit Union must have a Common Bond which all of its members and potential members have in common and which is approved by the Relevant Authorities.</p> <p>Accordingly, admission to membership is restricted to persons who fall within a Common Bond appropriate to a Credit Union as follows:-</p> <p>i) Being employed by a particular employer:</p> <p>An individual who is employed by one of the employers as listed in Rule 10.5.</p> <p>ii) Residing or being employed in a particular locality:</p> <p>a) An individual who resides or is employed in the locality of 'Strathclyde' as defined per Rule 10.6 and as delineated by the attached map</p>  <p>b) A corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above locality.</p>	<p>Membership of the Credit Union is not open to the general public. The Credit Union must have a Common Bond which all of its members and potential members have in common and which is approved by the Relevant Authorities.</p> <p>Accordingly, admission to membership is restricted to persons who fall within a Common Bond appropriate to a Credit Union as follows:-</p> <p>i) Being employed by a particular employer:</p> <p>An individual who is employed by one of the employers as listed in Rule 10.5.</p> <p>ii) Residing or being employed in a particular locality:</p> <p>a) An individual who resides or is employed in the locality of 'Strathclyde' 'West and Central Scotland, Scottish Highlands, and Dumfries and Galloway' as defined per Rule 10.6 and as delineated by the attached map.</p> 

2021 AGM: Proposed Rule Book Changes (Continued)

Rule 10.4 The Common Bond (cont.)

Current Rule	Proposed Rule
<p>iii) Being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a Credit Union.</p> <p>An individual who is a member of a bona fide organisation as listed in rule 10.7.</p>	<div data-bbox="593 375 1024 877" data-label="Image"> </div> <p>b) A corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above locality.</p> <p>iii) Being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a Credit Union.</p> <p>An individual who is a member of a bona fide organisation as listed in rule 10.7.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

3. Scotwest Credit Union

Rule 10.5 Named Employer

Current Rule	Proposed Rule
<p>The named employers are:</p> <ul style="list-style-type: none"> • 1 Call Direct Limited • Aberdeen International Airport Limited • berlour Childcare Trust • Action for Children • Addaction • Advance Construction Scotland • Advanced Group (Scotland) Ltd • The Advisory Group • Affinity Trust • Affordable Cremations Scotland (Trading as Caledonia Cremation) • AG Barr Plc • AGS Airports • Albert Bartlett & Sons (Airdrie) Ltd • Alzheimer Scotland – Action on Dementia • Amey • Arnold Clark • Ashurst • Barnardos • Barr Holdings Ltd • Barrhead Travel Service Ltd • Bield Housing & Care • Blackwood Homes and Care • Blazing Griffin • Blue Triangle (Glasgow) Housing • Association Limited • British Polythene Industries • The British Red Cross Society • C-Change Scotland • Capability Scotland • Carr Gomm • Children 1st • Citizens Advice Direct • City Refrigeration Holdings (UK) Ltd • ClinTec International Limited • Clark Contracts 	<p>The named employers are:</p> <ul style="list-style-type: none"> • 1 Call Direct Limited • Aberdeen International Airport Limited • Aberlour Childcare Trust • Action for Children • Addaction • Advance Construction Scotland • Advanced Group (Scotland) Ltd • The Advisory Group • Affinity Trust • Affordable Cremations Scotland (Trading as Caledonia Cremation) • AG Barr Plc • AGS Airports • Albert Bartlett & Sons (Airdrie) Ltd • Agility Bookkeeping • AGGREKO • AGS Airports • Albert Bartlett & Sons (Airdrie) Ltd • Allied Vehicles Group • Alzheimer Scotland – Action on Dementia • Amey • Arnold Clark • ARUP • Ashurst • Barnardos • Barr Holdings Ltd • Barrhead Travel Service Ltd • Bield Housing & Care • Blackwood Homes and Care • Blazing Griffin • Blue Triangle (Glasgow) Housing Association Limited • British Polythene Industries • The British Red Cross Society • C-Change Scotland • Capability Scotland • Carr Gomm • Children 1st

2021 AGM: Proposed Rule Book Changes (Continued)

3. Scotwest Credit Union

Rule 10.5 Named Employer (cont)

Current Rule	Proposed Rule
<p>The named employers are:</p> <ul style="list-style-type: none"> • Coca Cola Enterprises East Kilbride • Common Thread • Community Integrated Care • Community Renewal • Cornerstone Community Care • Cosgrove Care Ltd • Creditfix • Crossreach • Crossroads Caring Scotland • Cube Housing Association • Dalziel Ltd • Dawn Fresh • Deafblind Scotland • Dentons • Doosan Power Systems Ltd. • Douglas Laing and Co Ltd • Down's Syndrome Scotland • Enable Scotland • Enva • First Milk Ltd • Glasgow Airport • Includem • Kent Foods Ltd • Key Housing Association Limited • Lockheed Martin • Macfarlane Group Plc • Mackenzie Construction • Malcolm Group Ltd • McCurrach Group Ltd • McQueens Dairies • Morgan Sindall • The National Autistic Society • National Deaf Children's Society • National Society for the Prevention of Cruelty to Children • nPower 	<p>The named employers are:</p> <ul style="list-style-type: none"> • Chivas Brothers International Limited • Citizens Advice Direct • City Refrigeration Holdings (UK) Ltd • ClinTec International Limited • Clark Contracts • Coca Cola Enterprises East Kilbride • Common Thread • Community Integrated Care • Community Renewal • Cornerstone Community Care • Cosgrove Care Ltd • Creditfix • Crossreach • Crossroads Caring Scotland • Cube Housing Association • Dalziel Ltd • Dawn Fresh • Deafblind Scotland • Dentons • Doosan Power Systems Ltd. • Douglas Laing and Co Ltd • Down's Syndrome Scotland • Enable Scotland • Enva • First Milk Ltd • Forth Valley College • Glasgow Airport • Includem • IQVIA Inc • Johnnie Walker (Diageo Briands BV) • Kent Foods Ltd • Key Housing Association Limited • Little Stars Nurseries • Lockheed Martin • Macfarlane Group Plc • Mackenzie Construction

2021 AGM: Proposed Rule Book Changes (Continued)

3. Scotwest Credit Union

Rule 10.5 Named Employer (cont)

Current Rule	Proposed Rule
<p>The named employers are:</p> <ul style="list-style-type: none"> • Neighbourhood Networks • Penumbra • Phoenix House • Quarriers • Real Life Options • Richmond Fellowship Scotland Ltd • RJ McLeod (Contractors) Ltd • Sacro • Saltire Facilities Management • Scottish Association for Mental Health • Scottish Autism • Scottish Children's Reporter Administration • Scottish Enterprise • Scottish War Blinded • Scottish Water • Seamab • Search Consultancy Ltd • Sense Scotland • Simon Community Scotland • Skills Development Scotland • Slater Menswear • Snowfactor • Scottish Fire and Rescue Service • SRS Care Solutions • SSE • Star Refrigeration Ltd • Strathclyde University • Tennent Caledonian Breweries • Terumo Aortic • Thistle Foundation • Trespass • Trust Housing Association Ltd • Turner & Co (Glasgow) Ltd • Turning Point Scotland • University of Glasgow 	<p>The named employers are:</p> <ul style="list-style-type: none"> • Malcolm Group Ltd • McCurrach Group Ltd • McQueens Dairies • Morgan Sindall • The National Autistic Society • National Deaf Children's Society • National Society for the Prevention of Cruelty to Children • nPower • Neighbourhood Networks • Penumbra • Phoenix House • The Poverty Alliance • Quarriers • Real Life Options • Remploy • Richmond Fellowship Scotland Ltd • RJ McLeod (Contractors) Ltd • Robertson Homes • Rock Compliance Limited • Sacro • Saltire Facilities Management • Scottish Association for Mental Health • Scottish Autism • The Scottish Government • Scottish Children's Reporter Administration • Scottish Enterprise • Scottish Power • Scottish War Blinded • Scottish Water • Seamab • Search Consultancy Ltd • Sense Scotland • Simon Community Scotland • Skills Development Scotland

2021 AGM: Proposed Rule Book Changes (Continued)

3. Scotwest Credit Union

Rule 10.5 Named Employer (cont)

Current Rule	Proposed Rule
<p>The named employers are:</p> <ul style="list-style-type: none"> • University of West of Scotland • VASCUTEK LTD • Virgin Money • Weir Group PLC • Who Cares? Scotland • Woodward International, Inc 	<p>The named employers are:</p> <ul style="list-style-type: none"> • Slater Menswear • SMS plc • Snowfactor • Scottish Fire and Rescue Service • SRS Care Solutions • SSE • Star Refrigeration Ltd • Strathclyde University • Tennent Caledonian Breweries • Terumo Aortic • Thistle Foundation • Trespass • Trust Housing Association Ltd • Turner & Co (Glasgow) Ltd • Turning Point Scotland • University of Glasgow • University of West of Scotland • VASCUTEK LTD • Virgin Money • Volunteer Development Scotland Ltd • Weir Group PLC • Wheatley Group • Who Cares? Scotland • William Grant and Sons • Woodward International, Inc

2021 AGM: Proposed Rule Book Changes (Continued)

4. Scotwest Credit Union

Rule 10.6 **Strathclyde** West and Central Scotland and the Scottish Highlands

Current Rule	Proposed Rule
<p>Strathclyde is defined as the locality comprising the following twelve unitary local authorities as defined in Schedule 1 of the Local Government etc. (Scotland) Act 1994 (c39) or their successor organisation(s) by statute:</p> <ul style="list-style-type: none"> • Argyll and Bute • City of Glasgow • East Ayrshire • East Dunbartonshire • East Renfrewshire • Inverclyde • North Ayrshire • North Lanarkshire • Renfrewshire • South Ayrshire • South Lanarkshire • West Dunbartonshire 	<p>'Strathclyde' 'West and Central Scotland and the Scottish Highlands' is defined as the locality comprising the following twelve sixteen unitary local authorities as defined in Schedule 1 of the Local Government etc. (Scotland) Act 1994 (c39) or their successor organisation(s) by statute:</p> <ul style="list-style-type: none"> • Argyll and Bute • City of Glasgow • Dumfries and Galloway • East Ayrshire • East Dunbartonshire • East Renfrewshire • Highland • Inverclyde • North Ayrshire • North Lanarkshire • Perth and Kinross • Renfrewshire • Stirling • South Ayrshire • South Lanarkshire • West Dunbartonshire

2021 AGM: Proposed Rule Book Changes (Continued)

5. Scotwest Credit Union

Rule 10.12 Amendment to Rules

Current Rule	Proposed Rule
<p>Any of these Rules may be rescinded or altered or any new Rule may be made by a resolution passed by not less than two-thirds of the Members present at a General Meeting, after giving the requisite notice under these Rules.</p> <p>Any Member of the Credit Union may, before the first day of August in any year, propose an amendment to the Rules by serving notice of the proposed amendment to the Board of Directors.</p> <p>Where the Directors deem the proposed change competent they must incorporate it in the agenda of the next General Meeting of the Credit Union for a vote by the Membership (in accordance with the procedures noted above).</p> <p>Where the Directors do not consider the proposed amendment to be competent they must table their decision and the reasons for it at the next General Meeting, whereon the Member who proposed the change (and only that Member) may call for a vote (by a majority show of hands) on the validity of the Board's decision.</p> <p>Where the vote is in favour of the Board's decision, the matter is closed. Where the vote is against the Board's decision, a General Meeting of the Credit Union will be held within 3 months and the proposed amendment must be incorporated in the agenda of that meeting for a vote by the Membership (in accordance with the procedures noted above).</p> <p>No amendment of Rules shall be valid until registered with the Regulator.</p>	<p>Any of these Rules may be rescinded or altered or any new Rule may be made by a resolution passed by not less than two-thirds of the Members present at a General Meeting, after giving the requisite notice under these Rules.</p> <p>Any Member of the Credit Union may, before the first day of August in any year, propose an amendment to the Rules by serving notice of the proposed amendment to the Board of Directors.</p> <p>Where the Directors deem the proposed change competent they must incorporate it in the agenda of the next General Meeting of the Credit Union for a vote by the Membership (in accordance with the procedures noted above).</p> <p>Where the Directors do not consider the proposed amendment to be competent they must table their decision and the reasons for it at the next General Meeting, whereon the Member who proposed the change (and only that Member) may call for a vote (indicated by a majority of those present show of hands) on the validity of the Board's decision.</p> <p>Where the vote is in favour of the Board's decision, the matter is closed. Where the vote is against the Board's decision, a General Meeting of the Credit Union will be held within 3 months and the proposed amendment must be incorporated in the agenda of that meeting for a vote by the Membership (in accordance with the procedures noted above).</p> <p>No amendment of Rules shall be valid until registered with the Regulator.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

6. Membership

Rule 20.11 Expulsion and Suspension from Membership

Current Rule	Proposed Rule
<p>A Member or Juvenile Depositor may be suspended, and subsequently expelled, from the Credit Union for any grave and sufficient reason including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Wilful breach of, or refusal to comply with, the Rules; • Divulging confidential information obtained by virtue of being a Member or Juvenile Depositor in whatever capacity of the Credit Union; • Deceiving the Credit Union with regard to the purpose of money borrowed or its subsequent use; • Default and continued refusal to honour a debt (the loan repayment terms of which had been agreed in a signed loan agreement); • Maliciously and knowingly spreading incorrect reports about the management of the Credit Union; • Wilfully making any entry, or error in, or omission from any system, record or return of the Credit Union with the intent to falsify it; • Actively working against the interests of the Credit Union and/or its membership; • Using, the Credit Union as a vehicle for committing an offence under the Money Laundering Regulations 2017 or any subsequent legislation; • Committing an offence of dishonesty against the Credit Union, wilfully destroying or damaging records or other property of the Credit Union, or knowingly passing forged papers through the Credit Union; 	<p>A Member or Juvenile Depositor may be suspended, and subsequently expelled, from the Credit Union for any grave and sufficient reason including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Wilful breach of, or refusal to comply with, the Rules; • Divulging confidential information obtained by virtue of being a Member or Juvenile Depositor in whatever capacity of the Credit Union; • Deceiving the Credit Union with regard to the purpose of money borrowed or its subsequent use; • Default and continued refusal to honour a debt (the loan repayment terms of which had been agreed in a signed loan agreement); • Maliciously and knowingly spreading incorrect reports about the management of the Credit Union; • Wilfully making any entry, or error in, or omission from any system, record or return of the Credit Union with the intent to falsify it; • Actively working against the interests of the Credit Union and/or its membership; • Using, or being suspected of using, the Credit Union as a vehicle for committing an offence under the Money Laundering Regulations 2017 or any subsequent legislation; • Committing an offence of dishonesty against the Credit Union, wilfully destroying or damaging records or other property of the Credit Union, or knowingly passing forged papers through the Credit Union;

2021 AGM: Proposed Rule Book Changes (Continued)

5. Scotwest Credit Union

Rule 20.11 Expulsion and Suspension from Membership (cont)

Current Rule	Proposed Rule
<ul style="list-style-type: none"> • If, after admission as a Member or Juvenile Depositor of the Credit Union, their application form is found to include wilfully false or misleading information or any defect is discovered in their qualification for membership at the time of their admission which in the opinion of the Board of Directors is of such consequence as to justify expulsion; • Abusive behaviour towards the staff or volunteers of the Credit Union. <p>Where such a grave and sufficient reason (as above) is suspected, The Board of Directors, by resolution at Board Meeting, will commission the Chief Executive to appoint an investigating officer to carry out an investigation into the matter.</p> <p>Within 5 working days of their decision, the Board of Directors will write to the Member or Juvenile Depositor informing them of the investigation. Members will also be advised whether or not their membership has been suspended pending the outcome of said investigation.</p>	<ul style="list-style-type: none"> • If, after admission as a Member or Juvenile Depositor of the Credit Union, their application form is found to include wilfully false or misleading information or any defect is discovered in their qualification for membership at the time of their admission which in the opinion of the Board of Directors is of such consequence as to justify expulsion; • Abusive behaviour towards the staff or volunteers of the Credit Union. • 'Trolling' of the Credit Union, i.e. making inflammatory, insincere, digressive or off-topic communications directed toward the Credit Union, by any medium including by way of social media, e-mail, letter or verbally. <p>Where such a grave and sufficient reason (as above) is suspected, The Board of Directors, by resolution at Board Meeting, will commission the Chief Executive to will appoint an investigating officer to carry out an investigation into the matter and the Member or Juvenile Depositor will be notified of the investigation in writing. The Member will also be advised whether or not their membership has been temporarily suspended pending the outcome of the investigation.</p> <p>Within 5 working days of their decision, the Board of Directors will write to the Member or Juvenile Depositor informing them of the investigation. Members will also be advised whether or not their membership has been suspended pending the outcome of said investigation.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

6. Membership

Rule 20.11 Expulsion and Suspension from Membership (cont)

Current Rule	Proposed Rule
<p>Where membership is suspended, the member temporarily loses their rights to attend, speak and vote at a General Meeting as well as their right to apply for or be granted any loans. Where the suspended Member is a Director or performs some other voluntary role within the Credit Union they will also be suspended from those duties. Where the suspended Member is an employee of the Credit Union consideration will be given to whether it is appropriate to carry out an investigation under the Credit Union's staff Disciplinary Policy.</p> <p>The investigation will provide the Member or Juvenile Depositor with a reasonable opportunity to address the allegation with the investigating officer. Failure of the individual to engage with this opportunity or to do so timeously will not prevent the investigation either proceeding or reaching a conclusion based on the evidence available.</p> <p>The results of the investigation will be presented to the Board of Directors at a duly convened meeting and, following a vote, they will pass a resolution which will be limited to the following:</p> <ul style="list-style-type: none"> • Dismissal of the allegation and, where appropriate, lifting of any suspension; • Acceptance of the allegation and application of the sanction of either (a) expulsion from membership (either permanently or for a specified period of time) or (b) suspension of membership (for a stated period of time); and 	<p>Where membership is suspended, the member temporarily loses their rights to attend, speak and vote at a General Meeting as well as their right to apply for or be granted any loans. Where the suspended Member is a Director or performs some other voluntary role within the Credit Union they will also be suspended from those duties. Where the suspended Member is an employee of the Credit Union consideration will be given to whether it is appropriate to carry out an investigation under the Credit Union's staff Disciplinary Policy.</p> <p>The investigation will provide the Member or Juvenile Depositor with a reasonable opportunity to address the allegation with the investigating officer. Failure of the individual to engage with this opportunity or to do so timeously will not prevent the investigation either proceeding or reaching a conclusion based on the evidence available.</p> <p>The results of the investigation will be presented to the Board of Directors Chief Executive at a duly convened meeting and, following a vote, they will pass a resolution and they will make a decision which will be limited to the following:</p> <ul style="list-style-type: none"> • Dismissal of the allegation and, where appropriate, lifting of any suspension; • Acceptance of the allegation and application of the sanction of either (a) expulsion from membership (either permanently or for a specified period of time) or (b) suspension of membership (for a stated period of time); and

2021 AGM: Proposed Rule Book Changes (Continued)

5. Scotwest Credit Union

Rule 20.11 Expulsion and Suspension from Membership (cont)

Current Rule	Proposed Rule
<ul style="list-style-type: none"> • Whether the wrong doing requires to be reported to an external body (e.g. The Police). <p>Within 5 working days of their decision, the Board of Directors will write to the Member or Juvenile Depositor informing them of the outcome of the investigation and, where appropriate, the sanctions applied. The letter will also provide the Member will be provided with details of the appeal process and confirmation that the sanctions applied will not become effective until 30 days after the date of posting the letter or until the result of any appeal, if any, (whichever is the later), during which period the Member will be suspended. (In the case of Juvenile Depositors, the decision of the Board of Directors is final and there is no right of appeal.)</p> <p>Upon receipt of the letter, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held at a specially convened meeting of the Board of Directors at which the Member will be entitled to attend and be heard. At the conclusion of the appeal there will be a vote and the Board will pass resolution either:</p> <ul style="list-style-type: none"> • Overturning the original decision and sanctions; • Upholding the original decision but amending the sanctions; or • Upholding the original decision and sanctions. 	<ul style="list-style-type: none"> • Whether the wrong doing requires to be reported to an external body (e.g. The Police). <p>Within 5 working days of their decision, the Board of Directors Chief Executive will write to the Member or Juvenile Depositor informing them of the outcome of the investigation and, where appropriate, the sanctions applied. The letter will also provide the Member will be provided with details of the appeal process and confirmation that the sanctions applied will not become effective until 30 days after the date of posting the letter or until the result of any appeal, if any, (whichever is the later).; during During which this period the Member will be suspended. (In the case of Juvenile Depositors, the decision of the Board of Directors is final and there is no right of appeal.)</p> <p>Upon receipt of the letter the notice, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held at a specially convened meeting of the Board of Directors at which the Chair of the Board, Vice Chair (or another Elected Director) and a member of the senior management team who has not previously been involved with the investigation will be present, and the Member will also be entitled to attend and be heard. At the conclusion of the appeal there will be a vote amongst the three Credit Union representatives in attendance (as outlined above) and the Board they will pass resolution either:</p>

2021 AGM: Proposed Rule Book Changes (Continued)

6. Membership

Rule 20.11 Expulsion and Suspension from Membership (cont)

Current Rule	Proposed Rule
<p>This decision is final and there is no further appeal process.</p> <p>At any time during the above process a Member may withdraw from Membership in accordance with Rule 20.10, and whilst this removes the ability of the Credit Union to apply sanctions, the Credit Union reserves the right to continue the investigation in order to determine whether the allegation was correct and whether it is of a nature which requires to be reported to an external body.</p> <p>Where a Member is suspended or expelled, the liability remains as per Rule 20.12</p> <p>Members may also be expelled through Dormancy as defined by rule 20.13. Members may be summarily expelled from the the Credit Union without recourse to appeal if they:</p> <ul style="list-style-type: none"> • Are known to have or are suspected to have used Scotwest to commit an act of Financial Crime; or • Have been abusive, aggressive or acted inappropriately towards a member of staff. 	<ul style="list-style-type: none"> • Overturning the original decision and sanctions; • Upholding the original decision but amending the sanctions; or • Upholding the original decision and sanctions. <p>This decision is final and there is no further appeal process. The decision will be communicated to the Board of Directors at the next full Board meeting.</p> <p>At any time during the above process a Member may withdraw from Membership in accordance with Rule 20.10, and whilst this removes the ability of the Credit Union to apply sanctions, the Credit Union reserves the right to continue the investigation in order to determine whether the allegation was correct and whether it is of a nature which requires to be reported to an external body.</p> <p>Where a Member is suspended or expelled, the liability remains as per Rule 20.12</p> <p>Members may also be expelled through Dormancy as defined by rule 20.13. Members may be summarily expelled from the the Credit Union without recourse to appeal if they:</p> <ul style="list-style-type: none"> • Are known to have or are suspected to have used Scotwest to commit an act of Financial Crime; or • Have been abusive, aggressive or acted inappropriately towards a member of staff.

2021 AGM: Proposed Rule Book Changes (Continued)

7. Membership

Rule 20.13 Dormancy

Current Rule	Proposed Rule
<p>A share account may become dormant where there have been no Member initiated transactions for the defined dormancy period and the balance of the account is below the defined dormancy threshold for that account type.</p> <p>Where an account has become dormant, the Credit Union will make a reasonable effort to inform the Member of this fact. In circumstances, however, where the Member has another active share or loan account, the dormant account will be reactivated without Member contact.</p> <p>At any time an active Member may reactivate their dormant account by carrying out a member initiated transaction on the account.</p> <p>Should, after a period of six weeks, the account remain dormant and there are no other active share or loan accounts and the aggregate balance of the share accounts is less than £50.00, the Membership shall be declared Dormant and an annual administration fee, at a level as agreed by the Board of Directors, shall be charged.</p> <p>Where a membership has been declared Dormant, the Board of Directors shall have the discretion to:</p> <ul style="list-style-type: none"> • Hold any monies within the account(s) of such Member in a suspense account pending the Member's subsequent withdrawal of their money, or reactivation of his/her Membership; 	<p>A share account may become dormant where there have been no Member initiated transactions for the defined dormancy period and the balance of the account is below the defined dormancy threshold for that account type.</p> <p>Where an account has become dormant, the Credit Union will make a reasonable effort to inform the Member of this fact. In circumstances, however, where the Member has another active share or loan account, the dormant account will be reactivated without Member contact.</p> <p>At any time an active Member may reactivate their dormant account by carrying out a member initiated transaction on the account.</p> <p>Should, after a period of six weeks, the account remain dormant and there are no other active share or loan accounts and the aggregate balance of the share accounts is less than £50.00, the Membership shall be declared Dormant and an annual administration fee, at a level as agreed by the Board of Directors, shall be charged.</p> <p>Where a membership has been declared Dormant, the Board of Directors shall have the discretion to:</p> <ul style="list-style-type: none"> • Hold any monies within the account(s) of such Member in a suspense account pending the Member's subsequent withdrawal of their money, or reactivation of his/her Membership;

2021 AGM: Proposed Rule Book Changes (Continued)

7. Membership

Rule 20.13 Dormancy (cont)

Current Rule	Proposed Rule
<p>and/or</p> <ul style="list-style-type: none"> • Are Expel the Member from Membership of the Credit Union <p>A member will not normally be expelled through dormancy if they have an outstanding liability to the Credit Union.</p> <p>The application of annual administration fees shall not reduce the aggregate balance on Members' share account(s) to less than £1.00 in order to ensure that Membership is not terminated by virtue of the application of administration fees alone.</p> <p>If a Member is to be expelled, a notice of expulsion shall be issued in writing, to the last known address, giving 30 days' notice. The notice of expulsion shall contain information on how to appeal.</p> <p>Upon receipt of the notice, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held within 60 days at a meeting of the Board of Directors at which the Member will be entitled to attend and be heard. At the conclusion of the appeal there will be a vote and the Board will pass resolution either:</p> <ul style="list-style-type: none"> • Overturning the original decision; or • Upholding the original decision. <p>This decision is final and there is no further appeal process.</p>	<p>and/or</p> <ul style="list-style-type: none"> • Are Expel the Member from Membership of the Credit Union <p>A member will not normally be expelled through dormancy if they have an outstanding liability to the Credit Union.</p> <p>The application of annual administration fees shall not reduce the aggregate balance on Members' share account(s) to less than £1.00 in order to ensure that Membership is not terminated by virtue of the application of administration fees alone.</p> <p>If a Member is to be expelled, a notice of expulsion shall be issued in writing, to the last known address, giving 30 days' notice. The notice of expulsion shall contain information on how to appeal.</p> <p>Upon receipt of the notice, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held within 60 days at a meeting of the Board of Directors at which the Member will be entitled to attend and be heard make a submission to represent themselves. At the conclusion of the appeal there will be a vote and the Board will pass resolution either:</p> <ul style="list-style-type: none"> • Overturning the original decision; or • Upholding the original decision. <p>This decision is final and there is no further appeal process. The Board will write to the Member within 5 working days notifying them of the decision.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

8. Governance

Rule 30.5 Annual General Meeting

Current Rule	Proposed Rule
<p>The Annual General Meeting shall be held within six months of the end of the year of account at such date, time and place as the Board of Directors may determine by resolution.</p> <p>The business of the Annual General Meeting shall comprise:</p> <ul style="list-style-type: none">• The receipt of the accounts and balance sheet and of the reports (if any) of the Board of Directors and the auditor; and• The appointment of an auditor (subject to Rule 110.3); and• The election of the Board of Directors (or the results of the election if held previously by ballot) (Rule 40.6); and• The ratification of the application of surplus (Rule 90.2); and• The transaction of any other business included in the notice convening the meeting.	<p>The Annual General Meeting shall be held within six months of the end of the year of account at such date, time and place as the Board of Directors may determine by resolution. This may include electronically by way of a suitable online meeting platform.</p> <p>The business of the Annual General Meeting shall comprise:</p> <ul style="list-style-type: none">• The receipt of the accounts and balance sheet and of the reports (if any) of the Board of Directors and the auditor; and• The appointment of an auditor (subject to Rule 110.3); and• The election of the Board of Directors (or the results of the election if held previously by ballot) (Rule 40.6); and• The ratification of the application of surplus (Rule 90.2); and• The transaction of any other business included in the notice convening the meeting.

2021 AGM: Proposed Rule Book Changes (Continued)

8. Governance

Rule 30.6 Notice of General Meetings

Current Rule	Proposed Rule
<p>At least 14 days before the date of a General Meeting, the Board shall cause notice to be made available of the date, time and place of the meeting.</p> <p>Notice of any meeting is given by posting notice in a conspicuous place of business at the Credit Union to which Members have access and by electronic communication, including posting on the website operated by the Credit Union.</p> <p>In addition, notice in writing shall be sent to the external auditor at least 14 days before the date of a General Meeting.</p>	<p>At least 14 days before the date of a General Meeting, the Board shall cause notice to be made available of the date, time and place of the meeting (and if being held electronically, meeting registration details).</p> <p>Notice of any meeting is given by posting notice in a conspicuous place of business at the Credit Union to which Members have access and by electronic communication, including posting on the website operated by the Credit Union.</p> <p>In addition, notice in writing shall be sent to the external auditor at least 14 days before the date of a General Meeting.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

9. Board of Directors - Constitution

Rule 40.3 Nominations Committee

Current Rule	Proposed Rule
<p>The Board of Directors will form a Nominations Committee with a remit including:</p> <ul style="list-style-type: none"> • Establishing and maintaining an appropriate application process for potential Directors; • Meeting with prospective Directors, informing them of the role and preparing them for potential election; • Determining the standards of fitness and propriety required of directors and potential directors; • Determining whether or not a potential director's name should appear on the ballot paper based on whether or not that have demonstrated (or are judged to be capable of demonstrating) fitness and propriety for the role (Rule 60.3); • Where deemed required, identifying people within the common bond (whether they are currently a member of not) with a skill set which may augment the Board of Directors and encouraging them to stand for election; • Evaluating the outcome of the efforts to generate interest from new volunteers where this has been delegated to the Chief Executive; • Annually certifying Directors under the Regulators Certification Regime; • In exceptional circumstances, recommending that a Director be nominated to serve a further one year period immediately after completing two consecutive terms of three years; and • Where deemed beneficial, inviting ex-Directors to participate in and assist with Directors training activities. 	<p>The Board of Directors will form a Nominations Committee with a remit including:</p> <ul style="list-style-type: none"> • Establishing and maintaining an appropriate application process for potential Directors; • Meeting with prospective Directors, informing them of the role and preparing them for potential election; • Determining the standards of fitness and propriety required of directors and potential directors; • Determining whether or not a potential director's name should appear on the ballot paper based on whether or not that have demonstrated (or are judged to be capable of demonstrating) fitness and propriety for the role (Rule 60.3); • Where deemed required, identifying people within the common bond (whether they are currently a member of not) with a skill set which may augment the Board of Directors and encouraging them to stand for election; • Evaluating the outcome of the efforts to generate interest from new volunteers where this has been delegated to the Chief Executive; • Annually certifying Directors under the Regulators Certification Regime; • In exceptional circumstances, recommending that a Director be nominated to serve a further one year period of up to three years immediately after completing two consecutive terms of three years; and • Where deemed beneficial, inviting ex-Directors to participate in and assist with Directors training activities.

2021 AGM: Proposed Rule Book Changes (Continued)

9. Board of Directors - Constitution

Rule 40.3 Nominations Committee (cont)

Current Rule	Proposed Rule
<p>The Nominations Committee will ordinarily comprise of two directors, the Chief Executive and the member of staff with responsibility for regulatory compliance (subject to variation in extraordinary circumstances).The Chairperson must not serve on the Nominations Committee.</p>	<p>The Nominations Committee will ordinarily comprise of two directors, the Chief Executive and the member of staff with responsibility for regulatory compliance (subject to variation in extraordinary circumstances) the Compliance and Risk Manager. The Chairperson must not serve on the Nominations Committee.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

10. Board of Directors - Constitution

Rule 40.6 Election Process

Current Rule	Proposed Rule
<p>Prior to the meeting, the Board of Directors will appoint a Returning Officer (normally an independent person such as the external auditor).</p> <p>Upon arrival at the General Meeting, Members will be issued with meeting papers which will include details of those standing for election and a ballot paper.</p> <p>Prior to the vote taking place the Chair will:</p> <ol style="list-style-type: none"> Confirm that each nominee is present at the meeting. If a nominee is not present and the Chair has been advised of extenuating circumstances, the Chair will hold a vote, based on a show of hands, as to whether the nomination should be allowed to proceed to or be dropped from the election (if the Chair has not been advised of extenuating circumstances for non-attendance the Chair will advise the attendees that the nomination is withdrawn and that any votes cast for that person will be void); and Confirm that the nomination has been ratified by the Nominations Committee. Allow each nominee present to speak to their application. (Where a nominee is not present, no other person will be allowed to speak on their behalf); and 	<p>Prior to the meeting, the Board of Directors will appoint a Returning Officer (normally an independent person such as the external auditor).</p> <p>Upon arrival at Before the General Meeting, Members will be issued with meeting papers which will include details of those standing for election and a ballot paper.</p> <p>Prior to the vote taking place the Chair will:</p> <ol style="list-style-type: none"> Confirm that each nominee is present at the meeting. If a nominee is not present and the Chair has been advised of extenuating circumstances, the Chair will hold a vote, the method being determined and advised, in advance, by the Board of Directors based on a show of hands, as to whether the nomination should be allowed to proceed to or be dropped from the election (if the Chair has not been advised of extenuating circumstances for non-attendance the Chair will advise the attendees that the nomination is withdrawn and that any votes cast for that person will be void); and Confirm that the nomination has been ratified by the Nominations Committee. Allow each nominee present to speak to their application. (Where a nominee is not present, no other person will be allowed to speak on their behalf); and

2021 AGM: Proposed Rule Book Changes (Continued)

10. Board of Directors - Constitution

Rule 40.6 Election Process (cont)

Current Rule	Proposed Rule
<p>d. Provide an opportunity for any member attending the General Meeting to state why they believe that any of the candidates are ineligible to stand for election by virtue of the fact that their nomination contravenes any of the Rules or the criteria for a fit and proper person (as per Rule 60.3).</p> <p>Following which, members will be asked to cast their vote in a secret ballot. (The actual voting procedures being determined, in advance, by the Board of Directors.)</p> <p>The Member receiving the most votes will be duly elected to the post. Where there is more than one vacancy, the Member receiving the second highest number of votes will be duly elected to the second post and so on until all the posts are filled.</p> <p>The Returning Officer will announce the result of the election at the General Meeting.</p>	<p>d. Provide an opportunity for any member attending the General Meeting to state why they believe that any of the candidates are ineligible to stand for election by virtue of the fact that their nomination contravenes any of the Rules or the criteria for a fit and proper person (as per Rule 60.3).</p> <p>Following which, members will be asked to cast their vote in a secret ballot. (The actual voting procedures being determined, in advance, by the Board of Directors.)</p> <p>The Member receiving the most votes will be duly elected to the post. Where there is more than one vacancy, the Member receiving the second highest number of votes will be duly elected to the second post and so on until all the posts are filled.</p> <p>The Returning Officer will announce the result of the election at the General Meeting.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

11. Board of Directors - Constitution

Rule 40.7 Casual Vacancies

Current Rule	Proposed Rule
<p>A casual vacancy on the Board of Directors shall, as soon as is practicable, be filled by co-opting a Member. Having satisfied themselves regarding the fitness and propriety of the Member, the Nominations Committee will propose the co-option and this will be ratified (or otherwise) by a majority vote of the Appointed Directors at an appropriately convened meeting.</p> <p>Members who have been selected to fill a casual vacancy but have not yet been certified or approved (as appropriate) under the regulatory regime will be referred to as Nominated Directors. They will become Appointed Directors once they have been certified or approved (as appropriate) under the regulatory regime.</p> <p>In keeping with Rule 60.1 (Terms of Office) a Member may not be co-opted if less than one year has elapsed since they stood down from serving all or part of a second three-year (or exceptional one year) term as a Director.</p> <p>Any Member who is co-opted as a Director shall hold office only until the vesting day following their co-option (see Rule 60.1). Co-opted Directors may stand for election at the Annual General Meeting following their co-option under the Rules 40.4 and 40.5 and are eligible to serve two full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1).</p>	<p>A casual vacancy on the Board of Directors shall, as soon as is practicable, be filled by co-opting a Member. Having satisfied themselves regarding the fitness and propriety of the Member, the Nominations Committee will propose the co-option and this will be ratified (or otherwise) by a majority vote of the Appointed Directors at an appropriately convened meeting.</p> <p>Members who have been selected to fill a casual vacancy but have not yet been certified or approved (as appropriate) under the regulatory regime will be referred to as Nominated Directors. They will become Appointed Directors once they have been certified or approved (as appropriate) under the regulatory regime.</p> <p>In keeping with Rule 60.1 (Terms of Office) a Member may not be co-opted if less than one year has elapsed since they stood down from serving all or part of a second three-year (or exceptional one year subsequent additional) term as a Director.</p> <p>Any Member who is co-opted as a Director shall hold office only until the vesting day following their co-option (see Rule 60.1). Co-opted Directors may stand for election at the Annual General Meeting following their co-option under the Rules 40.4 and 40.5 and are eligible to serve two a maximum of three full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1).</p>

2021 AGM: Proposed Rule Book Changes (Continued)

12. Directors

Rule 60.1 Terms of Office

Current Rule	Proposed Rule
<p>Director's terms of office run for three years and commence on the 1st February (the "vesting date"). Elections for vacancies commencing 1st February are held at the preceding AGM.</p> <p>Following successful election (Rule 40.5 and 40.6), a Director will be appointed for a period of three years commencing the 1st February following the date of election. Elected directors can only take up post on the vesting date if they have, to the satisfaction of the Nominations Committee, demonstrated that they are fit and proper (see Rule 60.3) and, have subsequently been certified or approved (as appropriate) under the regulatory regime.</p> <p>Where fitness and propriety or regulatory certification / approval has not been attained by the vesting date, the appointment will commence immediately once those criteria are satisfied but the total term of office will be reduced in order that it terminates on the third anniversary of the original vesting date.</p> <p>If an Elected Director or a Nominated Director fails to demonstrate that they are fit and proper (see Rule 60.3) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (Rule 60.1) their election is automatically declared null and void and a vacancy is immediately created.</p>	<p>Director's terms of office run for three years and commence on the 1st February (the "vesting date"). Elections for vacancies commencing 1st February are held at the preceding AGM.</p> <p>Following successful election (Rule 40.5 and 40.6), a Director will be ordinarily appointed for a period of three years commencing the 1st February following the date of election (the 'vesting date'). Elected directors can only take up post on the vesting date if they have, to the satisfaction of the Nominations Committee, demonstrated that they are fit and proper (see Rule 60.3) and, have subsequently been certified or approved (as appropriate) under the regulatory regime.</p> <p>Where fitness and propriety or regulatory certification / approval has not been attained by the vesting date, the appointment will commence immediately once those criteria are satisfied but the total term of office will be reduced in order that it terminates on the third anniversary of the original vesting date.</p> <p>If an Elected Director or a Nominated Director fails to demonstrate that they are fit and proper (see Rule 60.3) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (Rule 60.1) their election is automatically declared null and void and a vacancy is immediately created.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

12. Directors

Rule 60.1 Terms of Office (cont)

Current Rule	Proposed Rule
<p>At the end of the first three-year term, a Director automatically vacates office unless they have stood for election and been re-elected for a second three year term at the preceding AGM.</p> <p>Any Director who vacates office either at the end of, or at any time during, their second three year term, for whatever reason, may, upon the invitation of the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing the direction of the Credit Union for a period of 12 months from the date of their vacation from office.</p> <p>As per Rule 40.7 Co-opted Directors are eligible to serve a two full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1) provided that they have not served previously and the period of such service would lead to a breach of Rule 60.1.</p> <p>In exceptional circumstances, a Director, on the recommendation of the Nominations Committee, may be nominated for a further term of one year immediately after completing two consecutive terms of three years. This nomination must be approved by the Board of Directors and the Director would be required to be elected by the membership at the next AGM. Any Director who vacates office at the end of, or at any time during, this exceptional year's term for whatever reason, may, upon the invitation of the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing</p>	<p>At the end of the first an initial three-year term, a Director automatically vacates office unless they have stood for election and been re-elected for a second three year term at the preceding AGM.</p> <p>Any Director who vacates office either at the end of, or at any time during, their second three year term, for whatever reason, may, upon the invitation of the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing the direction of the Credit Union for a period of 12 months from the date of their vacation from office.</p> <p>As per Rule 40.7 Co-opted Directors are eligible to serve a maximum of three two full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1) provided that they have not served previously and the period of such service would lead to a breach of Rule 60.1.</p> <p>In exceptional circumstances, a A Director, on the recommendation of the Nominations Committee, may be nominated for a further term of up to three years one year immediately after completing two consecutive terms of three years (and in exceptional circumstances one three year term). This nomination must be approved by the Board of Directors and the Director would be required to be elected by the membership at the next AGM. Any Director who vacates office at the end of, or at any time during, this exceptional year's further term for whatever reason, may, upon the invitation of</p>

2021 AGM: Proposed Rule Book Changes (Continued)

12. Directors

Rule 60.1 Terms of Office (cont)

Current Rule	Proposed Rule
<p>the direction of the Credit Union for a period of 12 months from the date of their vacation from office.</p>	<p>the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing the direction of the Credit Union for a period of 12 months from the date of their vacation from office.</p> <p>No Director will be permitted to serve any more than three consecutive terms of three years as an Elected Director.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

13. Directors

Rule 60.3 Competence

Current Rule	Proposed Rule
<p>On behalf of the Board of Directors, the Nominations Committee will maintain and implement recruitment, training and competence policies which require Directors to develop and maintain an understanding of the different areas of the business and the main prudential risks and controls to an appropriate standard and to demonstrate their fitness and propriety to hold the role of Director in the Credit Union.</p> <p>The Nominations Committee will determine:</p> <ul style="list-style-type: none"> • A minimal standard of competence, fitness and propriety which potential directors must demonstrate before being permitted to stand for election; and • A required standard of competence, fitness and propriety (and a personalised development path reflecting this) which potential directors must achieve within a set period following taking up post (and maintain throughout their tenure). <p>Failure of Directors to either meet or maintain these standards will lead to removal from office as per Rule 60.7.</p> <p>The Directors in situ at 1st November 2015 will not be required to evidence their compliance with the required standards during their remaining term, however, they will not be eligible to stand for a further term unless they evidence compliance with the standards.</p>	<p>On behalf of the Board of Directors, the Nominations Committee will maintain and implement recruitment, training and competence policies which require Directors to develop and maintain an understanding of the different areas of the business and the main prudential risks and controls to an appropriate standard and to demonstrate their fitness and propriety to hold the role of Director in the Credit Union.</p> <p>The Nominations Committee will determine:</p> <ul style="list-style-type: none"> • A minimal standard of competence, fitness and propriety which potential directors must demonstrate before being permitted to stand for election; and • A required standard of competence, fitness and propriety (and a personalised development path reflecting this) which potential directors must achieve within a set period following taking up post (and maintain throughout their tenure). <p>Failure of Directors to either meet or maintain these standards will lead to removal from office as per Rule 60.7.</p> <p>The Directors in situ at 1st November 2015 will not be required to evidence their compliance with the required standards during their remaining term, however, they will not be eligible to stand for a further term unless they evidence compliance with the standards.</p>

2021 AGM: Proposed Rule Book Changes (Continued)

14. Directors

Rule 60.5 Vacation of Office

Current Rule	Proposed Rule
<p>A Director automatically vacates office at the end of their three-year (or exceptional one year) term (see Rule 60.1).</p> <p>A Director may vacate their office by resigning in writing to the Chair of the Board of Directors (or by such other communication as is appropriate in the circumstances).</p> <p>Any Director who, without special leave of absence, fails to attend 3 consecutive meetings shall, if the Board of Directors so resolve, be deemed to have vacated their office with immediate effect. Any request for special leave of absence must be considered at duly constituted meeting of the Board of Directors.</p> <p>At any point during their appointment a Director must immediately resign their post if:</p> <ul style="list-style-type: none"> • they cease to be a member of the Credit Union; or • their Approved Person status is withdrawn or suspended by the Regulator or they know of any substantive reason why they may no longer be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator; or • they become an employee of Scotwest or any other Credit Union (with the exception of Rule 60.9); or • they become a Director or Employee of a Credit Union Trade Body to which Scotwest is not affiliated; • they become a Director of another Credit Union; or 	<p>A Director automatically vacates office at the end of their an ordinary three-year term term (or exceptional one year other term as agreed by the Board of Directors) term (see Rule 60.1).</p> <p>A Director may vacate their office by resigning in writing to the Chair of the Board of Directors (or by such other communication as is appropriate in the circumstances).</p> <p>Any Director who, without special leave of absence, fails to attend 3 consecutive meetings shall, if the Board of Directors so resolve, be deemed to have vacated their office with immediate effect. Any request for special leave of absence must be considered at duly constituted meeting of the Board of Directors.</p> <p>At any point during their appointment a Director must immediately resign their post if:</p> <ul style="list-style-type: none"> • they cease to be a member of the Credit Union; or • their Approved Person status is withdrawn or suspended by the Regulator or they know of any substantive reason why they may no longer be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator; or • they become an employee of Scotwest or any other Credit Union (with the exception of Rule 60.9); or • they become a Director or Employee of a Credit Union Trade Body to which Scotwest is not affiliated; • they become a Director of another Credit Union; or

2021 AGM: Proposed Rule Book Changes (Continued)

14. Directors

Rule 60.5 Vacation of Office

Current Rule	Proposed Rule
<ul style="list-style-type: none"> • are sequestered, declared bankrupt, enter into a Protected Trust Deed or any other legal debt arrangement; or • are disqualified under the Directors Disqualification Act 1986; or • are convicted of any offence involving fraud or dishonesty; or • are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director; or • by reason of their mental health, become subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have. <p>If any of the above circumstances apply, but the Director either does not, or is unable to resign with immediate effect, the Board of Directors can remove them by a majority vote (see Rule 60.7).</p>	<ul style="list-style-type: none"> • are sequestered, declared bankrupt, enter into a Protected Trust Deed or any other legal debt arrangement; or • are disqualified under the Directors Disqualification Act 1986; or • are convicted of any offence involving fraud or dishonesty; or • are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director; or • by reason of their mental health, become subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have. <p>If any of the above circumstances apply, but the Director either does not, or is unable to resign with immediate effect, the Board of Directors can remove them by a majority vote (see Rule 60.7).</p>

2021 AGM: Proposed Rule Book Changes (Continued)

15. Member Accounts

Rule 100.3 Transactions

Current Rule	Proposed Rule
<p>Any person may pay money into a Member's account on account of shares or a reduction of loan or interest.</p> <p>Only the Member may enter into a loan agreement or make a withdrawal from their share account.</p> <p>As well as formal notices of power of attorney, the Credit Union shall have the discretion to accept an authenticated request in writing from an incapacitated Member permitting a named person to conduct transactions on the Member's behalf. The Credit Union shall take all reasonable steps to assure itself of the validity of each request made in writing and shall be indemnified by the Member in the event of a subsequent dispute.</p>	<p>Any person may pay money into a Member's account on account of shares or a reduction of loan or interest.</p> <p>Only the Member may enter into a loan agreement or make a withdrawal from their share account.</p> <p>Members may only use their share account on a personal basis, e.g. they must not be used for carrying out business transactions, etc.</p> <p>As well as formal notices of power of attorney, the Credit Union shall have the discretion to accept an authenticated request in writing from an incapacitated Member permitting a named person to conduct transactions on the Member's behalf. The Credit Union shall take all reasonable steps to assure itself of the validity of each request made in writing and shall be indemnified by the Member in the event of a subsequent dispute.</p>





SCOTWEST CREDIT UNION LIMITED RULE BOOK

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10 Scotwest Credit Union

10.1 Name

The name of the credit union shall be Scotwest Credit Union Limited – hereinafter referred to as 'the Credit Union'.

10.2 Registered Office

The registered office of the Credit Union shall be at 13 Elmbank Street, Glasgow, G2 4PB or such other place as may from time to time be determined by the Board of Directors and registered with the Relevant Authorities.

10.3 Legal Status

The Credit Union is a Member owned financial institution which is incorporated under The Co-Operative and Community Benefit Societies Act 2014.

The Credit Union is authorised by the Prudential Regulation Authority and is regulated by the Prudential Regulation Authority and the Financial Conduct Authority (the "Relevant Authorities"): Firm Reference Number 213616.

The Credit Union has part 4A Permission to accept deposits under The Financial Services and Markets Act 2000.

Deposits held by the Credit Union are protected by the Financial Services Compensation Scheme (see rule 70.6).

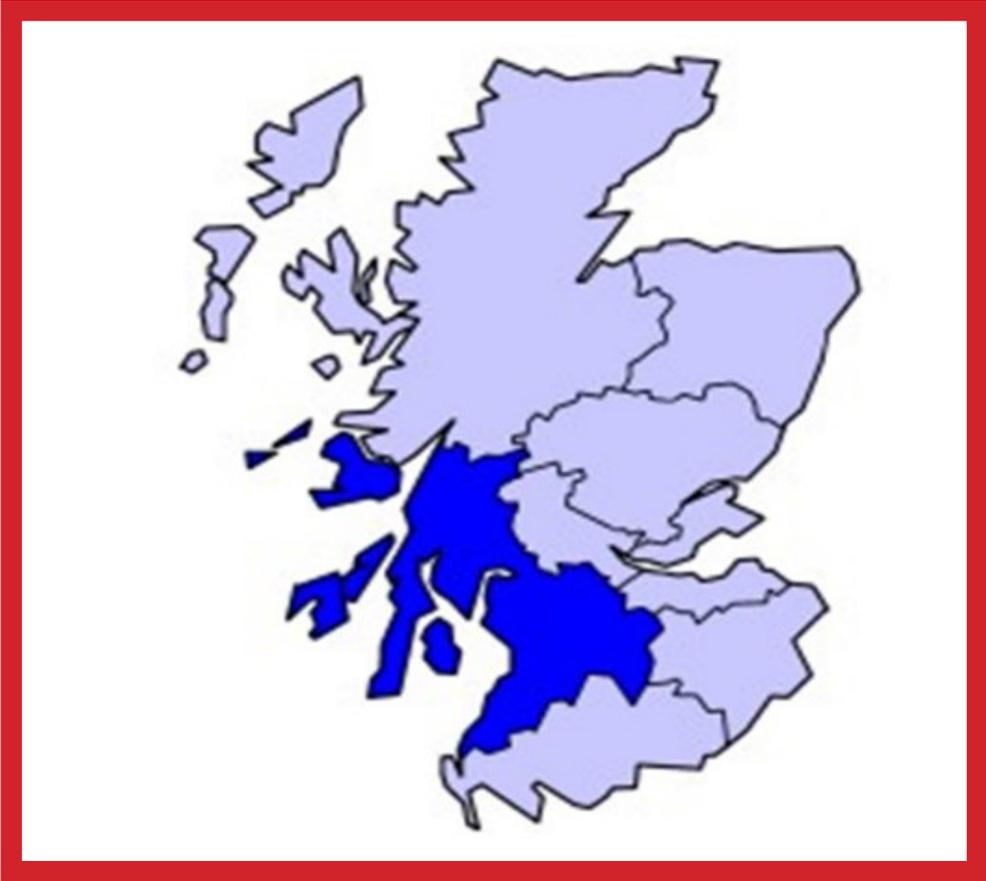
The Board of Directors shall be responsible for ensuring that the Credit Union applies for, obtains and maintains all necessary permissions to operate legally as a credit union.

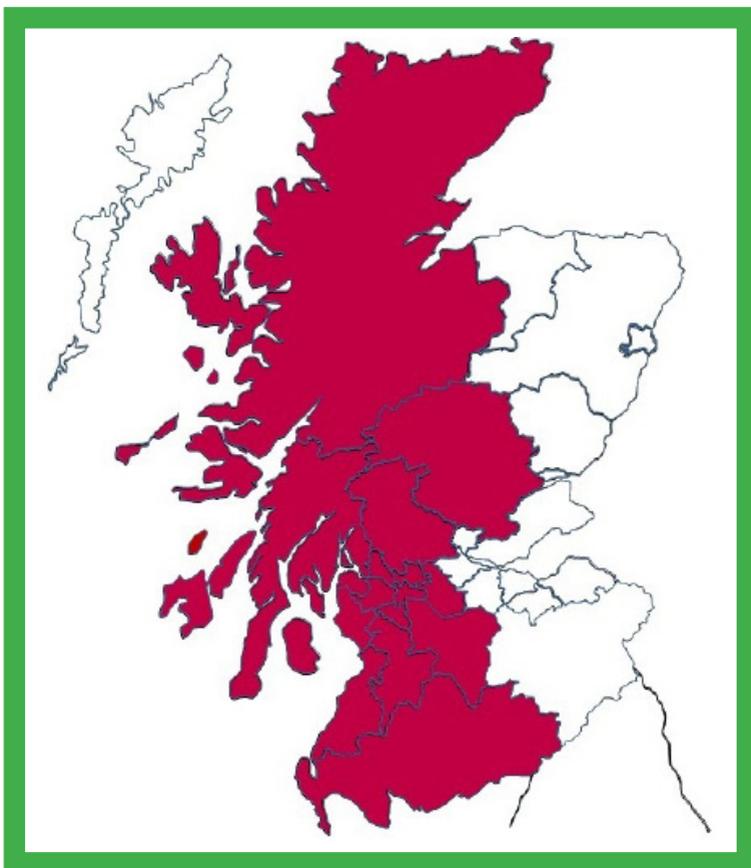
10.4 The Common Bond

Membership of the Credit Union is not open to the general public. The Credit Union must have a Common Bond which all of its members and potential members have in common and which is approved by the Relevant Authorities.

Accordingly, admission to membership is restricted to persons who fall within a Common Bond appropriate to a Credit Union as follows:-

- i) Being employed by a particular employer:
An individual who is employed by one of the employers as listed in Rule 10.5.
- ii) Residing or being employed in a particular locality:
 - a) An individual who resides or is employed in the locality of 'Strathclyde' 'West and Central Scotland and the Scottish Highlands' as defined per Rule 10.6 and as delineated by the attached map.





b) A corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer or a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association has a place of business in the above locality.

iii) **Being a member of a bona fide organisation or being otherwise associated with other members of the society for a purpose other than that of forming a society to be registered as a Credit Union.**

An individual who is a member of a bona fide organisation as listed in rule 10.7

10.5 Named Employers

The named employers are:

- 1 Call Direct Limited
- Aberdeen International Airport Limited
- Aberlour Childcare Trust
- Action for Children
- Addaction
- Advance Construction Scotland
- Advanced Group (Scotland) Ltd
- The Advisory Group
- Affinity Trust
- Affordable Cremations Scotland (Trading as Caledonia Cremation)
- AG Barr Plc
- [Agility Bookkeeping](#)
- [AGGREKO](#)
- AGS Airports
- Albert Bartlett & Sons (Airdrie) Ltd
- [Allied Vehicles Group](#)
- Alzheimer Scotland – Action on Dementia
- Amey
- Arnold Clark
- [ARUP](#)
- Ashurst
- Barnardos
- Barr Holdings Ltd
- Barrhead Travel Service Ltd
- Bield Housing & Care
- Blackwood Homes and Care
- Blazing Griffin
- Blue Triangle (Glasgow) Housing
- Association Limited
- British Polythene Industries
- The British Red Cross Society
- C-Change Scotland
- Capability Scotland
- Carr Gomm
- Children 1st
- [Chivas Brothers International Limited](#)
- Citizens Advice Direct
- City Refrigeration Holdings (UK) Ltd
- [ClinTec International Limited](#)
- Clark Contracts

- Coca Cola Enterprises East Kilbride
- Common Thread
- Community Integrated Care
- Community Renewal
- Cornerstone Community Care
- Cosgrove Care Ltd
- Creditfix
- Crossreach
- Crossroads Caring Scotland
- Cube Housing Association
- Dalziel Ltd
- Dawn Fresh
- Deafblind Scotland
- Dentons
- Doosan Power Systems Ltd.
- Douglas Laing and Co Ltd
- Down's Syndrome Scotland
- Enable Scotland
- Enva
- First Milk Ltd
- Forth Valley College
- Glasgow Airport
- Includem
- IQVIA Inc
- Johnnie Walker (Diageo Briands BV)
- Kent Foods Ltd
- Key Housing Association Limited
- Little Stars Nurseries
- Lockheed Martin
- Macfarlane Group Plc
- Mackenzie Construction
- Malcolm Group Ltd
- McCurrach Group Ltd
- McQueens Dairies
- Morgan Sindall
- The National Autistic Society
- National Deaf Children's Society
- National Society for the Prevention of Cruelty to Children
- nPower
- Neighbourhood Networks
- Penumbra
- Phoenix House
- The Poverty Alliance

- Quarriers
- Real Life Options
- [Remploy](#)
- Richmond Fellowship Scotland Ltd
- RJ McLeod (Contractors) Ltd
- [Robertson Homes](#)
- [Rock Compliance Limited](#)
- Sacro
- Saltire Facilities Management
- Scottish Association for Mental Health
- Scottish Autism
- [The Scottish Government](#)
- Scottish Children's Reporter
- Administration
- Scottish Enterprise
- [Scottish Power](#)
- Scottish War Blinded
- Scottish Water
- Seamab
- Search Consultancy Ltd
- Sense Scotland
- Simon Community Scotland
- Skills Development Scotland
- Slater Menswear
- [SMS plc](#)
- Snowfactor
- Scottish Fire and Rescue Service
- SRS Care Solutions
- SSE
- Star Refrigeration Ltd
- Strathclyde University
- Tennent Caledonian Breweries
- Terumo Aortic
- Thistle Foundation
- Trespass
- Trust Housing Association Ltd
- Turner & Co (Glasgow) Ltd
- Turning Point Scotland
- University of Glasgow
- University of West of Scotland
- VASCUTEK LTD
- Virgin Money
- [Volunteer Development Scotland Ltd](#)

- Weir Group PLC
- Wheatley Group
- Who Cares? Scotland
- William Grant and Sons
- Woodward International, Inc

10.6 **Strathclyde West and Central Scotland and the Scottish Highlands**

'Strathclyde' 'West and Central Scotland and the Scottish Highlands' is defined as the locality comprising the following ~~twelve~~ sixteen unitary local authorities as defined in Schedule 1 of the Local Government etc. (Scotland) Act 1994 (c39) or their successor organisation(s) by statute:

- Argyll and Bute
- City of Glasgow
- Dumfries and Galloway
- East Ayrshire
- East Dunbartonshire
- East Renfrewshire
- Highland
- Inverclyde
- North Ayrshire
- North Lanarkshire
- Perth and Kinross
- Renfrewshire
- Stirling
- South Ayrshire
- South Lanarkshire
- West Dunbartonshire

10.7 **Bona Fide Organisation**

The named organisations are:

- Young Scot

10.8 Objects

The objects of the Credit Union shall be:

- The promotion of thrift among its Members by the accumulation of their savings;
- The creation of sources of credit for the benefit of its Members at a fair and reasonable rate of interest;
- The use and control of Members savings for their mutual benefit; and
- The training and education of Members in the wise use of money and in the management of their financial affairs.

The Credit Union may, by resolution of its Board of Directors, adopt additional social goals within its policies, provided that these social goals contribute to the social or economic development of the community within the Common Bond area.

10.9 Powers

The Credit Union shall have full power, subject to the law and the Relevant Authority's requirements attached to any permission held, to do all things necessary or expedient for the accomplishment of its objects and social goals.

10.10 Dissolution

The Credit Union may be dissolved:

- On its being wound up in pursuance of an order or resolution made as is directed in regard to companies by the Insolvency Act 1986;
- In accordance with Section 55(B) of the Act, by an instrument of dissolution:
 - i) to which not less than three fourths of the Members of the Credit Union have given their consent testified by their signatures to the instrument; or
 - ii) which has been approved by a special resolution of the Credit Union sent to and confirmed by the Registrar

If on the dissolution of the Credit Union there remains after the payment of debts, repayment of share capital, discharge of all other liabilities, repayment of Deferred Shareholdings and payment of any dividend (Rule 90.5) any surplus assets whatsoever, such assets shall not be paid or distributed among the Members of the Credit Union but shall be:

- Transferred to another Credit Union; or
- If not so transferred, applied for charitable purposes as may be determined by the Members of the Credit Union in General Meeting.

10.11 Availability of Rule

A copy of these Rules and any amendments made to them shall be available on the Credit Union's website.

Upon admission to membership of new Members without access to the internet, a hardcopy shall be made available free of charge, on request.

A hardcopy shall be provided to any person on reasonable demand and upon payment of an amount no more than the specified amount chargeable in law for the time being in force.

10.12 Amendments to Rules

Any of these Rules may be rescinded or altered or any new Rule may be made by a resolution passed by not less than two-thirds of the Members present at a General Meeting, after giving the requisite notice under these Rules.

Any Member of the Credit Union may, before the first day of August in any year, propose an amendment to the Rules by serving notice of the proposed amendment to the Board of Directors.

Where the Directors deem the proposed change competent they must incorporate it in the agenda of the next General Meeting of the Credit Union for a vote by the Membership (in accordance with the procedures noted above).

Where the Directors do not consider the proposed amendment to be competent they must table their decision and the reasons for it at the next General Meeting, whereon the Member who proposed the change (and only that Member) may call for a vote (indicated by a majority of those present show of hands) on the validity of the Board's decision.

Where the vote is in favour of the Board's decision, the matter is closed. Where the vote is against the Board's decision, a General Meeting of the Credit Union will be held within 3 months and the proposed amendment must be incorporated in the agenda of that meeting for a vote by the Membership (in accordance with the procedures noted above).

No amendment of Rules shall be valid until registered with the Regulator.

20 Membership

20.1 Status of Membership

The Credit Union is a mutually owned financial institution. The Credit Union is owned by its members who, on a one-member-one-vote basis, have a say in the running of the business (Rule 30.1) and who share in the risks and rewards of ownership (Rule 20.2)

20.2 Risks and Rewards of Ownership

Deposits made with the Credit Union are in the form of shares (Rule 70.1). As these shares represent the business' capital as provided by the business' owners then, with the exception of interest bearing shares (Rule 70.3), there is no guaranteed or fixed return on these deposits. Instead the owners of the business share in the allocation of the surpluses generated by the business (Rule 90.1).

Member's deposits held by the Credit Union are protected by the Financial Services Compensation Scheme (see rule 70.6) and, subject to any limits within that scheme, Members have no liability on the dissolution of the Credit Union.

20.3 Admission to Membership

Admission to membership is restricted to those who fall within the Credit Union's Common Bond as per Rule 10.4

No applicant shall be admitted into membership of the Credit Union unless the applicant:

- fulfils the criteria for membership (including the minimum age); and
- accepts the risks and rewards of ownership; and
- has submitted an application for membership in a form accepted by the Board of Directors and the Board has approved the application using delegated procedures as agreed by the Board from time to time; and
- has provided sufficient evidence to prove his/her identity (and proof of incorporation if a corporate body) and address as required to comply with all relevant laws, regulations and operating procedures established in respect of money laundering prevention; and
- supports the objects and social goals of the Credit Union; and
- has paid such joining fee applicable at time of joining. The amount of this fee shall be determined by the Board of Directors from time to time and may be increased in order to cover reasonable administrative costs of membership, but will be capped in line with the Regulator's Policy. The Board of Directors may also decide to waive applying the fee at any time; and
- agrees to pay any annual administrative fee that may be determined by the Board of Directors from time to time and may be increased in order to cover reasonable administrative costs of membership, but will be capped in line with the Regulator's Policy. The Board of Directors may also decide to waive applying the fee at any time.

Members who are admitted through the fulfilment of the above are referred to as Directly Qualifying Members.

20.4 Minimum Age for Membership

The minimum age for membership is 16 years

In keeping with its objects, the Credit Union also has Juvenile Depositors as per Rules 20.

20.5 Corporate Members

The Board may admit to membership of the Credit Union:

- An individual in his/her capacity as a nominee of an unincorporated organisation or partnership which meets the Common Bond qualifications, and
- Any named corporate body which meets the Common Bond qualifications.

Those eligible for membership of the Credit Union by virtue of the above shall be referred to as Corporate Members. Any reference to 'Member' in these Rules, unless indicated otherwise, shall include both individual and Corporate Members of the Credit Union.

Those eligible for membership of the Credit Union by virtue of the above shall be referred to as Corporate Members. Any reference to 'Member' in these Rules, unless indicated otherwise, shall include both individual and Corporate Members of the Credit Union.

A corporate body which is a member of the Credit Union shall appoint a representative who shall during the continuance of his/her appointment, be entitled to exercise in any general meeting of the Credit Union all such rights and powers as the corporate body would exercise if it was an individual person. The Credit Union shall require such notification of a corporate body's appointed representative as the Board of Directors may from time to time decide.

The Board of Directors shall ensure that at all times the number of Corporate Members in membership of the Credit Union does not exceed 10% (or such other higher amount as prescribed by law) of the total number of members of the Credit Union. Where the number of Corporate Members exceeds 10% (or such other higher amount as prescribed by law) of the total number of members, the Board of Directors has the authority to terminate the membership of any number of Corporate Members in order to reduce the number as required (The Corporate Members selected for termination of membership being determined by the Board of Directors in a manner which they consider appropriate at the time).

Corporate members have no entitlement to either a seat on or representation on the Board of Directors. The appointed representative of a corporate member, if they are a member in their own right, may stand for election to the Board of Directors but do so only as an individual representing all of the Membership (see Rule 60.2).

20.6 Juvenile Depositors

Juvenile Depositors are account holders who are under the age of 16. They must satisfy the Common Bond requirements, as per Rule 10.4, however, they are not Members of the Credit Union as defined by Rule 20.3, do not hold shares in the Credit Union and do not share in the risks and rewards of ownership.

Juvenile Depositors receive interest on their deposits at a rate as determined from time to time by the Board of Directors.

Juvenile Depositors cannot apply for a loan, do not have a say in the running of the business and are not permitted to attend General Meetings.

On reaching 16, Juvenile Depositors may, if they satisfy the criteria for Membership, apply to become Members of the Credit Union.

20.7 Non Qualifying Members

A member who ceases to fulfil the qualification for Membership, as per Rule 20.3, shall cease to be a Directly Qualifying Member of the Credit Union and will become a Non Qualifying Member instead.

A Non Qualifying Member may retain their membership and voting rights in the Credit Union, and continue to acquire shares and to receive loans subject to the provisions of these Rules.

20.8 Register of Members

The Credit Union shall maintain systems, at its registered office, which record the following details:

- The names and addresses of the Members. (In the case of a Corporate Member, it will include its registered office address or such other address as may be accepted by the Board of Directors); and
- The number of shares held by each Member, the amount paid on the shares of the Member and the date and manner in which any share ceased to be held by the Member; and
- A record of other property in the Credit Union, whether in loans or otherwise, held by the Member; and
- The date on which the Member was entered into Membership and the date at which any person ceased to be a Member; and
- The names and addresses of the Board of Directors (past and present) of the Credit Union with the offices held by them respectively and the dates on which they assumed, and vacated, said office.

The systems shall be so constructed in order that it is only possible for a Member to inspect the particulars pertaining to them without exposing the particulars of other Members entered therein.

The credit union will maintain a 'duplicate' register which is open to inspection by other Members and the public without exposing information recorded about Members' shares and other property in the society.

Apart from the provision of a duplicate register (above), the above information is not available for either public inspection or inspection by other members.

20.9 Cessation of Membership

A Member shall cease to be such if:

- Their membership is terminated in accordance with the Credit Union's Dormancy procedures (Rule 20.13); or
- They die or, if a corporate body, that body is wound up or goes into liquidation; or
- They are the representative of an unincorporated organisation or partnership which is wound up or goes into liquidation; or
- They are the representative of an unincorporated organisation or partnership which removes or replaces them as its representative provided the following are adhered to:
 - i) any loans held by the Member are repaid in full;
 - ii) any non-deferred shares held by the Member are repaid in full by the credit union;
 - iii) any deferred shares are transferred to another Member of the credit union in accordance with Rule 70.4 ; or
- By virtue of being a Corporate Member of the credit union who has been expelled in accordance with these Rules; or
- They voluntarily withdraw from the Credit Union in accordance with these Rules; or
- They are expelled by the Credit Union in accordance with these Rules.

Where membership ceases, the liability remains as per Rule 20.12

20.10 Withdrawal from Membership

A Member who does not have any outstanding liability to the Credit Union may voluntarily withdraw from membership of the Credit Union at any time by applying for, and receiving, their shareholding in the Credit Union; subject to any notification period in place as agreed from time to time by the Board of Directors.

Members with an outstanding liability to the Credit Union shall be required to settle their account prior to being permitted to withdraw from membership of the Credit Union.

In accordance with Rule 70.4, Members holding deferred shares shall not have the power to withdraw them. Repayment of any deferred shares shall be made in accordance with the relevant Issue Document.

Where a Member withdraws, the liability remains as per Rule 20.13

20.11 Expulsion and Suspension from Membership

A Member or Juvenile Depositor may be suspended, and subsequently expelled, from the Credit Union for any grave and sufficient reason including, but not limited to, the following:

- Wilful breach of, or refusal to comply with, the Rules;
- Divulging confidential information obtained by virtue of being a Member or Juvenile Depositor in whatever capacity of the Credit Union;
- Deceiving the Credit Union with regard to the purpose of money borrowed or its subsequent use;
- Default and continued refusal to honour a debt (the loan repayment terms of which had been agreed in a signed loan agreement);
- Maliciously and knowingly spreading incorrect reports about the management of the Credit Union;
- Wilfully making any entry, or error in, or omission from any system, record or return of the Credit Union with the intent to falsify it;
- Actively working against the interests of the Credit Union and/or its membership;
- Using, or being suspected of using, the Credit Union as a vehicle for committing an offence under the Money Laundering Regulations 2017 or any subsequent legislation;
- Committing an offence of dishonesty against the Credit Union, wilfully destroying or damaging records or other property of the Credit Union, or knowingly passing forged papers through the Credit Union;
- If, after admission as a Member or Juvenile Depositor of the Credit Union, their application form is found to include wilfully false or misleading information or any defect is discovered in their qualification for membership at the time of their admission which in the opinion of the Board of Directors is of such consequence as to justify expulsion;
- Abusive behaviour towards the staff or volunteers of the Credit Union.;
- 'Trolling' of the Credit Union, i.e. making inflammatory, insincere, digressive or off-topic communications directed toward the Credit Union, by any medium including by way of social media, e-mail, letter or verbally.

Where such a grave and sufficient reason (as above) is suspected, ~~The Board of Directors, by resolution at Board Meeting, will commission~~ the Chief Executive ~~to~~ will appoint an investigating officer to carry out an investigation into the matter ~~and the Member or Juvenile Depositor will be notified of the investigation in writing. The Member will also be advised whether or not their membership has been temporarily suspended pending the outcome of the investigation.~~

~~Within 5 working days of their decision, the Board of Directors will write to the Member or Juvenile Depositor informing them of the investigation. Members will also be advised whether or not their membership has been suspended pending the outcome of said investigation.~~

Where membership is suspended, the member temporarily loses their rights to attend, speak and vote at a General Meeting as well as their right to apply for or be granted any loans. Where the suspended Member is a Director or performs some other voluntary role within the Credit Union they will also be suspended from those duties. Where the suspended Member is an employee of the Credit Union consideration will be given to whether it is appropriate to carry out an investigation under the Credit Union's staff Disciplinary Policy.

The investigation will provide the Member or Juvenile Depositor with a reasonable opportunity to address the allegation with the investigating officer. Failure of the individual to engage with this opportunity or to do so timeously will not prevent the investigation either proceeding or reaching a conclusion based on the evidence available.

The results of the investigation will be presented to the **Board of Directors Chief Executive at a duly convened meeting and, following a vote, they will pass a resolution and they will make a decision** which will be limited to the following:

- Dismissal of the allegation and, where appropriate, lifting of any suspension; or
- Acceptance of the allegation and application of the sanction of either (a) expulsion from membership (either permanently or for a specified period of time) or (b) suspension of membership (for a stated period of time); and
- Whether the wrong doing requires to be reported to an external body (e.g. The Police).

Within 5 working days of their decision, the **Board of Directors Chief Executive** will write to the Member or Juvenile Depositor informing them of the outcome of the investigation and, where appropriate, the sanctions applied. The **letter will also provide the** Member will be provided with details of the appeal process and confirmation that the sanctions applied will not become effective until 30 days after the date of posting the letter or until the result of any appeal, **if any, (whichever is the later), during** During which this period the Member will be suspended. **(In the case of Juvenile Depositors, the decision of the Board of Directors is final and there is no right of appeal.)**

Upon receipt of **the letter the notice**, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held at a specially convened meeting **of the Board of Directors** at which the **Chair of the Board, Vice Chair (or another Elected Director) and a member of the senior management team who has not previously been involved with the investigation will be present, and the** Member will also be entitled to attend and be heard. At the conclusion of the appeal there will be a vote **amongst the three Credit Union representatives in attendance (as outlined above) and the Board** they will pass resolution either:

- Overturning the original decision and sanctions;
- Upholding the original decision but amending the sanctions; or
- Upholding the original decision and sanctions.

This decision is final and there is no further appeal process. **The decision will be communicated to the Board of Directors at the next full Board meeting.**

At any time during the above process a Member may withdraw from Membership in accordance with Rule 20.10, and whilst this removes the ability of the Credit Union to apply sanctions, the Credit Union reserves the right to continue the investigation in order to determine whether the allegation was correct and whether it is of a nature which requires to be reported to an external body.

Where a Member is suspended or expelled, the liability remains as per Rule 20.12

Members may also be expelled through Dormancy as defined by rule 20.13.

Members may be summarily expelled from the Credit Union without recourse to appeal if they

- Are known to have or are suspected to have used Scotwest to commit an act of Financial Crime; or
- Have been abusive, aggressive or acted inappropriately towards a member of staff.

20.12 Liability on Cessation, Withdrawal, Suspension or Expulsion

Cessation, withdrawal, suspension or expulsion of a Member from the Credit Union shall not relieve such Member from any liability which existed at the time of their cessation, withdrawal, suspension or expulsion.

The amount deposited by a Member who ceases, withdraws, is suspended or is expelled shall be paid to them as funds become available, but only after all monies owed by them to the Credit Union have been deducted.

Excluding any Member who is expelled through Dormancy (Rule 20.13), any amount due to a Member who ceases, withdraws, is suspended or is expelled shall be repaid within a period of less than 60 days beginning on the day following the expulsion or notice of withdrawal. No payment shall be paid to such a Member unless all of his/her liabilities to the Credit Union have been, or shall subsequently be, fully discharged.

20.13 Dormancy

A share account may become dormant where there have been no Member initiated transactions for the defined dormancy period and the balance of the account is below the defined dormancy threshold for that account type.

Where an account has become dormant, the Credit Union will make a reasonable effort to inform the Member of this fact. In circumstances, however, where the Member has another active share or loan account, the dormant account will be reactivated without Member contact.

At any time an active Member may reactivate their dormant account by carrying out a member initiated transaction on the account.

Should, after a period of six weeks, the account remain dormant and there are no other active share or loan accounts and the aggregate balance of the share accounts is less than £50.00, the Membership shall be declared Dormant and an annual administration fee, at a level as agreed by the Board of Directors, shall be charged.

Where a membership has been declared Dormant, the Board of Directors shall have the discretion to:

- Hold any monies within the account(s) of such Member in a suspense account pending the Member's subsequent withdrawal of their money, or reactivation of his/her Membership;
- and/or
- Expel the Member from Membership of the Credit Union

A member will not normally be expelled through dormancy if they have an outstanding liability to the Credit Union.

The application of annual administration fees shall not reduce the aggregate balance on Members' share account(s) to less than £1.00 in order to ensure that Membership is not terminated by virtue of the application of administration fees alone.

If a Member is to be expelled, a notice of expulsion shall be issued in writing, to the last known address, giving 30 days' notice. The notice of expulsion shall contain information on how to appeal.

Upon receipt of the notice, the Member will have 14 days in which to register that they wish to appeal the decision. If they do so, the appeal will be held within 60 days at a meeting of the Board of Directors at which the Member will be entitled to ~~attend and be heard~~ make a submission to represent themselves. At the conclusion of the appeal there will be a vote and the Board will pass resolution either:

- Have been abusive, aggressive or acted inappropriately towards a member of staff.
- Upholding the original decision.

This decision is final and there is no further appeal process. The Board will write to the Member within 5 working days notifying them of the decision.

30 Governance

30.1 Governance Overview

The Credit Union is a co-operative, owned by its members and run for their mutual benefit. The Credit Union operates a three tier governance structure:

- Tier 1 – The Membership – There are matters reserved for decision by the Membership at General Meeting (Rule 30.2).
- Tier 2 - The Members elect from within the Membership a Board of Directors to oversee and monitor the Chief Executive on behalf of the Membership.
- Tier 3 - The Board of Directors appoint a Chief Executive Officer to manage and run the organisation on behalf of the Membership for their mutual benefit.

The Board of Directors is responsible for maintaining a Delegated Authority policy which provides for appropriate delegation within the framework of these rules and which clearly defines matters reserved for the Membership, matters reserved for the Board of Directors and which clearly states that all non-reserved matters are delegated to the Chief Executive Officer.

30.2 Matters Reserved for the Membership

The following matters are reserved for decision by the Membership in the form of a General Meeting:

- The receipt of the annual accounts and reports of the Board and the auditor pertaining to them;
- Ratification of the appointment of an auditor;
- The election of Directors;
- Ratification of the application of the surplus;
- Changes to the Rule Book

30.3 General Meetings

Member meetings of the Credit Union shall be either in the form of an Annual General Meeting or a Special General Meeting.

At least one General Meeting, in the form of an Annual General Meeting, will be held each year.

Every Member holding at least the minimum shareholding shall be entitled to attend such General Meetings on the production of such evidence as the Board of Directors may from time to time determine.

Each Member of the Credit Union shall hold one vote only irrespective of the size of their shareholding in the Credit Union or the number of accounts held.

The right to vote by a Member shall be held by:

- i. i. in the case of an individual Member, the individual;
- ii. in the case of an unincorporated association, the Designated Representative or Partner;
- iii. iii. in the case of an incorporated body, the Corporate Representative.

A Member of the Credit Union may not vote by proxy at a General Meeting of the Credit Union.

A Member is able to exercise the right to speak and vote at a General Meeting of the Credit Union and is deemed to be in attendance when they and all those attending the meeting are in a position to communicate with each other, which may either be in person or remotely. Electronic voting is not permissible by members not attending the meeting.

Every General Meeting shall have a Chairperson, who shall be entitled to vote. Where the number of votes cast is equal the Chairperson shall also have a casting vote. The Chairperson of the Credit Union shall, if present, take the Chair at general meetings. If the Chairperson is not present, the Vice-Chairperson shall do so and if they are not present then the members of the Board present at the meeting shall elect one from their number to do so.

No business shall be transacted at a General Meeting unless a quorum is present. A quorum shall be the lower of 10 per cent of the membership or 15 Members. If within half an hour after the time appointed for the meeting to commence a quorum is not present then the meeting, if convened upon the requisition of Members, shall be dissolved. In any other case the meeting shall be adjourned until a later date within 30 days of the meeting at which the adjournment took place. The Members present at a meeting so adjourned shall constitute a quorum; however, no business shall be transacted at such a meeting other than the business left unfinished at the meeting at which the adjournment took place.

No meeting shall become unable to conduct business from the want of a quorum arising after the Chair has been taken.

30.4 Special General Meetings

Any General Meeting of the Credit Union other than an Annual General Meeting shall be a Special General Meeting.

A Special General Meeting shall not conduct any business other than that specified in the notice convening it.

A Special General Meeting may be called in one of three ways:

- The Board of Directors of the Credit Union may for good reason convene a Special General Meeting for any purposes including those not specifically provided for elsewhere in these Rules; or
- Upon an application, signed by one tenth of the total number of Members or 100 Members (whichever is the lesser number) delivered to the registered office of the Credit Union, the Board of Directors shall convene a Special General Meeting of Members. The purpose of the Special General Meeting shall be stated in the application and notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting; or

- If, within one month from the date of the receipt of the application (as noted above), the Board of Directors has not convened a Special General Meeting to be held within 6 weeks of the application, any three Members of the Credit Union acting on behalf of the signatories to the application may convene a Special General Meeting, and shall be reimbursed by the Credit Union for any costs incurred in convening such a meeting; or
- The Chief Executive may call a Special General Meeting either because the Board of Directors has broken up or is no longer functioning in accordance with these Rules or, under the auspices of the Credit Union's Whistleblowing Policy, where the Chief Executive believes that the Board of Directors are no longer acting in the best interest of the Membership and has been unable to resolve this matter within the normal management framework.

30.5 Annual General Meeting

The Annual General Meeting shall be held within six months of the end of the year of account at such date, time and place as the Board of Directors may determine by resolution. **This may include electronically by way of a suitable online meeting platform.**

The business of the Annual General Meeting shall comprise:

- The receipt of the accounts and balance sheet and of the reports (if any) of the Board of Directors and the auditor; and
- The appointment of an auditor (subject to Rule 110.3); and
- The election of the Board of Directors (or the results of the election if held previously by ballot) (Rule 40.6); and
- The ratification of the application of surplus (Rule 90.2); and
- The transaction of any other business included in the notice convening the meeting.

30.6 Notice of General Meetings

At least 14 days before the date of a General Meeting, the Board shall cause notice to be made available of the date, time and place of the meeting **(and if being held electronically, meeting registration details).**

Notice of any meeting is given by posting notice in a conspicuous place of business at the Credit Union to which Members have access and by electronic communication, including posting on the website operated by the Credit Union.

In addition, notice in writing shall be sent to the external auditor at least 14 days before the date of a General Meeting.

30.7 Accidental Omission

When notice of a General Meeting has been given in accordance with the Rule 30.6, the accidental omission to give notice to any individual Member or Members or the non-receipt of the notice by any individual Member or Members shall not invalidate any resolution passed or any business undertaken at the meeting.

30.8 Complaints

The Credit Union will maintain a formal written complaints procedure which shall be made available to all Members on the Credit Union website.

The Credit Union shall aim to resolve a complaint and send a final response within eight weeks of the receipt of a complaint (or such other time period as may be prescribed by the Relevant Authority).

If a complainant remains dissatisfied at the completion of the Credit Union's internal complaints procedure, the complainant shall have six months (or such other time period as may be prescribed by the Regulator) from the date of receipt of the Credit Union's final response to refer their complaint to the Financial Ombudsman Service (or any successor body).

40 Board of Directors - Constitution

40.1 Classification of Directors

Members who are elected to the Board of Directors cannot assume their status or role until they have demonstrated that they are fit and proper (see Rule 60.3) and, subsequently, have been certified or approved (as appropriate) under the regulatory regime.

For the purposes of this Rule Book, Members who have been elected but have not yet commenced their term of office are referred to as Elected Directors. Directors who have been elected and who have been certified / approved and their term of office has commenced (Rule 60.1) are referred to as Appointed Directors.

As per Rule 40.7 the Board of Directors has the delegated authority to fill casual vacancies.

For the purposes of this Rule Book, Members who have been selected to fill a casual vacancy but have not yet been certified / approved under the regulatory regime will be referred to as Nominated Directors. Nominated Directors will become Appointed Directors once certification / approval is in.

If an Elected Director or a Nominated Director fails to demonstrate that they are fit and proper (see Rule 60.3) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (Rule 60.1) their election is automatically declared null and void and a vacancy is immediately created.

Directors will be classified as either Executive or Non-Executive Directors. The core duties, authorities and responsibilities of Executive and Non-Executive Directors are identical. Executive Directors are defined as those directors who have taken personal responsibility for prescribed responsibilities under the regulatory regime.

40.2 Number of Directors

The Credit Union shall endeavour to have 9 Directors (The count being made of Elected, Nominated and Appointed Directors).

For whatever reason, should the number of Appointed Directors fall below 5 and, where the Board is of the opinion that there is no prospect within the following 12 weeks that this number will rise above 4, a Special General Meeting will be called to discuss possible resolutions.

For whatever reason (e.g. vote of no confidence by Members at General Meeting), where the number of Appointed Directors falls to zero, the Chief Executive will call a Special General Meeting to discuss possible resolutions. The meeting is to be held within 4 weeks and the Chief Executive will Chair said meeting.

40.3 Nominations Committee

The Board of Directors will form a Nominations Committee with a remit including:

- Establishing and maintaining an appropriate application process for potential Directors;
- Meeting with prospective Directors, informing them of the role and preparing them for potential election;

- Determining the standards of fitness and propriety required of directors and potential directors;
- Determining whether or not a potential director's name should appear on the ballot paper based on whether or not that have demonstrated (or are judged to be capable of demonstrating) fitness and propriety for the role (Rule 60.3);
- Where deemed required, identifying people within the common bond (whether they are currently a member of not) with a skill set which may augment the Board of Directors and encouraging them to stand for election;
- Evaluating the outcome of the efforts to generate interest from new volunteers where this has been delegated to the Chief Executive;
- Annually certifying Directors under the Regulators Certification Regime;
- In exceptional circumstances, recommending that a Director be nominated to serve a further ~~one year~~ period of up to three years immediately after completing two consecutive terms of three years; and
- Where deemed beneficial, inviting ex-Directors to participate in and assist with Directors training activities.

The Nominations Committee will ordinarily comprise of two directors, the Chief Executive and ~~the member of staff with responsibility for regulatory compliance (subject to variation in extraordinary circumstances)~~ the Compliance and Risk Manager. The Chairperson must not serve on the Nominations Committee.

40.4 Eligibility for Nomination

All nominees for election to the Board of Directors must be Members of Scotwest Credit Union.

A Member should not allow their name to be put forward for nomination if they know of any substantive reason why they may not be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator.

A Member may not stand for election if they:

- are an employee of Scotwest (or any other) Credit Union;
- are a Director of another Credit Union;
- are a Director or Employee of a Credit Union Trade Body to which Scotwest is not affiliated;
- are currently subject to Bankruptcy, Sequestration, a Protected Trust Deed or any other legal arrangement, or have been discharged within the last 12 months; or
- have, at any time, been disqualified under the Directors Disqualification Act 1986; or
- have, at any time, been convicted of any offence involving fraud or dishonesty; or
- are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director; or
- by reason that due to their mental health, they are subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have; or
- are unwilling or unlikely to achieve the required level of competence as per Rule 60.3

Where the Nominations Committee, formed under Rule 40.3, believes that a Member putting them self forward for election should not do so under the clauses set out in this Rule, they have the authority not to allow the Member's nomination to be put forward. If the Member wishes to challenge this decision, then the matter will be added to the agenda of the next General Meeting (at which vote will be held to either ratify or overturn the Nominations Committee decision (such a vote being decided by a majority show of hands)).

40.5 Nominations

All nominations for election to the Board of Directors, completed in accordance with the prescribed application process as per Rule 40.3.

Nominations for election to the Board of Directors can be made at any time during the year. Nominations received less than 28 days in advance of a General Meeting will not be considered for that General Meeting but held over until a subsequent meeting.

All nominations for election to the Board of Directors require to be assessed and approved by the Nominations Committee (Rule 40.3) before the nominated person can appear on a ballot paper. The Nominations Committee will only allow a nomination to proceed to ballot if they consider that the nominee meets the competence requirements (as per Rule 60.3) or it is likely that they are able and willing to meet those requirements prior to the period of office commencing.

Where the Nominations Committee does not approve the person for inclusion on the ballot paper they will, on behalf of the Credit Union, offer assistance and guidance as to how the Member can meet the competence requirements in order that their name may go forward to a future ballot.

If the Member wishes to challenge the decision of the Nominations Committee to exclude them from the ballot paper, then the matter will be added to the agenda of the next General Meeting (at which a vote will be held to either ratify or overturn the Nominations Committee decision (decided by a majority show of hands)).

Details of all the nominees for election to the Board of Directors who will appear on the ballot paper will be made publically available on the Scotwest website at least 14 days prior to the General Meeting at which their nomination will be considered and physical copies will be issued along with the ballot papers at the General Meeting itself.

In the absence of extenuating circumstances, all nominees for election to the Board of Directors must attend the General Meeting at which their nomination will be considered (See Rule 40.6 (a)).

40.6 Election Process

Prior to the meeting, the Board of Directors will appoint a Returning Officer (normally an independent person such as the external auditor).

~~Upon arrival at~~ Before the General Meeting, Members will be issued with meeting papers which will include details of those standing for election and a ballot paper.

Prior to the vote taking place the Chair will:

- a. Confirm that each nominee is present at the meeting. If a nominee is not present and the Chair has been advised of extenuating circumstances, the Chair will hold a vote, **the method being determined and advised, in advance, by the Board of Directors based on a show of hands**, as to whether the nomination should be allowed to proceed to or be dropped from the election (if the Chair has not been advised of extenuating circumstances for non-attendance the Chair will advise the attendees that the nomination is withdrawn and that any votes cast for that person will be void); and
- b. Confirm that the nomination has been ratified by the Nominations Committee.
- c. Allow each nominee present to speak to their application. (Where a nominee is not present, no other person will be allowed to speak on their behalf); and
- d. Provide an opportunity for any member attending the General Meeting to state why they believe that any of the candidates are ineligible to stand for election by virtue of the fact that their nomination contravenes any of the Rules or the criteria for a fit and proper person (as per Rule 60.3).

Following which, members will be asked to cast their vote in a secret ballot. (The actual voting procedures being determined, in advance, by the Board of Directors.)

The Member receiving the most votes will be duly elected to the post. Where there is more than one vacancy, the Member receiving the second highest number of votes will be duly elected to the second post and so on until all the posts are filled.

The Returning Officer will announce the result of the election at the General Meeting.

40.7 Casual Vacancies

A casual vacancy on the Board of Directors shall, as soon as is practicable, be filled by co-opting a Member. Having satisfied themselves regarding the fitness and propriety of the Member, the Nominations Committee will propose the co-option and this will be ratified (or otherwise) by a majority vote of the Appointed Directors at an appropriately convened meeting.

Members who have been selected to fill a casual vacancy but have not yet been certified or approved (as appropriate) under the regulatory regime will be referred to as Nominated Directors. They will become Appointed Directors once they have been certified or approved (as appropriate) under the regulatory regime.

In keeping with Rule 60.1 (Terms of Office) a Member may not be co-opted if less than one year has elapsed since they stood down from serving all or part of a second three-year (or **exceptional one year subsequent additional**) term as a Director.

Any Member who is co-opted as a Director shall hold office only until the vesting day following their co-option (see Rule 60.1). Co-opted Directors may stand for election at the Annual General Meeting following their co-option under the Rules 40.4 and 40.5 and are eligible to serve **two a maximum of three** full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1).

50 Board of Directors - Operation

50.1 Management of the Credit Union

Subject to the law, pertinent regulation and these Rules, the Board of Directors shall manage the general business and control of the affairs of the Credit Union and shall be responsible for performing all of the duties ordinarily performed by the Board of Directors.

As per Rule 30.1, the responsibilities of the Board shall be laid out in a Delegated Authority (or like named) policy agreed from time to time by the Board of Directors, which shall be provided to all newly elected members of the Board, prospective members of the Board and any member on reasonable request.

Any changes made to the Delegated Authority document throughout the year shall be reported to the members at the next Annual General Meeting.

The Board of Directors will maintain policies which cover the management of conflicts of interest; director's duties and responsibilities; director's training; director's expenses; and whistleblowing.

50.2 Election of Officer Bearers

a) Executive Directors

Executive Directors are defined as those directors who have taken personal responsibility for prescribed responsibilities under the regulatory regime. The Chairperson and Vice Chairperson of the Board of Directors may assume these prescribed responsibilities and therefore may be Executive Directors.

The Board of Directors shall elect from among its members a Chairperson and Vice Chairperson. No Director can hold the post of Chair and Vice Chair at the same time.

Subject to Rule 50.2 (d) the posts of Chairperson and Vice Chairperson will be held throughout that Directors term (or terms) of office (Rule 60.1)

b) Non-Executive Directors

Non-Executive Directors are defined as those directors who have not taken personal responsibility for prescribed responsibilities under the regulatory regime.

As soon as practicable following the Annual General Meeting, the Board of Directors shall elect from among it a Secretary for the purpose of signing off the Credit Union's annual regulatory return. The Board may also choose to elect other posts as it deems appropriate from time to time.

Unless the Director vacates office or there is a majority vote by the Board of Directors to the contrary, all such elected posts are held until immediately after the next AGM. At the close of the AGM the posts are automatically vacated, triggering new elections.

Unless agreed by the Board of Directors, there is no restriction on the number of times (consecutive or otherwise) any Director can hold any of the elected posts.

c) Voting Rights

Office bearers do not hold any special voting rights other than as noted per Rule 50.10

d) Removal from Office

Notwithstanding the removal from the office of director (Rule 60.7) the Board of Directors may, by a majority vote, remove a director from the office of Chairperson, Vice Chairperson, Secretary or any other elected post as per Rule 50.2(b) in circumstances where the Board of Directors consider that the person no longer retains the Board's confidence in the execution of the role.

50.3 Frequency of Meetings

The Regulator requires that the Board of Directors meet at least once a month.

The Board will normally meet monthly, but may meet more frequently if the needs of the business require it to do so.

50.4 Timing of Meetings

The date, time and place of such meetings shall be decided from time to time by the Board.

All meetings shall be called in such a manner as the Board shall determine.

50.5 Special Meetings

The Chairperson, or in their absence the Vice-Chairperson, may call a special meeting of the Board of Directors at any time.

The Chairperson, or in their absence the Vice-Chairperson, shall call a special meeting of the Board of Directors on receipt of a request in writing signed by at least 3 Directors.

The Chairperson, or in their absence the Vice-Chairperson, shall determine the date, time and place of such a meeting, unless the Board of Directors prescribe otherwise by resolution.

50.6 Quorum

No business shall be transacted at a meeting of the Board of Directors unless a quorum is in attendance (see Rule 50.7).

A majority of the number of the Appointed Directors (see Rule 40.1) at any time shall constitute a quorum.

If a quorum is not present then the meeting will be adjourned to any date not less than 2 or more than 30 days from the day of the meeting at which the adjournment took place. The quorum for such an adjourned meeting shall be 3 Directors or such greater number as the Board may determine by resolution.

50.7 Attendance

A Director is deemed to be in attendance when that person and all those attending the meeting are in a position to communicate with each other.

The Board of Directors may invite non-Directors to attend and participate in all or part of a meeting, however, as per Rule 50.10, only Appointed Directors have voting rights.

50.8 Authority

The authority of the Board of Directors resides within a meeting of the Board which has been properly called and is quorate (Rule 50.6).

Outside of a Board meeting, Director(s) shall only have the specific authority to act in a specified area as may from time to time be delegated within a meeting of the Board of Directors.

In addition, the Board of Directors may delegate any of their powers to Sub-Committees established as provided for in Rule 50.12.

All acts carried out by any meeting of the Board, or of any committees or by any Director acting in pursuance of any authority duly given shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment or qualification of any Director, be valid as if such Director had been duly appointed or qualified.

50.9 Meeting Chair

Subject to any specific provision contained in these Rules, the Chair or, in their absence the Vice-Chair, shall preside at meetings of the Board of Directors.

If 15 minutes has elapsed after the time appointed for the beginning of a Board meeting and neither the Chairperson nor the Vice-Chairperson is either present or willing to act, then, provided the meeting is quorate in accordance with Rule 50.6, the other Directors shall elect one of their number, who is present, to Chair that meeting.

50.10 Voting

A Director is able to exercise the right to speak at any meeting of the Board of Directors at which they attend.

Matters arising at any meeting of the Board of Directors shall be decided by the consensus of the Appointed Directors.

Where either:

- are an employee of Scotwest (or any other) Credit Union;
- where these Rules require a vote; or
- where any Appointed Director requests a vote to be held

a decision will be made by a majority of votes (by show of hand) unless these Rules require otherwise.

Each Appointed Director, including the Chair of the meeting, shall have only one vote on any matter.

Only in the event of an equality of votes, the Chair of the meeting shall have a casting vote

Only Appointed Directors have a vote on any matter. Other meeting attendees (e.g. the Executive, auditors) may be asked to contribute to the discussion but will not have a vote.

50.11 Binding Decisions

The Board of Directors works on the basis of 'cabinet responsibility' and therefore any properly executed decision made by the Board is binding on all of the Directors regardless of either their initial dissent, their abstinence from a vote or their failure to attend the meeting at which the decision was made.

If a Director feels they are unable to abide by a decision of the Board they can:

- Once (and once only) ask that the Board reconsider the decision; or failing that
- Attempt to call a Special General Meeting under Rule 30.4; or
- Resign as a Director.

50.12 Sub-Committees

The Board has the authority to delegate some of its work to Sub-Committees.

Sub-Committees may be temporary or 'standing'.

The membership of Sub-Committees shall be determined from time to time by the Board and shall consist of Directors and other individuals as the Board think appropriate.

Sub-Committees shall have clear terms of reference and conform in all respects to these terms, including any requirements regarding reporting to the Board of Directors.

60 Directors

60.1 Terms of Office

~~Director's terms of office run for three years and commence on the 1st February (the "vesting date"). Elections for vacancies commencing 1st February are held at the preceding AGM.~~

Following successful election (Rule 40.5 and 40.6), a Director will be **ordinarily** appointed for a period of three years commencing the 1st February following the date of election (**the 'vesting date'**). Elected directors can only take up post on the vesting date if they have, to the satisfaction of the Nominations Committee, demonstrated that they are fit and proper (see Rule 60.3) and, have subsequently been certified or approved (as appropriate) under the regulatory regime.

Where fitness and propriety or regulatory certification / approval has not been attained by the vesting date, the appointment will commence immediately once those criteria are satisfied but the total term of office will be reduced in order that it terminates on the third anniversary of the original vesting date.

If an Elected Director or a Nominated Director fails to demonstrate that they are fit and proper (see Rule 60.3) or subsequently fails to obtain certification or approval under the regulatory regime, within three months of the scheduled vesting date (Rule 60.1) their election is automatically declared null and void and a vacancy is immediately created.

At the end of **the first an initial** three-year term, a Director automatically vacates office unless they have stood for election and been re-elected for a second three year term at the preceding AGM.

Any Director who vacates office either at the end of, or at any time during, their second three year term, for whatever reason, may, upon the invitation of the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing the direction of the Credit Union for a period of 12 months from the date of their vacation from office.

As per Rule 40.7 Co-opted Directors are eligible to serve **a maximum of three two** full three year terms following their election at AGM (i.e. the period served as a co-opted Director does not count when applying Rule 60.1) provided that they have not served previously and the period of such service would lead to a breach of Rule 60.1.

~~In exceptional circumstances, a~~ A Director, on the recommendation of the Nominations Committee, may be nominated for a further term of **up to three years one year** immediately after completing two consecutive terms of three years (**and in exceptional circumstances one three year term**). This nomination must be approved by the Board of Directors and the Director would be required to be elected by the membership at the next AGM. Any Director who vacates office at the end of, or at any time during, this **exceptional year's further** term, for whatever reason, may, upon the invitation of the Nominations Committee, participate in and assist with Directors' training activities. They will, however, be prohibited from influencing the direction of the Credit Union for a period of 12 months from the date of their vacation from office.

No Director will be permitted to serve any more than three consecutive terms of three years as an Elected Director.

60.2 Representation

Directors are appointed as individuals and are appointed to represent all of the Members.

Whilst Directors may be associated with a third party (e.g. a corporate member, trade union, etc.) or a sub-group of Members (e.g. work for a Select Employer) they may not either seek election as a representative of that third party nor, following election, seek to represent that interest to the detriment of other members. (See Rule 60.4 Conflict of Interest). Any Director deemed by their peers to contravene this Rule may be considered for removal from office under Rule 60.7.

60.3 Competence

On behalf of the Board of Directors, the Nominations Committee will maintain and implement recruitment, training and competence policies which require Directors to develop and maintain an understanding of the different areas of the business and the main prudential risks and controls to an appropriate standard and to demonstrate their fitness and propriety to hold the role of Director in the Credit Union.

The Nominations Committee will determine:

- A minimal standard of competence, fitness and propriety which potential directors must demonstrate before being permitted to stand for election; and
- A required standard of competence, fitness and propriety (and a personalised development path reflecting this) which potential directors must achieve within a set period following taking up post (and maintain throughout their tenure).

Failure of Directors to either meet or maintain these standards will lead to removal from office as per Rule 60.7.-

~~The Directors in situ at 1st November 2015 will not be required to evidence their compliance with the required standards during their remaining term, however, they will not be eligible to stand for a further term unless they evidence compliance with the standards.~~

60.4 Conflict of Interest

The Board of Directors will maintain a Conflict of Interest Policy and Procedures which provides for the appropriate case-by-case management of any situation whereby a Director could be deemed to have a conflict of interest.

60.5 Vacation of Office

A Director automatically vacates office at the end of ~~their an ordinary~~ three-year term (or ~~exceptional one-year other term as agreed by the Board of Directors~~ term) (see Rule 60.1).

A Director may vacate their office by resigning in writing to the Chair of the Board of Directors (or by such other communication as is appropriate in the circumstances).

Any Director who, without special leave of absence, fails to attend 3 consecutive meetings shall, if the Board of Directors so resolve, be deemed to have vacated their office with immediate effect. Any request for special leave of absence must be considered at duly constituted meeting of the Board of Directors.

At any point during their appointment a Director must immediately resign their post if:

- they cease to be a member of the Credit Union; or
- their Approved Person status is withdrawn or suspended by the Regulator or they know of any substantive reason why they may no longer be regarded as 'fit and proper' to be authorised as an Approved Person by the Regulator; or
- they become an employee of Scotwest or any other Credit Union (with the exception of Rule 60.9); or
- they become a Director or Employee of a Credit Union Trade Body to which Scotwest is not affiliated;
- they become a Director of another Credit Union; or
- are sequestrated, declared bankrupt, enter into a Protected Trust Deed or any other legal debt arrangement; or
- are disqualified under the Directors Disqualification Act 1986; or
- are convicted of any offence involving fraud or dishonesty; or
- are judged by a medical practitioner to be physically or mentally incapable of acting in the role of a Director; or
- by reason of their mental health, become subject to a court order which wholly or partly prevents them from personally exercising any powers or rights which that person would otherwise have.

If any of the above circumstances apply, but the Director either does not, or is unable to resign with immediate effect, the Board of Directors can remove them by a majority vote (see Rule 60.7).

60.6 Suspension from Office

A Director may be suspended from office, pending investigation, by a majority vote of the Board of Directors (see Rule 50.10) if the Board considers that the Director:

- May have materially breached the Credit Union's Rule Book or Policies; or
- May have brought the Credit Union into disrepute; or
- May have failed to adhere to the required standard of behaviour, etc. as required of Directors (see Rule 60.3); or
- May have failed to obtain or maintain the required level of competence as per Rule 60.3
- May have failed to adhere to or have failed to complete the agreed training requirements for Directors (see Rule 60.3); or
- May have breached Rule 60.2; or
- The Board considers that they may have an insurmountable conflict of interest.

The reason for the vote (i.e. the charge) will be fully documented in minutes and the suspended Director will be sent a letter notifying them of the suspension, the charge and any arrangements for the investigation within 48 hours of the vote being taken.

The period of suspension must not exceed 30 days. The Board will immediately commission an investigating team (the composition of which will be agreed as appropriate to each case).

During the period of suspension, the Director, other than providing evidence to the investigation, must not carry out any Credit Union duties, seek to represent the Credit Union in any capacity or seek to influence any other Director, employee or member of the investigating team. Contravention of this could lead to a separate charge and suspension.

No later than 20 days after the date of suspension, the Board will convene a meeting, in the absence of the suspended Director, to consider the findings of the investigation. Immediately following this meeting, a letter will be issued to the suspended Director outlining the findings of the investigation and inviting them to a Board meeting to discuss the findings and to determine the Board's decision. The suspended Director will be given the opportunity to speak at this meeting. This meeting is to be held with 10 days of the letter being issued. Where the proposed date and time of the meeting is not suitable for the suspended Director, reasonable effort will be made to accommodate a change in the date or time subject to:

- If, due to the unavailability of the suspended Director, the meeting cannot be held within 30 days of the date of suspension, then the suspension remains in place until the meeting can be convened; and
- In the event that reasonable efforts to accommodate the availability of the suspended Director do not result in an agreed meeting date within 40 days of the date of suspension, the Board is at liberty to hold the meeting and make a binding decision in the absence of the suspended Director.

If the Board, by majority vote, decides that they are satisfied that the charge against the suspended Director is valid, they will move to remove the Director from office in accordance with Rule 60.7.

Should a Director voluntarily resign during this process, then, with the exceptions of cases which relate to matters which may have to be reported to the police, the Regulator or other authority, the Board may decide, by majority vote, to end the proceedings without conclusion.

60.7 Removal from Office

A Director may be removed from office by a resolution of a majority of the Members of the Credit Union present at a Special General Meeting called for that purpose by the Board of Directors or by the Members or at the Annual General Meeting provided that such a Director shall be given at least 14 days' notice of the meeting and of the intention to remove them from office

The Board of Directors, by a majority vote (see Rule 50.10), may propose to remove a Director from office if:

- The Director has materially breached the Credit Union's Rule Book or Policies; or

- The Director is considered to have brought the Credit Union into disrepute; or
- The Director has failed to adhere to the required standard of behaviour, etc. as required of Directors (see Rule 60.3); or
- The Director has failed to obtain or maintain the required level of competence as per Rule 60.3
- The Director has failed to adhere to or have failed to complete the agreed training requirements for Directors (see Rule 60.3); or
- The Director has breached Rule 60.2; or
- The Board considers that the Director has an insurmountable conflict of interest.

The period between the Board voting to remove a Director and the General Meeting, must not exceed 6 months and during that period the Director is suspended and must not carry out any Credit Union duties, seek to represent the Credit Union in any capacity or seek to influence any other Credit Union Director or employee. Contravention of this could lead to a separate charge and suspension.

60.8 Appeals against Removal from Office

A Director may not appeal a decision made by the majority of Members at a General Meeting where the vote arises under Rule 60.7.

Where a Director wishes to appeal a decision by the majority Board of Directors to terminate their Directorship under Rule 60.5 or 60.7, the Director may appeal this decision to the Members by

- Making an application, under the requirements of Rule 30.4, for a Special General Meeting to be held to consider the termination; or
- Where the Director is unable to meet the requirements of Rule 30.4 and call a Special General Meeting, the Director will have the right to have their appeal heard at the next Annual General Meeting.

The decision made by the majority of Members attending any such General Meeting is final

60.9 Compensation and Expenses

Directors who have taken personal responsibility for prescribed responsibilities or Senior Management Functions under the regulatory regime may be compensated if the Credit Union is unable to fill those roles through the normal election process. Any such compensation will be at the discretion of a majority of the non-Executive directors, arising from a recommendation of the Nominations Committee, and will be explicitly reported in the annual financial statements, which are submitted to the Members at the Annual General Meeting.

The Board of Directors will maintain a Directors Expenses Policy (or other similarly named policy) and Directors will be reimbursed for reasonable out of pocket expenses incurred whilst carrying out their duties.

Where the performance of a Director's duties directly results in that Director losing income, the Board of Directors may determine, on a case by case basis, that such a loss may be classified as an out of pocket expense for the purposes of reimbursement in accordance with the noted expense policy.

Where the performance of a Director's duties directly results in that Director losing income, the Board of Directors may determine, on a case by case basis, that such a loss may be classified as an out of pocket expense for the purposes of reimbursement in accordance with the noted expense policy.

60.10 Confidentiality

A Director of the Credit Union shall not disclose to any person any information regarding any transaction of a Member of the Credit Union except in so far as may be necessary for the proper conduct of the business of the Credit Union, and in keeping with the Statement of Principles of Approved Persons (or any such successor regulation).

On appointment, all Directors of the Credit Union shall sign a confidentiality agreement to ensure the confidentiality of all business conducted by the Credit Union.

60.11 Indemnity

Subject to terms and conditions, any Director of the Credit Union shall be indemnified by the Credit Union against all costs, losses and expenses which such Director may incur or become liable for by reason of any contract entered into or any act or thing done by him or her in discharging their duties as authorised by the Board of Directors, and the Board is empowered to pay the amount of such indemnity out of the funds of the Credit Union.

70 Shares

70.1 Shares

As per Rule 20.2, with the exception of Interest Bearing Shares (Rule 70.3) and Deferred shares (Rule 70.4), deposits made with the Credit Union are in the form of Dividend Bearing Shares. As these shares represent the business' capital as provided by the business' owners, there is no guaranteed or fixed return on these deposits. Instead the owners of the business share in the allocation of the surpluses generated by the business (Rule 90.1).

Unless otherwise prefixed or implied, all references to "shares" in this Rule Book refer to Dividend Bearing Shares.

The nominal value of each share shall be £1.00.

A Member must purchase and hold at least one £1.00 share in the Credit Union.

Shares can be withdrawn subject to the provisions of Rule 70.5.

Shares shall not be transferable and the Credit Union shall not issue to a Member a share certificate denoting ownership of a share.

70.2 Minimum and Maximum Shareholdings

The minimum shareholding required to remain in membership of the Credit Union shall be £1.00.

No Member (excluding Corporate Members) shall have, or claim an interest in, shares held in all accounts in their name in the Credit Union exceeding 1.5% of the total non-deferred shares of the Credit Union. The Board of Directors may from time to time determine a lower maximum, which will be reported to the Members at the next Annual General Meeting.

Where a Member's total shareholdings exceeds the stated limit, for whatever reason, then the Member will be notified in writing asking them to bring their total share balance to within the limit applicable at the time within one month of the date of the letter. In the event that no arrangements have been made within the stated timescale, the Credit Union will make a payment of the excess by cheque to the last known address of the Member.

The maximum shareholding limit of a joint account shall be double the limit held by an individual Member. All amounts held separately in individual and joint accounts shall be amalgamated for this purpose.

Corporate Members shall not have, nor claim an interest in, shares of the Credit Union exceeding 25% (or such other amount as may be prescribed by law) of the total shareholding of the Credit Union.

For the purpose of these Rules, the total shareholdings in the Credit Union shall be taken to be the total non-deferred shareholdings as shown in the most recent annual return to have been sent to the Regulator.

70.3 Interest Bearing Shares

The Credit Union may issue Interest Bearing Shares provided that it complies with the Regulator's requirements regarding the necessary systems and controls and capital requirements and has specific permission from the Regulator to issue such shares.

Where shares are Interest Bearing Shares, the payment of interest is to be treated as a business expense before the calculation of the surplus out of which any dividend may be paid. (Rule 90.1)

Interest Bearing Shares shall not be eligible for a dividend.

The nominal value of each Interest Bearing Share shall be £1.00.

Interest Bearing Shares can be withdrawn subject to the provisions of Rule 70.5.

Interest Bearing Shares shall not be transferable and the Credit Union shall not issue to a Member a share certificate denoting ownership of a share.

When the Credit Union issues Interest Bearing Shares, a Member must be informed that interest, not dividend, will be paid on said shares.

If the Credit Union ceases to meet the criteria to pay interest on shares (and any requirements set by law or the Regulator), their shares will, at sole discretion of the Credit Union, be converted to Dividend Bearing Shares. If a Member's shares are converted to Dividend Bearing Shares the Member must be informed using an operating procedure as determined by the Board of Directors.

70.4 Deferred Shares

The Credit Union may issue Deferred Shares for the purposes of increasing its reserves.

Deferred Shares are issued by the Credit Union under the terms and obligations as set out in an Issue Document.

Deferred Shares may be dividend or interest bearing as defined in the Issue Document.

Upon purchase, the Credit Union shall issue a share certificate showing ownership of Deferred Shares.

For any Deferred Shares issued to a Member the Credit Union must transfer an equivalent amount (in whole pounds) to its reserve account.

Deferred Shares cannot be withdrawn.

Deferred shares are transferable, but only to another Member of the Credit Union using an operating procedure agreed by the Board of Directors.

Deferred Shares may be repayable by the Credit Union but only in the circumstances set out in the issue document.

Deferred Shares do not hold the right to any additional votes in the Credit Union and shall not count towards the required minimum shareholding or the maximum shareholding specified in Rule 70.2.

As per Rule 70.6, Deferred Shares are not covered by the Financial Services Compensation Scheme (or any successor scheme).

70.5 Withdrawal Restrictions

Excluding Deferred Shares (Rule 70.4), Shares may be withdrawn on any day when payment for shares may be made. However, if required, the Credit Union may request up to sixty days' notice from a Member to withdraw shares.

If a Member is in default as a borrower, or a withdrawal of shares would reduce a Member's paid up shareholding in the Credit Union to less than their total liability (including contingent liability) to the Credit Union, whether as a borrower, guarantor or otherwise, the Board of Directors shall have the discretion to consider and refuse a share withdrawal request. This discretion may be exercised through an operating procedure. (Rule 80.5)

70.6 Financial Services Compensation Scheme

Members' shares and Juvenile Deposits are protected by the Financial Services Compensation Scheme (or any successor scheme), subject to the current terms of the Scheme that may be in existence.

Deferred Shares are not covered by the Financial Services Compensation Scheme (or any successor scheme).

80 Loans

80.1 Loans

The Credit Union may make loans to Members eligible to receive them.

No individual under 18 years shall be eligible to receive a loan from the Credit Union.

A Member who holds Deferred Shares in the Credit Union may not borrow on the strength of that shareholding nor use Deferred Shares to guarantee the repayment of another Member's loan.

The Credit Union shall not, at any time, make a loan to a Member if the making of such a loan would bring the total amount outstanding on loans to Members above such a limit as may be prescribed by law or Regulations established by the Regulator.

80.2 Lending Policy

The Board of Directors shall determine from time to time the Lending Policy of the Credit Union which shall apply to all Members.

The Lending Policy shall include clear procedures for the appropriate management of loan applications from directors, approved persons and members of staff of the Credit Union, or from their relatives or family members, in order to ensure that no conflict of interest occurs.

The Board of Directors shall determine from time to time the rate of interest to be charged on loans which shall apply to all Members. The Credit Union will not make a loan to a Director, Officer, Approved Person or employee of the Credit Union, or to any relative or family member of them, on terms more favourable than those available to other Members of the Credit Union.

80.3 Joint Loans

Two Members agreeing to take out a loan on a joint account shall be held jointly and severally liable for repayment of the loan.

80.4 Guarantors

Any Member of the Credit Union can use their shareholdings (excluding Deferred Shareholdings) to guarantee another Member's loan.

As per Rule 80.5, guaranteeing another Member's loan automatically grants the Credit Union rights re the Guarantor's shares, etc. in the event of the default of the loan.

80.5 Repayment of Debts

The Board of Directors is responsible for ensuring that suitable policies and procedures are established to ensure the repayment of all debts due to the Credit Union.

All sums due from any Member shall be recoverable from him or her, their executors or administrators, as a debt due to the Credit Union.

While a Member has a debt, or a debt they have guaranteed, the Credit Union shall have a lien on their accounts; which will allow the Credit Union to offset any sum in the Member's accounts against their debt (See also Rule 70.5)

90 Application of Surplus Reserves

90.1 Calculation of Surplus or Loss

In ascertaining the surplus or loss resulting from the operation of the Credit Union during any year of account, the Credit Union shall apply the pertinent accounting standards as defined by the Regulator, Legislation and the Accounting Standards Board (or any such successor body).

In calculating surplus or loss resulting from the operation of the Credit Union during any year of account, operating expenses will include the payment of interest on Interest Bearing Shares.

90.2 Application of Surplus Reserves

The Credit Union shall establish and maintain reserves in accordance with the prudential rules on capital adequacy established by the Regulator.

The Credit Union may establish and maintain reserves over and above the Regulator's prudential requirements at a level as set from time to time by the Board of Directors.

Following compliance with the capital adequacy requirements established by the Regulator and the Board of Directors and subject to the delegated authority requirements noted below, the Credit Union may allocate any reserves in the following manner:

- a. A transfer to reserves to build the institutional capital base of the Credit Union;
- b. After (a) the payment to Members of dividends on the amount of their paid up Dividend Bearing Shares; and
- c. after (a) and (b), as a rebate of interest paid by or due from Members who have received loans from the Credit Union, such rebate being proportional to the interest paid by or due from such Members during that year of account; and
- d. subject to the delegated authority (below) as a payment for social, cultural or charitable purposes.

Subject to the following delegated authority:

- The Board of Directors has the delegated authority to declare interim and final (bonus) dividends on all Dividend Bearing Share Accounts and to establish differentiated dividend rates on Different Term Share Accounts, subject to any regulatory restrictions on the Credit Union's operations. The dividend rates paid during the year will be tabled at the subsequent AGM, for noting by the membership; and
- Any proposal to rebate interest paid or due for payment on loans will be tabled at the AGM for member approval; and
- Any proposed payment for social, cultural or charitable purposes which is in excess of the lower of £20,000 or 10% of the reported annual surplus before dividend will be tabled at the AGM for member approval. (Approval for any payment for social, cultural or charitable purposes which falls below these thresholds is delegated to the Board of Directors subject to being tabled at the subsequent AGM for noting by the Membership.)

90.3 Application of Dividend

The rates of Dividend are determined by the Board of Directors on a quarterly basis. There is no restriction on the rate of dividend which can be paid.

A dividend due to a Member is calculated based on a daily closing balance of shares held during the period to which the dividend applies.

Dividends are declared and paid quarterly.

Where a Member has left the Credit Union during the quarter, no dividend is payable for any part of that quarter or any subsequent period.

90.4 Payment of Dividend

Subject to the provisions of Rule 80.5, dividends on Dividend Bearing Shares and interest rebates due to any Member will be placed to the credit of their share balance unless the application of such dividend and/or interest rebate would increase their shareholding in the Credit Union to an amount exceeding the maximum shareholding permitted by Rule 70.2, in which case the Member will be asked to nominate an account out with the Credit Union to which the dividend will be paid.

90.5 Dividend on Dissolution

If a decision has been made to dissolve the Credit Union then the dividend payable on Dividend Bearing Shares shall not exceed 8% or any other rate as may be specified by order made by the Treasury.

Any reserves remaining following such a dividend will be applied in accordance with Rule 10.10.

100 Members Accounts

100.1 Inspection of Member Accounts

Any Member or person having an interest in the funds of the Credit Union may, by giving reasonable notice, inspect their own account(s) during office hours at the registered office or at any place where the same are kept.

100.2 Printed Statement of Accounts

A printed statement of account shall be issued to a Member annually where they are not registered for online banking or, where they have, positively elected to receive this. This does not alter a Member's right to request a printed statement of account at any other time.

100.3 Transactions

Any person may pay money into a Member's account on account of shares or a reduction of loan or interest.

Only the Member may enter into a loan agreement or make a withdrawal from their share account

Members may only use their share account on a personal basis, e.g. they must not be used for carrying out business transactions, etc.

As well as formal notices of power of attorney, the Credit Union shall have the discretion to accept an authenticated request in writing from an incapacitated Member permitting a named person to conduct transactions on the Member's behalf. The Credit Union shall take all reasonable steps to assure itself of the validity of each request made in writing and shall be indemnified by the Member in the event of a subsequent dispute.

100.4 Joint Accounts

The Credit Union may offer a joint account facility to Members who are individuals. A joint account shall only be available to two individuals who each qualify for, obtain and continue to hold membership under the Common Bond qualification. The Credit Union shall establish a procedure on the operation of a joint account.

In the event of the death of one of the holders of a joint account, the joint account shall, subject to any contrary written agreement, become the property of the survivor.

100.5 Member Death, Incapacity and Other Claims on Assets

In the event of the death or incapacity of a member or any other claim on their assets, the Credit Union has the authority to pay out to any such valid claim, subject to the satisfactory application of The Credit Union's risk based, operational procedures

110 Regulatory Returns, Accounts and Auditors

110.1 Regulatory Returns

The Credit Union will comply with all Regulatory Return requests.

110.2 Availability of Audited Accounts

The Credit Union will keep a copy of the latest audited balance sheet, together with the report of the auditor, displayed in a conspicuous place at the registered office.

The Credit Union shall make available on the Credit Union's website a copy of the last audited accounts of the Credit Union.

For Members without access to the internet, the Credit Union shall consider any reasonable request to supply a hard copy to the Member (without charge).

110.3 Auditor

A Registered Auditor shall be appointed by the Board of Directors in each year of account to audit the Credit Union's accounts and balance sheet.

The appointment of an auditor shall be ratified by a majority vote of the members at an Annual General Meeting.

The appointed auditor shall be entitled to attend any general meeting of the Credit Union, to receive all notices of the communications relating to any general meeting which any Member of the Credit Union is entitled to receive. They are also entitled to be heard at any meeting which they attend on any part of the business of the meeting which concerns them as appointed auditor.

110.4 Inspection of Accounts

All books of account and other records of the Credit Union shall at all reasonable times be available for inspection by the appointed auditor, internal auditor, Regulator and the Board of Directors and any other independent body as appointed by the Board of Directors for such purposes.

120 Glossary

In these Rules, the following terms shall, unless the context requires otherwise, have the following meanings attached to them:

Note: Words importing the singular or plural include the plural or singular respectively and those importing masculine or feminine include the feminine and masculine respectively.

Appointed Director	A Director who has been elected or nominated and has been approved by the Regulator.
Approved Person	An individual authorised by the Regulator to perform a controlled function within the Credit Union.
Board and Board of Directors	Equivalent to and interchangeable with the legislative and regulatory term "Committee of Management".
Casual Vacancy	A mid-term vacancy on the Board of Directors caused by the death, resignation, expulsion, etc. of a Director
Chief Executive	The Chief Executive Officer of the Credit Union
Controlled Function	Any activity which requires authorisation by the Regulator.
Co-Opted Director	A Director who is appointed via the Casual Vacancy process (Rule 40.7)
Corporate Member	A Member who fulfils the criteria of Rule 20.5
Corporate Representative	The person nominated to represent an incorporated Corporate Member.
Credit Union	Scotwest Credit Union Ltd.
Deferred Shares	As defined by section 31A of the Credit Unions Act 1979
Deposits	As defined by the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 – SI2001/544 (or any successor Act).
Designated Representative	The person nominated to represent an unincorporated Corporate Member.
Different Term Share Accounts	Share accounts which have different conditions regarding either the notice period for the withdrawal of shares or the term of the deposit.
Directly Qualifying Member	A member who fulfils the criteria of Rule 20.3

Director	A member of the Board of Directors of the Credit Union.
Dividend Bearing Share	A share issued on terms which entitle the shareholder to dividend but no interest.
Elected Director	A Director who has been elected but has not yet been approved by the Regulator.
Executive Director	A director who has taken personal responsibility for prescribed responsibilities under the regulatory regime.
Fit and Proper	As defined by the Regulator
General Meeting	A Meeting of Members as per Rule 30.3
Interest Bearing Share	A share issued on terms which entitle the shareholder to interest but no dividend.
Issue Document	The document produced in accordance with any issue of Deferred Shares of the Credit Union which defines the terms and condition of issue.
Juvenile Depositor	A depositor under the age of 16, or 18 if in full time education, as defined by Rule 20.6
Juvenile Deposits	Deposits made or held by Juvenile Depositors
Lien	The right to take another's property (e.g. savings) if an obligation (e.g. loan repayment) is not discharged.
Member	Has the meaning attached to it under Rules 20.1 to 20.8 of these Rules and, unless the context requires otherwise, includes individuals, corporate bodies and designated representatives of unincorporated associations and partnerships.
Nominated Director	A Director who has been nominated and but has not yet been approved by the Regulator.
Non-Qualifying Member	A member who fulfils the criteria of Rule 20.7
Operating Procedures	The Credit Union's internal methodology for conducting its business as applied by its employees.
Partner	The person nominated to represent an unincorporated Corporate Member.

Reasonable Efforts	The level of effort required to satisfy the 'reasonable efforts' criteria is made on a case by case basis by the Credit Union giving consideration to the importance and materiality of the matter in hand.
Reasonable Request	Any request which the Credit Union considers not being mischievous, vexatious, etc. and which will not, in the opinion of the Credit Union, inflict a cost on the Credit Union which is disproportionate to the perceived benefit to the member.
Recognised Supervisory Body	A body authorised to regulate and register Registered Auditors
Relative	As is defined in the Credit Union's Conflict of Interest Policies
Registered Auditor	A firm that undertakes regulated audit work and that is registered with a Recognised Supervisory Body.
Regulator	The Prudential Regulation Authority and the Financial Conduct Authority (or their successor bodies).
Relevant Authorities	The Prudential Regulation Authority and the Financial Conduct Authority (or their successor bodies) or any other such relevant body.
Rule	Any provision within the Credit Union's Rule Book as approved by the Regulator.
Shares	Unless otherwise prefixed or implied, all references to "shares" in this Rule Book refer to Dividend Bearing Shares.
Website	The website operated by the Credit Union with a URL of www.scotwest.co.uk or www.scotwest.scot or other such URL as deemed appropriate.
Writing	The representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

130 Chronology of Rule Book Changes

Amendments to the Rules of the Credit Union have been made as follows:

Date Amendments Approved by Regulator	Details of Amendments
February 1991	Original Version
November 1998	Inclusion of Section 11c
October 2003	Inclusion of CRED
July 2004	Following November 2003 AGM
August 2005	Following June 2005 EGM
June 2006	Following May EGM
October 2006	Following October 2006
March 2012	Following implementation of the Legislative Reform (Industrial and Provident Societies and Credit Union) Order 2011
September 2012	Amendments per agreement with the FSA following the November 2014 AGM
January 2016	Amendments per agreement with FCA following the November 2015 AGM; amendment to Select Employer Partners and inclusion of additional paragraph re Dormancy Procedures
May 2019	Amendment to Named Employers; alteration of minimum age for membership from 18 to 16, and removal of term Young Member; removal of rule 20.7 pertaining to Young Members; renumbering of rules 20.8 through 20.14; amendment to replace term Junior Saver with Juvenile Depositor; additional wording to allow for the immediate expulsion of a member where they have committed fraud or attempted to commit fraud; additional wording added to clarify that a member with an outstanding liability to Scotwest will not be expelled due to dormancy
Jan 2020	Amendments to our named employers in line with our marketing strategy and to incorporate changes in business names; amendments to allow for flexibility in Directors' term limits in extraordinary circumstances; amendment to allow ex-Directors to participate in and assist with Directors' training activities; amendment to account for change in process whereby members who are registered for online banking will not automatically receive a printed annual statement.

Jan 2021	Amendment to Named Employers; expansion to circumstances where members may be summarily expelled for misconduct; clarification around permitted formats and voting arrangements at General Meetings; clarification around members who are excluded from standing for election to the Board of Directors; clarification around circumstances where Directors are required to stand down, particularly as a result of adverse financial issues.
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Signed:

Member Date

Member Date

Member Date

Secretary Date

Thank You

We would like to extend our thanks to all of the stakeholders that we have collaborated with throughout the year.

- The Financial Inclusion Centre
- National Credit Union Forum (NCUF)
- The Building Societies Association (BSA)
- Scottish League of Credit Unions (SLCU)
- Association of British Credit Unions (ABCUL)
- Social Investment Scotland (SIS)



Scottish League
of Credit Unions



Loans ▶ Savings ▶ Mortgages



call
0141 227 2390
or...

...online at
scotwest.co.uk
or...

...visit
**13 Elmbank
Street, Glasgow
G2 4PB**



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