Future Finance

Future Finance –
Technology Insights Series

Challenges and Opportunities for Credit Unions

November 2024

Foreword

We are pleased to present the second report in our Future Finance Technology Insights Series: Challenges and Opportunities for Credit Unions

This series continues to explore the intersection of technology and financial services, offering insights and practical support to help firms, especially credit unions, adapt and thrive in a rapidly changing environment.

Building on the foundation of our first report, the insights of this publication have been developed in collaboration with leaders from credit unions, FinTech specialists, and technology providers leading innovation in the sector. Our aim is to address the specific challenges and opportunities credit unions face, highlighting key tech advancements to drive growth and enhance service offerings.

Our methodology involved engaging FinTechs, Technology providers and credit unions to gain a clear view of the unique dynamics within the sector. By incorporating insights from inside the industry, alongside desk research, we have crafted this report to be both accessible and actionable. This should equip credit unions with the tools to navigate technological change while maintaining their crucial role in local communities, regional economies, and national financial inclusion efforts.

We extend our thanks to all the contributors who generously shared their time and expertise. Their insights were invaluable in shaping this report and deepening our understanding of the sector's needs and aspirations.

We hope you find this report both insightful and practical, and we look forward to our continued collaboration with the credit union community as we advance through the Future Finance Technology Insights series.

Sincerely,

Anthonia Onyeahialam

Senior Research Associate

Felix Honecker

Senior Research Associate

Patrick Ring

Reader in Financial Services

Sharon Collard

Professor of Personal Finance

Future Finance

Contents

Future
Finance

1 Introduction

1.1 Who is this for?

This report is primarily for small and medium sized (SME) credit unions, focusing on challenges and barriers to their operations and services, and identifying technology solutions that address them.

It also offers significant value to community finance organisations who provide ethical financial products and services, support people in financially vulnerable circumstances, or share a similar value system or operating model to credit unions.

Equally, we will share first-hand insights into the challenges faced by community-based financial institutions which will be of value to FinTech and technology providers. This knowledge will likely help guide product design and solutions development to combat the challenges identified.

Lastly, **the government's commitment to establish a national financial inclusion strategy** represents a great opportunity for credit unions to extend the reach and impact of the work they do. Credit unions we talked to highlighted the need for a long-term sector-wide strategic vision, ultimately positioning the sector to deliver innovative solutions appropriate to members' needs.

This report is built upon lived experience and knowledge of Chief Executive Officers, Chief Technology Officers and Chief Marketing Officers of credit unions, technology providers and FinTechs. This is combined with the expertise of the Future Finance team and their further research into the challenges and opportunities facing the sector.

> **Technology in partnership is the key to the success of the credit union sector"**
>
> Sercle

1.2 What you will get from the report

- A summary of challenges specific to credit unions in the UK

- Key technology solutions to identified challenges

- Support available to leverage the technology solutions.

Future Finance

2 The credit union sector in the UK

Future
Finance

Credit unions play a critical role in financial inclusion by offering products to underserved communities. Digital transformation across the sector is leading to:

Improved operational efficiency

Improved accuracy of credit affordability checks

Diversification in payment services

Personalisation of customer services

Addressing the barriers to the full adoption of tech innovation will catalyse the sector to deliver more social good in the form of ethical financial services to the people who need them. Barriers include:

Budgetary constraints

Limited skills set

Trust

Credit unions play a critical role in addressing financial inclusion. By offering more affordable financial products no longer available from traditional banks, they help alleviate the challenges faced by an estimated 7.1 million people in financially vulnerable situations across the UK.

Credit unions are financial cooperatives, owned and controlled by their members, united by a common bond, such as living or working in the same area, working for the same employer, or belonging to the same church or trade union. 390 credit unions registered with Bank of England in the UK operating traditional community-based, live/work credit union. They provide services such as capacity-based lending, transactional banking, insurance and money advice.

320,000 people classed as thin files with no data footprint

5.8 million people with no record of bank accounts

Over 637,000 people classified as credit invisible

1.7 million people have no credit service activity or have a county court judgment for debt

Future Finance

The demand for credit union services across the UK continues to rise. In the last year alone, membership grew by 5.15%, reaching 2.1 million, and loans to members increased by 21.4% to £2,334 million while staff numbers increased by 2.4%.

Credit union member profile challenge

The majority of credit union members are women, over 30, with a low income. While membership is growing, young depositors are in decline, with total income reported in Q1 2024 falling by 5.5%. According to the credit unions we interviewed working with primary schools in operating savings clubs lose their junior members once the kids change schools and close their accounts

"

We have struggled to attract the demography of late teens to mid 20s as savers into the credit union. The last couple of years where we've worked with schools, we've opened school savings clubs, we have a number of those in operation now, and they're run by the kids. But those children don't stay with us as long term members, which is a which is a challenge that we're facing at the moment, after promoting junior savings clubs putting the work in to get the child to join. Once they go onto a different school often, they then close the account, whereas ideally we want those accounts to stay open"

Credit Union

Despite recent growth, could credit unions face an income crisis if their membership does not diversify?

Evidence from our interviews revealed that many credit unions still rely on paper-based and outdated processes for member account management. This leads to challenges in operational efficiency and scaling services making it more difficult to access new customers. The requirement for face-to-face and paper-based banking combined with a lack of online provision reduces the accessibility of those services for an increasingly digital-first banking environment and the expectation of easy access services from potential customers.
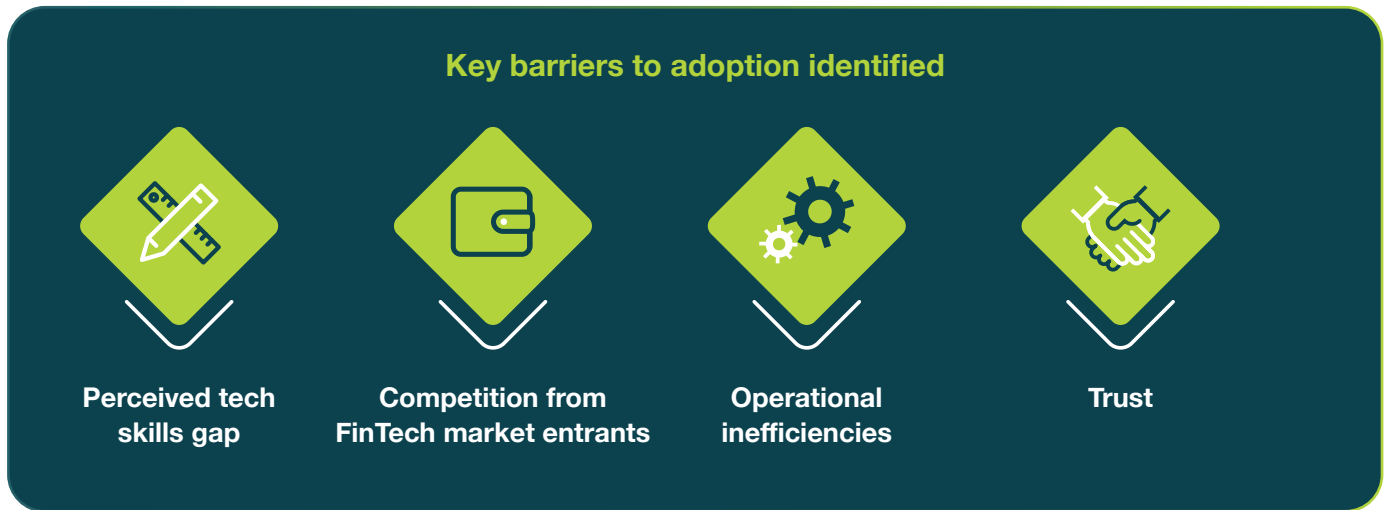
Saving and loan products are collected via local collection points, direct debit or deducted directly from payroll. The loans range from small loans (around £500) to larger ones (up to £5,000 or more) with interest rates from 6% to 42.6% capped APR and repaid within six to 72 months (Money Helper, 2024). Part of the loan repayment may be set aside in a credit union savings account, which becomes accessible at the end of the payment period.

Automating manual processes can help credit unions save time and money to focus on innovation for their members. Technology is available such as open banking, generative AI, blockchain, quantum computing, and collaborative regulatory frameworks to support the credit union sector. While significant tech progress has being made across the sector, from improved access to customers personal financial details, to automation of loan underwriting processes, to improved credit checks, and access to digital marketplaces, significant barriers to greater tech adoption still exist.

Future Finance

3 Key challenges to innovation adoption for SME credit unions

Future Finance

Key barriers to adoption identified

Perceived tech skills gap

Competition from FinTech market entrants

Operational inefficiencies

Trust

3.1 Perceived tech skills gap

Many credit unions we spoke to expressed concerns about their ability to effectively adopt and deploy new technologies, citing what they perceive as a lack of in-house tech expertise. They often feel that without dedicated IT teams or digital transformation specialists, they would struggle to understand and utilise emerging technologies such as AI. This perceived skills gap contributes to hesitancy in pursuing digital innovation, as they worry about their ability to assess the reliability of new solutions, or successfully integrating them into their operations. There is a belief that acquiring the necessary talent would be difficult, given the competition with larger financial institutions and tech firms.

> **I think you'd be surprised about the level of awareness and understanding of technology that exists already about open banking, about AI, it's more about how I access them in a way that's actually feasible for me as a business"**
>
> Credit Union

3.2 Competition from FinTech market entrants

Credit unions are facing increasing competition from FinTech firms offering services that target their traditional customer base. Consumers that previously might have relied on a credit union for smaller loans are increasingly turning to buy-now-pay-later (BNPL) platforms, peer-to-peer lending, and digital-first financial services that are convenient and quick to access. These alternatives provide seamless, app-based experiences that credit unions often struggle to match. The shift is not just about new products but a cultural change in how consumers view financial services, as they expect personalisation, immediate approvals, and minimal friction. Credit unions must now navigate this more competitive landscape without the same resources or agility that many FinTechs possess.

> **The credit union sector needs a leadership that has a long-term strategic vision of the sector and can see the bigger issues such as the need to colloborate, build technology suited for the sector, to build the right technical skill sets and move away from the current cut and paste situation we find ourselves"**
>
> Credit Union

Future Finance

"

Buy now, pay later is currently unregulated and as a consumer credit product, it's grown exponentially. It's now worth £30billion I think. There's three million people using it regularly, offering a huge strategic opportunity for credit unions to capitalise on. There is also the pay advance or earned wage access offered by a FinTech. How do we compete with FinTechs that are backed by venture capital funding in these? Because we need to be positioned from a technological point of view, these are the kinds of challenges we've got"*

Credit Union

Key operational inefficiencies

- Manual processes
- Bumpy member journey
- Legacy systems

3.3 Operational inefficiencies

Credit unions frequently encounter operational inefficiencies, often rooted in manual processes. Manually inputting data – sometimes across multiple systems – leads to slow processing times and higher risk of human error. Moreover, the member journey, from loan applications to account management, is often fragmented, requiring significant paperwork or in-person visits. Even where digital tools are available, such as apps or online platforms, they can fall short of the streamlined, intuitive experiences that members have with other digital services. Additionally, legacy IT infrastructure and limited budgets hinder the ability of credit unions to adopt more agile and automated systems, further impacting their ability to scale. This also constrains their ability to meet the levels of market demand created by the cost-of-living crisis.

"

We still have a reasonable number of phone calls coming in, we have the messaging apps and provide a lot of online access, online signing of documents, and all the loan processes come in remotely through the website. I wouldn't say it's automated decisions, but there's some degree of automation in the process. Members really like the fact that those sorts of things are available, but it's still a bit disjointed"

Credit Union

*Government consultation on BNPL closes November 2024, with regulation anticipated in 2026

Future Finance

Key issues with trust

- Market readiness of technology products
- Capability to innovate
- FinTechs striking a balance between business interest and social good
- Customer trust in technology

3.4 Trust

The credit unions we spoke to expressed a lack of trust in the useability and readiness of existing tech solutions to protect their legacy systems from fraud and cybersecurity issues.

Working with limited budgets, they have adopted a scaled approach to digital transformation, with only parts of their operations digitalised at one time. Smaller credit unions don't want to take the risk of being an early adopter before technologies have been accepted by bigger credit unions, providing the confidence to progress to the next stage of their digital transformation journey. Additionally, credit unions often don't speak 'tech' which can create confusion and misunderstanding when they try to engage with tech providers.

There were also some concerns that FinTech technology providers are currently not regulated to the same degree as the credit unions and other financial services institutions they sell products to.

Finally, despite credit unions having tech solutions for some customer-facing services, many customers still prefer in-branch, face-to-face and relational services. The impact of limited trust and confidence has led to slow tech adoption, meaning that multiple platforms and operational inefficiencies still cause delays in accessing digital customer marketplaces and accessing an increased customer base.

"

It's the technology infrastructure that needs to be regulated, it seems odd because why would a technology provider want to kind of opt into being regulated. But from my perspective, five years down the line, that is exactly where this sector needs it to be. So that you can't get rogue one person operators coming in and going "I've got an even quicker loan application" or a business going burst and unable to continue providing high quality support expected to the credit unions"

FinTech

"

We currently have several different ways in which members can contact us, whether it's online, whether it's through the messaging app or ringing up, email……. some of them will do all four in one go, which can cause some confusion"

Credit Union

"

If you don't know technical terminology, it can be difficult to really understand what things can do. I might be saying something to them and they're thinking it's one thing and you don't necessarily know that you've got a misunderstanding around the terminology until something doesn't go right and then you realise that that was it"

Credit Union

Future Finance

Key issues with budgetary constraints

- Affordability of tech
- Limited incentives available from FinTech/tech providers facing funding challenges

3.5 Technology budgetary constraints

Credit unions we spoke to reported that their loan underwriting time reduced from 5 days to one day, and having more time to invest in customer facing activities.   However, credit unions must self-invest from their own reserves and profits, alongside infrequent grants, and because of this they cannot undertake big digital transformations, typically only implementing small incremental changes. Where purchases need large upfront costs, they use a monthly fee payment model with developmental days built into it. Tech providers often also face funding challenges, and while some enjoy working with credit unions on a basis of ethics and a positive work environment, others will only commit to full solution provision when it is a profitable business case. With credit unions working with limited budgets, they are faced with the dilemma of balancing lack of affordability of digital tools and platforms, with the risk of falling behind optimal tech-enabled services that are more operationally efficient and have access to a wider customer digital marketplace.

> "Yesterday in the morning, the team had 57 loan applications to review. If in the past like in 2020, if we'd had 57 loan applications to review everyone will be working on it including myself as the Chief Executive Officer into the evening and after putting my children to bed until late because we didn't want people waiting for days. This has changed now with technology facilitating it, in a short while today we have already completed 40 plus applications"
>
> Credit Union

> "But yeah, with a limited budget and limited speciality, it can be tricky. It's a bit of an uphill struggle sometimes"
>
> Credit Union

> "Trying to provide technology platforms like a digital marketplace that speaks to financial inclusion issues for credit unions is a challenge. They do not operate like the commercial banks"
>
> FinTech

> "We have built our business around credit unions and how they work. It was really important to us to build a solution which meets their needs. We were especially interested in providing technology to support lending and payments. Credit Unions are providing affordable financial services, and they can only do that if they have access to affordable technology and a low cost of lending."
>
> Incuto

Future Finance

4 Technological solutions to these challenges

We have identified four key technologies that could support credit unions to provide higher-quality and more relationship-based services. These technologies, whilst having varied price points address the barriers highlighted in the previous section.

Alongside identified technologies we signpost to further resources to explore implementation and highlight funded opportunities available through Future Finance to any Credit Union or community finance organisation reading this report.

4.1 **Open banking**

4.1.1 What is open banking?

Open banking allows for financial data to be securely shared between banks and third-party service providers using application programming interfaces, enabling the development of new products and services. From the origin bank account, customers can give access to their account details such as balance, name, regular payment details, transactions histories, fees, overdraft payments, and rewards etc. The data facilitates deeper insights into customers financial health, insights that could empower credit unions to improve on customer's decision-making processes.

Open banking is built on three types of APIs.

Data API

The Data API is used to provide secure and safe read-only access to customer's account information, balances and transaction history. Third parties cannot manipulate this data.

Transaction API

The Transaction APIs allow for transactions such as funds transfer, payments and direct debit set ups.

Product API

The Product APIs enable third parties such as FinTechs to list financial products, comparison websites, digital marketplaces, rates and terms.

> **We've built a technology which basically offers a front, middle and back-office sort of experience. From front end for example, like online banking, a loan application process and all that kind of stuff, middle office services where credit unions can go and transact with a credit bureau and bring back a credit score or open banking that brings back a transaction or makes a payment. In the back-office bit, which is more of the accounting, the ledger is behind it. And so, we've kind of built this infrastructure out, which includes both the technology layer but also the relationships with those third-party providers removing the barrier"**

FinTech

Future Finance

4.1.2 How open banking technology can support credit unions

Our research provides examples of practical ways in which open banking can address some of the pain points currently being experienced by SME credit unions.

Challenge	How Open Banking Can Help
Operational inefficiency, with high risk of human error in the loan underwriting process with potential consequences for decision delays or failed loan applications	With open banking, credit unions can digitalise and automate the loan application process: • **Access to real-time, accurate financial data through connected API on loan applicant's open banking enabled account.** • **Access to customer's data can help build a more accurate and extensive credit history profile to offer more suited products.** • **Automation of the underwriting process facilitated by real-time access to customer's financial data to support instant loan decisions to be made, freeing resources for credit union staff to engage in other higher value work.** • **Improved speed of loan decisions providing the opportunity to compete favourably with high-cost, short-term lenders and protecting vulnerable costumers from illegal lending operations.**
Limited diversity of customer base, who are majority middle-aged female borrowers on low income, and older adult savers. Poor representation of young adults, with consequences for the sustainability of the future of credit unions	• **Access to financial products/services such as digital marketplaces and price comparison platforms provided by third parties like FinTech via the open banking Product API. These platforms provide the opportunity to market products and services to a wider demography of customers.** • **Customer demographic details and income data is an opportunity for FinTechs to design bespoke products targeting the population of interest.**
Managing risky behaviours and facilitating greater understanding of members' financial health	Open banking data can help identify early onset of financial risky behaviours such as frequent gambling activities and payday loan usage. • **By applying analytics to customers personal financial history data, frequency and time of loans, and patterns of expenditures can be revealed to support early intervention support for customers. The data can be built into customer dashboards on an app or online so they can see the impact of their spending behaviour on credit eligibility and expected outcomes.**

4.2 **Analytical AI**

4.2.1 What is analytical AI?

Credit unions of all sizes can leverage AI to go beyond historical data analysis by predicting future market trends, automating decision-making processes, and uncovering customer behaviours previously difficult to identify.

One of the key components of analytical AI is **predictive** and **prescriptive analytics**. By analysing historical data, predictive models can forecast future trends and member behaviours. For example, if a predictive analytics model shows low membership value of 35% at the end of five years, prescriptive analytics can help the credit union evaluate ways to stop the loss of 35% of their customers by incentivising them with targeted products. **Descriptive analytics** is also referred to as reporting to help in summarising and understanding past data.

Future Finance

4.2.2 How analytical AI can help credit unions?

Our research found that credit unions typically face a range of issues that could be addressed through analytical AI.

Challenge	How analytical AI can help
Facilitating member credit affordability checks and payment default rates	Use of predictive analytics to assess patterns found in member's historical and transactional data to identify risks and opportunities to help predict customer behaviours. • **For example, analysing customer financial data can apply a credit scoring model to process a customer's credit history, loan application, customer data, etc. to rank-order individuals by their likelihood of making future credit payments on time.**
A customer base with demography limited to middle-aged female borrowers on low income and older adult savers. Poor representation of young adults has consequences for the sustainability of the sector	Analytical AI applied on financial data and other datasets, as well as digital marketplaces, can help reach more members with greater frequency with a limited budget. It can apply a Member Acquisition Likelihood Prediction model to find potential new members from the data. • **For example, to reach young people and older men, open data and other data from the digital customer market can be applied to match customer specification attributes of interest on the customer's open data to what you know about your existing ideal members. Application of a Member Acquisition Likelihood Prediction model allows targeted personalised marketing efforts based on these identified behaviours to help boost engagement.**

> **Predictive analytics allows credit unions to look at the same loan portfolio discussed earlier and apply statistical models to affect the outcome of their future yield.**

4.3 **Generative AI**

4.3.1 What is Generative AI?

Generative AI (Gen AI) is the subset of artificial intelligence that focuses on creating content from simple data inputs. Unlike traditional AI, Gen AI can produce entirely new content such as text, images, music, video and even code. Some of the best-known generative AI models include OpenAI's ChatGPT-4, Google's Gemini, GitHub's Copilot, Microsoft's Copilot, and image generators Midjourney and Stable Diffusion. These models have been trained on vast amounts of data and can perform a variety of tasks with impressive accuracy and creativity.

Future Finance
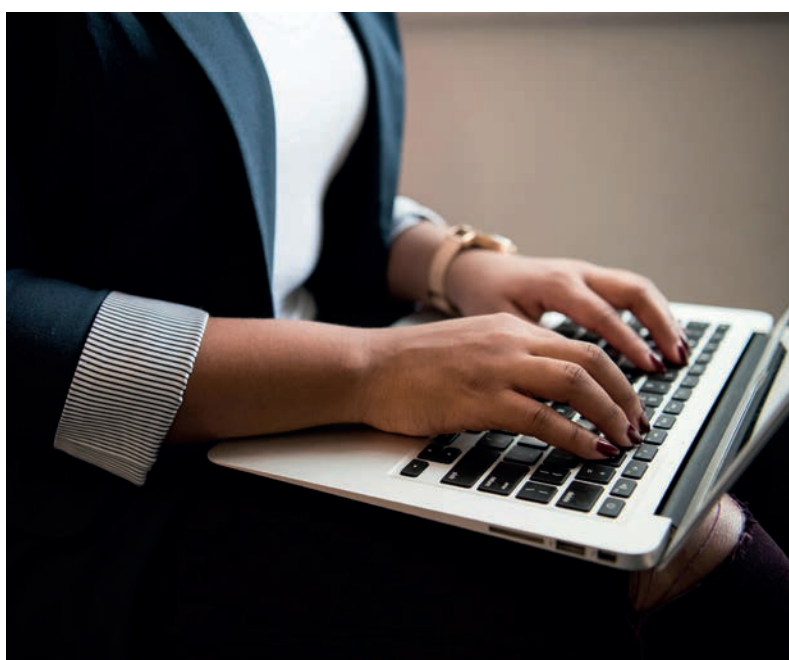
4.3.2 How Gen AI can help credit unions

Our research identified a number of common problems and areas of friction for SME credit unions.
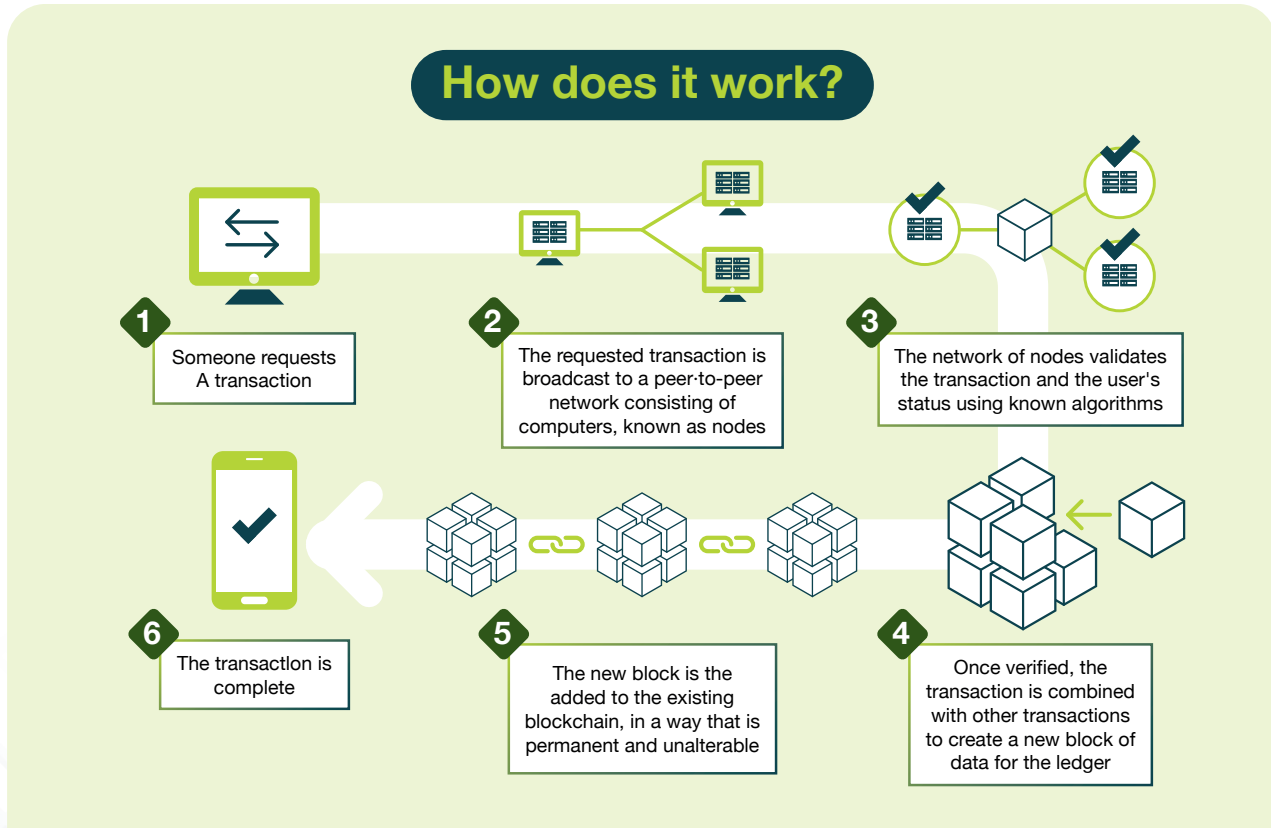There are many opportunities for the capabilities of generative AI to overcome these.

Challenge	How Gen AI can help
Transforming member services	Use of chatbots and messaging apps to engage members, sign documents and respond to queries with the capacity to provide 24/7 assistance regardless of service hours or location. • **The integration of Gen AI chatbots can transform member services. Intelligent virtual assistants can engage in meaningful conversations, handling a wide range of inquiries, from simple account queries to more complex financial transactions.** • **A Gen AI chatbot can be integrated into social media handles to target young people using these channels to access financial advice. This could help attract more young people to join credit unions, revolutionising interactions with members, offering instant assistance, personalised support, and around-the-clock availability.** • **Gen AI tools can support customer assistance processes such as drafting personalised outreach comms in the event of typical issues such as system down time or poor network service. Gen AI can be used to coach the interactions of their customer service agents with customers, both in real time and with post-call analyses.**
Improving operational efficiency	Gen AI can process and analyse large volumes of paperwork associated with operational and regulatory activities, typically undertaken by operational teams. • **During credit decisions and underwriting processes, Gen AI can synthesize diverse financial data on credit union members, review documents and flag policy violations or missing data. It could also draft communications seeking clarification or missing information. Gen AI can compile information about customers, building their credit profile and then draft a memo summary to be reviewed by the operational team. It can be set up to autonomously follow task sequences to extract information from sources, calculate relevant ratios, compare outcomes with typical thresholds, and summarise results in credit underwriting.** • **Gen AI can analyse credit unions regulatory documents and align them with its internal rules. This capability allows operation teams to stay ahead of regulatory changes. For credit unions, this translates to more efficient workflows, reduced risk of non-compliance, and smoother payment processing.**
Fraud prevention and member trust	With increased access to open banking and instant payment becoming more common, a robust fraud detection strategy is required to maintain member trust, particularly amongst those that mistrust technology. • **Gen AI can be effective in identifying and mitigating fraud risks by analysing patterns, detecting anomalies, and assessing transactional data in real time. This ensures potential fraud can be caught before it impacts members.** • **Integrating Gen AI into payment platforms can allow thorough analysis of transactions, identifying irregularities quickly. This is particularly valuable in an environment where fraud tactics evolve rapidly. By combining AI-based fraud detection with the human oversight credit unions excel at, institutions can establish a strong defence against fraud, building even greater trust with their members.**

OpenAI provides so-called "assistant APIs", allowing organisations to easily integrate AI assistants into their existing applications or websites with enterprise-grade security. These AI assistants can leverage the knowledge of ChatGPT to interact with clients or do complex, multi-step tasks. For example, credit unions could build an assistant that retrieves member information from one system or database and prepares it for quick integration into another one.

Future Finance

4.4 **Blockchain**

4.4.1 What is Blockchain?

Blockchain is a distributed database or shared digital ledger technology (DLT) which involves numerous interconnected participants who host and store copies of records. It operates on a decentralised platform, and no single entity holds control, eliminating the need for intermediaries. Instead, transactions are verified and recorded by a network of computers, called nodes, which collectively ensure the integrity and accuracy of the data. This transparency is particularly valuable in financial services, where it can help build client trust by providing clear and real-time access to transaction histories, even where they are across international borders.

How does it work?

1 Someone requests A transaction

2 The requested transaction is broadcast to a peer-to-peer network consisting of computers, known as nodes

3 The network of nodes validates the transaction and the user's status using known algorithms

4 Once verified, the transaction is combined with other transactions to create a new block of data for the ledger

5 The new block is the added to the existing blockchain, in a way that is permanent and unalterable

6 The transactlon is complete

Potential applications

Distributed cloud storage

Current cloud storage services are centralized - thus you the users musl place trust in a single storage provider. With the Blockchain, this can become decentralized, improving security and decreasing dependency on a single provider

Smart contracts

These are legally binding programmable digitized contracts. If two people want to exchange $100 at a specific time in future when a set of preconditions are met, the conditions, payout, and parties' details would be programmed into a smart contract. Once the defined conditions are met, funds would be released and sent to the appropriate party as per terms

Future Finance

4.4.2 How blockchain can help credit unions

Blockchain technology has experienced multiple hype cycles, each promising revolutionary change that largely failed to materialise. High-profile cases of overblown expectations and subsequent disappointments have understandably led to scepticism. However, these setbacks shouldn't overshadow the genuine potential of blockchain.

When stripped of the speculative frenzy, many blockchain-related affordances can offer substantial value to SME credit unions and other community-based finance organisations.

Example

MemberPass: a hassle-free way to control and prove your identity quickly and easily while protecting your personal information

Bonifii, formerly CU Ledger, is a USA company who developed MemberPass® for the credit union sector using block chain technology.

Challenge	How Blockchain can help
Cybersecurity and fraud detection	• Blockchain can serve as a unified ledger for all transactions and records, reducing the need for reconciliations and providing a single 'source of truth.' Real-time updates on the blockchain enable all parties/systems to have access to the most current information, improving transparency and decision-making, while reducing manual data entry. • Blockchain offers a comprehensive risk management system through its distributed ledger with strong encryption, verifying data ownership and integrity more effectively. For credit union members who access online services on mobile apps, it can even eliminate the need for some passwords, which are frequently described as the weakest link in cybersecurity.
Operational efficiency	Blockchain is based on digital ledgers and can remove the need for laborious record keeping, intensive reporting and other manual tasks. • With blockchain, a person's financial information from different third parties can be tied together through digital currency and assets in a secure way to better understand credit history and conduct affordability checks. It can speed up and condense a currently multistep process, reducing paperwork, with the potential to lower costs, especially once all financial transactions from multiple sources use the digital ledger system.
Addressing regulatory barrier restrictions and compliance	• Blockchain applications can store verified KYC information and serve as a digital ID, reducing the time and cost associated with identification and verification processes by eliminating repetitive checks (e.g. with different providers). • In the future blockchain could automate regulatory reporting by providing real-time access to required data, ensuring continuous compliance without manual intervention. It will raise confidence, protection and trust for members, helping regulators and technology providers and credit unions in providing protected services to the most vulnerable.
Improving financial inclusion	• With the increased emergence of digital nomads, credit invisible, and migration of people, blockchain can help track fraudulent payment and financial history of members. This will be particularly relevant for recent migrants whose financial footprints can include international remittances irrespective of countries. This reduces the risk of becoming credit invisible, a barrier often associated with underserved communities.

Future Finance

Successful tech adoption requires:

- Strong data governance frameworks
- Budget
- Staff Training
- Innovation culture
- Member-centric focus
- Trust

The shortcomings of generative and analytical AI are the reliance on clean, accurate, and well-governed data, without which AI systems will produce unreliable or biased results. For credit unions to truly harness the benefits of AI in compliance, fraud detection, and member services, investing in strong data governance frameworks is essential. This will ensure the effectiveness of AI initiatives, while maintaining the trust and integrity that are the hallmark of credit unions.

Another challenge credit unions are likely to face is integrating these advanced data management tools with their existing legacy systems. Addressing the technical hurdles and investing in staff training is crucial for a smooth transition.

The security of members personal information and compliance with GDPR issues remains a security concern in many credit unions who still operate legacy IT systems. Blockchain for credit unions can reduce these vulnerabilities, by providing strong encryption, and effectively verifying data ownership and integrity. It can even eliminate the need for some passwords, which are frequently described as the weakest link in cybersecurity and fraud leakages.

Learn more about creating integrated AI assistants.

Future Finance

5 Further Support

If you would like further information on this White Paper and the tech that's described in it, please contact Future Finance on **hello@future-finance.tech**

Scan this bar code for access to Future Finance FinTech Ledger which hosts information and contacts of FinTechs and Technology companies with capacity to implement suggested technologies.

Future Finance

5.1 Future Finance

This report was developed by Future Finance, a UKRI and ESRC funded project supporting organisations in the UK financial service sector to adopt innovative processes and products, boost their productivity, and improve the accessibility of their services.

The project is part of a wider programme called Next Generation Professional and Financial Services, delivered by Innovate UK and the Economic and Social Research Council. This programme has a specific focus on credit unions, helping them to identify opportunities to adopt innovative products and processes.

5.1.1 Future Finance Accelerator

At the heart of Future Finance is the delivery of a financial services accelerator, a comprehensive and tailored programme of support, accessible by financial service organisations and FinTechs across the UK offering:

Networking and match making events with financial services & FinTechs	Open, and online training and resources	Bespoke & tailored, in-person training & coaching programmes	1:1 support from advisers in financial regulation, IP, tech & more	Funded consultancy to prepare for tech implementation	Discounts & offers from partners such as AWS, Dell, HubSpot & Xero

Our main goals

Support financial service organisations to adopt innovations or technologies

Work with FinTechs to create new & equitable solutions

Increase access to financial services for underserved communities

Who is it for?

The Future Finance Accelerator is open to:

> Financial services
> Financial technology organisations

We invite stakeholders from across financial services to participate in networking events and research activity, and to engage with our insights and publications as they become available. Our stakeholders include:

> Local, regional or national government and policy officials
> Community organisations that support individuals with access to finance and financial inclusion
> Academics from across relevant expertise areas
> Network organisations in Financial Services and FinTech

Join the discussion on the Future Finance Network!

5.1.2 Research support and activity

- Case studies and impact stories
- Semi-structured one-to-one interviews
- Collaborative Challenge Programme

Future Finance

5.1.3 How to get involved with Future Finance

BOOK A MEETING

to learn more about the project and explore opportunities to get involved in our research.

BECOME A MEMBER

of the Future Finance Network to get access to our Innovation Potential Diagnostic Tool and tailored Accelerator resources.

5.2 Knowledge transfer partnerships

Knowledge Transfer Partnerships (KTPs) is funded by Innovate UK and is dynamic collaboration between the business and academic worlds to help drive innovation. It links forward-thinking businesses with the UK's world-class knowledge bases to deliver innovation projects led by inspired graduates.

Each dynamic collaboration is made up of three partners across business, academic and graduate who work on a piece of innovation, with delivery lasting between 12 and 36 months.

How to access KTP Support
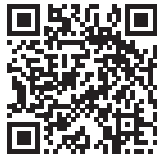
5.3 University of Bristol funding

Learn about collaborative and business opportunities in innovation with the university.

5.4 FinTech communities

To learn more about technology start-ups and the expertise available in the UK (specifically in the FinTech clusters in Scotland, and the Southwest of England and Wales), you can reach out to the Future Finance team or its strategic partners:

FinTech West | **info@fintechwest.co.uk**

FinTech Scotland | **info@fintechscotland.com**

Fintech Wales | **info@fintechwales.org**

FinTech North | **info@fintechnorth.uk**

Future Finance

6 Project Partner Network

University of **BRISTOL**

University of Glasgow

GCU Glasgow Caledonian University
University for the Common Good

UWE Bristol | University of the West of England

FinTech West

GREAT WESTERN CREDIT UNION

Burges Salmon

FinTech Wales

HARGREAVES LANSDOWN

Deloitte.

FinTech Scotland

FINTECHNORTH

NatWest

SETsquared PARTNERSHIP
Universities of Bath, Bristol, Cardiff, Exeter, Southampton & Surrey

techSPARK*
All things tech in the west

7 With thanks to the credit unions and FinTechs who participated in this whitepaper

- Alternative Business Funding
- Choose Wisely
- Coop Cooperative
- Cooperative Credit Union
- Glasgow Credit Union
- Great West Credit Union
- Haboo Money
- INCUTO
- Just Cooperative
- Metro Money Wise
- Sercle
- Zooblin

8 Endnotes

Bank of England. (2024). "Supervision: Credit unions." from https://www.bankofengland.co.uk/prudential-regulation/supervision/credit-unions

Beardmore, D., J. Cousins, M. Roets and J. Turner (2018). The future of banking is open: How to seize the Open Banking opportunity.

Biswas, S., B. Carson, V. Chung, S. Singh and R. Thomas. (2020). "AI-bank of the future: Can banks meet the AI challenge?" Retrieved 2nd November, 2024, from https://www.mckinsey.com/industries/financial-services/our-insights/ai-bank-of-the-future-can-banks-meet-the-ai-challenge.

Collard, S. and K. Cross (2022). Credit unions and gambling: a practical guide to support members.

Cotto, E. (2024). "How Blockchain Can Benefit Credit Unions." May 2024. Retrieved 2nd November, 2024, from https://www.big-fintech.com/Media/BIGNEWSOLD/ArticleID/1357/How-Blockchain-Can-Benefit-Credit-Unions.

Maggs, D. and K. Verhaaf. (2024). "How might blockchain technology transform financial services?" Retrieved 2nd November, 2024, from https://www.lloydsbankinggroup.com/insights/how-might-blockchain-technology-transform-financial-services.html.

Marcus, H. (2024). "3 Ways Banks and Credit Unions are Innovating with AI." Retrieved 2nd November, 2024, from https://www.evisort.com/blog/3-ways-banks-and-credit-unions-are-innovating-with-ai.

Reed, H. (2023). "Predictive analytics for credit unions: Real life examples of AI-powered marketing." Retrieved 2nd November, 2024, from https://www.cuinsight.com/predictive-analytics-for-credit-unions-real-life-examples-of-ai-powered-marketing/.

Sheike, Y. (2024). "Rethinking Cybersecurity Through Blockchain." Retrieved 2nd November, 2024, from https://www.infosys.com/insights/cyber-security/cybersecurity-blockchain.html.

Stripe. (2024). "Open banking explained: What it is and how it's changing financial services." Retrieved 2nd November, 2024, from https://stripe.com/gb/resources/more/open-banking-explained#