



Centre for
Alternative
Technology

ETHICAL FINANCE

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Ethical Finance

When you put your savings into a bank you are giving them authority to lend this money out to others. A growing number of people want to ensure that their money does not help to fund non-ethical enterprises. For example they may object to companies involved in the animal testing of cosmetics, the sale of arms to oppressive regimes, the extraction of fossil fuels, pornography or the manufacture of tobacco products.

There have been reports, in Ethical Consumer Magazine and by the Ethical Investment Research Service, highlighting the differences between various high street banks and building societies. Ethical Consumer Magazine concludes that the 'Best Buys' for current accounts are the Co-operative Bank and some mutual building societies.

Ethical banking and investment

The Co-operative Bank has a unique approach of refusing to deal with certain types of company and have a clearly laid out ethical policy to reflect this.

Most mutual building societies (for example the Coventry, Yorkshire, Leeds & Holbeck and Portman) do not lend to commercial companies but only to private individuals so you do not run the risk of having your savings being invested into unscrupulous businesses.

The Ecology Building Society uses deposited money to grant mortgages on properties and projects that help the environment. Examples of projects they have assisted with are listed on their website and include Undergrowth Housing Co-operative, which has close links with CAT. Undergrowth have used their mortgage to

develop a housing co-operative that searches for practical solutions for a sustainable life.

Shared Interest Society is a co-operative lending society that is part of an international network of fair trade organisations which lend money on fair terms to Third World producer groups.

Aside from the high street banks and building societies there are other options for socially responsible savings.

Triodos is an ethical bank that only lends to projects and enterprises that create social and environmental value. This includes such issues as renewable energy, social housing, fair trade and organic food & farming.

Although they do not run current accounts for individuals they have a variety of savings accounts including some where the saver chooses what type of project their money is funding. For example savings with the Earth Saver Account are lent solely to renewable energy and energy conservation projects. This account is run in conjunction with Friends of the Earth and other accounts are run in partnership with the Soil Association, Churches National Housing Coalition, The Friends of the Western Buddhist Order and Quaker Housing Trust so that you can choose which area your money supports.

Credit Unions

If you would prefer to see your savings invested locally then joining a Credit Union may appeal to you. These are co-operative, non-profit making, financial organisations owned and run by their members, for their members. Uniquely membership is based on a 'common bond'. This means that all members have a link - perhaps they all live or work in the same area. Because they are

non-profit making any interest created from loans is returned to the investor in the form of an annual dividend and money saved is protected on the same terms as money held in banks and building societies.

Credit unions are active in over 80 countries with over 100 million members worldwide. In Ireland half the population are members resulting in mainstream banks closing their branches in many towns. Credit unions are an effective way of widening access to affordable credit and savings opportunities to those who cannot or do not want to deal with more conventional institutions, such as banks.

In the UK you are currently allowed to deposit up to £5000 with a credit union. Instead of receiving interest a dividend is given at the end of each year. The size of this depends on the amount of savings you have, at present the law permits up to 8%.

In the future it is hoped that Credit Unions will be able to offer a range of savings accounts paying different dividends depending on the terms of the account. A perk of saving with a Credit Union is that there is free life insurance - in the event of your death an appointed beneficiary will receive an amount equal to the amount of your savings.

You can withdraw money from your account whenever you wish, however they often recommend that you take out a loan instead which ensures that you remain eligible for future loans and dividends as well as keeping your life assurance benefits intact.

Borrowing money from Credit Unions is both simple and economical. By law they are not allowed to charge more than 1% interest per month (12.68% APR) and often charge less than this. The rules governing these loans are a lot clearer than with more conventional loans. There are no hidden costs, arrangement fees or penalties if you chose to pay off your loan early. Loans are nearly always covered by free insurance so that, should you die, your family does not inherit the debt. They are also flexible with repayment arrangements. It is the simplicity of their loaning system that makes Credit

Unions such an attractive alternative for many people.

Further information & contacts

CAT Course '**The Economics of Sustainability**' examines how economics can promote sustainable communities. Looks at co-operatives, fair trade, social enterprise, community currency, and more.
Tel: 01654 705981; www.cat.org.uk/courses

Ethical Consumer Research Association

Tel: 0161 226 2929

Web: www.ethicalconsumer.org

'Ethical Consumer' is a bi-monthly Which?-style guide to ethical shopping.

Ethical Investment Research Service

Tel: 020 7840 5700; Web: www.eiris.org

Independent research organisation providing information on corporate behaviour to ethical investors.

Co-operative Bank *Tel: 08457 212 212*

Web: www.co-operativebank.co.uk

Their ethical policy states who they will and won't do business with. Offer current accounts, savings and investments, mortgages, loans and credit cards.

Triodos Bank *Tel: 0117 973 9339*

Web: www.triodos.co.uk

Lends only to projects and enterprises that create social and environmental value, in fields such as renewable energy, social housing, fair trade, complementary health care, organic food and farming. Provides microcredit in developing countries.

Ecology Building Society

Tel: 0845 674 5566; www.ecology.co.uk

Savings accounts and green mortgages for ecological new builds, renovation of run-down or derelict properties, small woodlands and organic smallholdings.

Association of British Credit Unions

Tel: 0161 832 3694; Web: www.abcul.coop

Information and news about credit unions in England, Scotland and Wales.

You can also contact the **CAT Information Service** with any further questions.

Tel: 01654 705989; email: info@cat.org.uk