

“CUSSCO” CREDIT UNION COOPERATIVE SUPPORTS SCOTLAND WITH TCS BANCNS

To prepare for intensified competition with the U.K.'s largest financial institutions, two of Scotland's leading credit unions formed a cooperative venture, Cussco, to serve Scotland's vibrant credit union market with a flexible solution powered by TCS BANCNS.

By **Frederick Paul Haffern**, Solution Sales Executive, Tata Consultancy Services



Left to right:
Shashank Shinde, TCS FS Consultant;
Peter Ryan, Programme Director, Cussco;
Mayanka Dewanji, Programme Director, TCS;
Paul Haffern, TCS Financial Solutions

The credit union movement has taken an exceptionally strong hold in Scotland, which has 115 credit unions serving a population of five million. In Glasgow, Scotland's largest city, 1 in 5 people are credit union members, compared to just 1 in 70 for Great Britain as a whole.

UK credit unions are co-operative financial institutions that traditionally serve members sharing a common bond, whether defined by workplace or profession. Over the past decade, they have gained the additional power to transform their charters to become community-based credit unions serving larger geographic areas.

Capital Credit Union was formed in 1989 to serve government employees in Edinburgh and their families. Capital CU expanded in 2003 to cover the Lothian region and the southern border area of Scotland, and now has 17,000 members. Sixty percent of those members still fall within the original charter for government employees, with the other 40 percent representing new growth from the community-based charter.

Glasgow-based Scotwest Credit Union, founded in 1991 as a civic-based credit union, similarly expanded in 2005 to serve those who live and work across the diverse western lands of Scotland ranging from Oban in the north to Ayrshire in the south. "Our community covers quite a large geographic area, from the population living in or near Glasgow to people in island towns in outlying areas that can best be reached by small plane," says Rod Ashley, the chief executive of Scotwest Credit Union which now serves 26,000 members.

Scotwest Credit Union's successful outreach to customers outside of areas served by mainstream banks points to another similarity linking the two credit unions – their focus on serving the underbanked. In 2008, Capital CU signed a contract with the Department for Work and Pensions, a UK government entity responsible for welfare and pension policy. "In just three years, we've admitted into membership 2,500 people who were previously unbanked, with little or no access to mainstream financial services," says Marlene Shiels, CEO, Capital Credit Union, and a member of the board of directors for the World Council of Credit Unions (WOCCU). "We're managing £20 million in assets on behalf of those members."

Together, Scotwest Credit Union and Capital Credit Union reach 60 percent of Scotland's population. "The growth potential is absolutely enormous," says Shiels.

Yet the loosening of geographic restrictions means that other credit unions are increasingly able to move into the home territories of Scotwest Credit Union and Capital Credit Union. Furthermore, with the recent push to "ring-fence" retail banking away from investment banking, the UK's large "High Street" banks are expected to intensify their focus on traditional retail banking products. From these factors, the next few years promise increased competition across the UK retail banking sector, with consolidation among credit unions a likely outcome.

One mitigating factor is that credit unions will have the ability to compete across a greater range of products and services. "As a savings and loan organisation, we have always competed with the High Street banks, but we are very curtailed by legislation in the type of products and services that we can offer," says Shiels. "The legislation is expected to change in 2012, and those changes will allow credit unions to compete with the banks and building societies with a wider range of offerings."

To prepare credit unions for the emerging marketplace, Capital Credit Union and Scotwest Credit Union joined forces in 2007 to build a new technology infrastructure. With the help of Co-operative Development Scotland, a subsidiary of Scottish Enterprise, Scotland's main economic development agency, the two credit unions became founding members of Cussco, a co-operative for credit unions.

The two credit unions had been using systems typical of those used by most other Scottish credit unions – technology from small, local providers predominantly focused on serving small and simple credit unions without the appetite to expand. "We were curtailed to an extent by the smaller credit unions and their needs," says Ashley. "We needed to move to a bigger supplier who could offer us far more in the way of IT support, services, and benefits we could then pass straight back onto the members."

A SUCCESSFUL SEARCH

Inspired by a modern core banking system being demonstrated by a credit union at a 2007 banking conference in Canada, the CEOs of the two credit unions began a worldwide search for a new solution. “We brought in consultants to write the RFP and to ensure that we spoke to the right companies around the world who could help us meet our business needs and business requirements,” relates Shiels. “That whole process took us over two years, and it was a very robust process.”

The international search led to TCS BANCUS, which in addition to powering some of the largest core banking implementations in the world (e.g. State Bank of India with over 18,400 branches) also supports credit unions and smaller financial institutions. “From the very first encounter with TCS, it was very clear that the organisation understood our strategic direction and wanted to work with us to ensure that we could achieve it,” says Shiels. “We have similar cultures, sharing the common goal of delivering what is best for the customer, or in our case, our members.”

The cultural fit with TCS held great appeal for the leadership of the member-focused credit unions. “The overwhelming thing that set TCS apart from the other competitors was their absolute commitment and belief in the project,” says Ashley. “We always got the impression that we were part of something bigger, part of their community, and that we had a definite commitment on their part.”

That commitment was put to the test when, at a late stage, Cussco went through a fundamental reconstitution, creating a set of new and very challenging demands surrounding the financial arrangements between TCS and Cussco. TCS worked closely, openly and quickly with the Cussco executive team in recognizing the severity of the impact and in creating a new arrangement which accommodated the new challenges.

“When we hit that major bump in the road, TCS and everybody who was involved at the time went above and beyond to make it work, and for that we are extremely grateful,” says Shiels. “It would have been very easy for many companies to walk away, but TCS offered to do what they needed to help us meet our goals and our social responsibilities to members.”

“That bump in the road was the turning point, where we saw the strength of TCS, and the kind of organization that really cares and understands our role in the community,” adds Shiels.

RAPID IMPLEMENTATION

The implementation began in June 2011, involving four full-time, on-shore people from TCS commencing with the initial analysis and design.

By adapting the credit unions’ workflow to meet the capabilities of TCS BANCUS, Cussco sidestepped a common problem often seen elsewhere in the industry. “In our research, we discovered that some credit unions would select a system and then try to rewrite it,” says Shiels. “We were very clear that we didn’t want to do that.”

“Generally, the approach has been to minimize the development effort, and so we are using most of the functionality that exists within TCS BANCUS,” says Peter Ryan, Program Lead, Cussco. “Other than a few reports necessary for the local market and some changes to accommodate FSA regulatory requirements, we’re just using the standard TCS BANCUS system.”

Cussco plans to “go live” by the end of March 2012 – just nine months following the contract signature. Considering that the deployment involves a complete IT systems replacement allied to significant changes in workflow and process, this represents an aggressive and rapid timeframe.

“For the initial launch we’ll support the existing products for both credit unions,” says Ryan. “Beyond the launch, we’ll be able to introduce new products made possible with the new solution.”

The staff were encouraged from the beginning to take a participatory role in the deployment, enabling the credit unions to become familiar with the expanded business possibilities afforded by TCS BANCUS. “TCS made a great effort to bring people in early with positive participation,” says Ashley. “People are excited about the implementation, and they’re coming forward with ideas, such as targeted marketing, for how they can improve the business.”

“From the outset, we’ve been getting the staff to help shape the system, and that has worked very well in our favor,” adds Shiels. “This is such a big change for us that it could have been quite traumatic for the staff. Because of the way that TCS handled it, the staff are really on-board and welcoming of the new changes.”

The close cooperation between TCS and the credit unions’ respective staff fostered a feeling of shared purpose and values between the two organizations. “I’m really pleased with the TCS consultants,” says Ryan. “It feels like we’re all part of one team, rather than having a credit union side and a TCS side.”



Marlene Shiels, CEO of Capital Credit Union

AT A GLANCE

Company: Cussco Ltd., founded by Capital Credit Union Ltd. (Edinburgh) and Scotwest Credit Union Ltd. (Glasgow)

Business Challenge: To build a cooperative supporting Scottish credit unions with modern core banking services offered through a hosted service.

Solution: TCS BANCNS Core Banking



Rod Ashley, CEO of Scotwest Credit Union



FAST FACTS

- Capital Credit Union has over 17,000 members, over 40 sponsoring employers, and an asset base of almost £20m. It is the 3rd-largest Credit Union operating in Scotland and the 5th-largest Credit Union operating in the UK.
- Scotwest Credit Union was established in 1991 and with an asset base of over £40M, over 26,000 members and over 90 sponsoring employers is one of the largest credit unions in the UK.

OPENING FOR NEW BUSINESS

Upon deployment, TCS BANCNS will provide Cussco member credit unions with new workflow capabilities that will generate immediate cost savings. "In our current system there's no workflow management, which makes the system very manual and resource intensive," says Shiels. "TCS BANCNS is very flexible, with built-in workflow tools that will immediately generate operational and resource benefits."

These improved workflow tools will prove extremely useful with the rollout of new regulations, such as the UK Government's Universal Credit initiative, whereby individuals receiving social benefits will be paid a single lump sum rather than a series of individual benefits. In turn, credit unions will have to disburse this single benefit across multiple accounts held by an individual. Doing so will prove a taxing operational challenge for organizations that lack the workflow capabilities of TCS BANCNS.

Another expected outcome from pending regulations is that credit unions will gain the ability to serve business customers. "TCS BANCNS will allow us to serve completely different markets with the appropriate products and services, while ensuring that we get it right the first time from an operational standpoint," says Shiels.

The rapid design and launch of new products will become

strengths of the rejuvenated credit unions. "With our old systems, the High Street banks are light years ahead of us in terms of speed to market and flexibility," says Ashley. "TCS BANCNS will make us competitive from both time-to-market and functionality perspectives."

After going live with Capital Credit Union and Scotwest Credit Union, the larger vision for Cussco is to operate in a shared services model in support of other Scottish credit unions.

The reality is that not all of Scotland's credit unions, many of which have fewer than 3,000 members, will be able to stay viable as independent entities in the coming years. "If a credit union comes to the end of the road, whether due to larger economic factors or even personal reasons such as volunteer burnout, we will make it possible for them to transfer their accounts to the Cussco solution, enabling them to maintain their own branding and customer service without the burden of operational maintenance," says Ashley.

"I'm already looking further down the line thinking about other projects that we're likely to do following the implementation," says Ashley. "This is definitely a partnership we value for the future, and we look forward to keeping it together over the long term."

"TCS has been helpful with us managing this project, while also making sure that we've developed a roadmap for the future," Ryan adds. ■