

MCF Loans™

Midlands Community Finance

# Annual Report 2009



accessible

affordable

community development finance



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## supported by

Alliance for Enterprise  
 A.W.M – Advantage West Midlands  
 Barclays Bank  
 B.E.S - Business Enterprise Support  
 CDFA (Community Development Finance Association)  
 Chesterfield Credit Union  
 Community Enterprise – Derby  
 Corby Borough Council  
 Corby VCS  
 Cross Keys Homes  
 Derby and Derbyshire Economic Partnership  
 Derby Homes  
 Derby Housing Options  
 Derwent Living  
 East Midlands Development Agency  
 East Midlands Financial Inclusion Champions  
 East Midlands Illegal Money Lending Unit  
 East Northamptonshire District Council  
 Esmee Fairbairn Foundation  
 European Regional Development Fund  
 Fair Finance Consortium  
 Home Housing Association  
 Home Start – Swadlincote  
 HSBC  
 North East Derbyshire District Council  
 Orbit Housing  
 RBS and Natwest  
 Release Financial Charitable Trust  
 Rockingham Forest Housing Association  
 Rolls Royce  
 South Derbyshire District Council  
 Spire Homes  
 The Growth Fund  
 The Tudor Trust  
 Wellingborough Borough Council



## Derby Loans IPS Ltd is trading as MCF Loans (Midlands Community Finance)

### VISION and VALUES

- MCF Loans is a business with a social purpose.
- MCF Loans aims to deliver social change by providing affordable credit to financially excluded businesses and individuals.
- MCF Loans expects to provide other services compatible with its business and social objectives.
- MCF Loans will develop further so that it can reach even more financially excluded customers in Derby, Derbyshire and beyond.
- MCF Loans will continue to play a role at national level in developing programmes and processes to reduce financial exclusion.
- MCF Loans is committed to providing a safe and secure working environment in which all individuals can develop their skills and contribute to the development of the business.
- MCF Loans will always treat its customers fairly and with courtesy.
- MCF Loans will protect community interests and assets by operating a consistent and robust debt recovery policy against those who are unwilling, rather than unable to repay their loans.

### The board and officers of MCF Loans (IPS) Ltd at the 31 December 2009.

#### Chair

Alec Shelton Retired Regeneration Manager

#### Directors

Vicky Radley	Funding consultant
Nick Meakin	Consultant and previously Derby CVS
Rory Slater	Legacy Co-Coordinator, Derbyshire 2010
David Richards	Business Adviser
Rachel Morris	Operations Manager, YMCA Derbyshire
Grahame Gilbert	Accountant, Cameron Hughes
Murray McNab	Solicitor at Freeth Cartwright LLP Solicitors

# chair's statement

As the first Community Development Finance Institution (CDFI) to be established in the East Midlands, MCF Loans was set up to make loans to financially excluded individuals and businesses that could not access affordable credit from mainstream banks and building societies. A key aim was to reduce the burden of debt and high interest charges faced by low income households and provide an alternative source of credit to the cheque cashers, high cost door-step providers and illegal money lenders.



I am proud to say that MCF has remained true to this vision and objective. I was involved from the very beginning of our journey and am delighted to report that in August this year, Midlands Community Finance achieved the landmark of having advanced a total of £2 million personal and business loans. This lending has had a significant economic impact by increasing the disposable incomes of poorer households and providing a stimulus to the local economy. .

However the need to tackle financial exclusion and provide affordable credit has not diminished since we first started operating in 2003. The unprecedented financial meltdown and collapse of major banks and the resulting deep recession, has seen an increase in households facing problems of debt and financial exclusion. Access to credit has become more difficult as mainstream lenders become less willing to lend to households with poor credit history. In addition, the cost of lending has increased for many individuals and small businesses.

In these difficult circumstances MCF continues to make a real, positive impact on the lives of its customers by offering affordable loans as well as access to basic bank accounts, budget planning and support on money matters. This has been achieved by the commitment and dedication of our Chief Executive Melanie Andrew and the support, hard work and dedication of our team of staff. I would like to thank Melanie and all the staff for their efforts over the last year.

Another landmark achieved this year by MCF has been success in securing Financial Inclusion Growth Fund to extend delivery of affordable credit to low income households in Corby, Kettering, Wellingborough, Rushden and Peterborough. The decision by the Board to expand lending operations into these new areas of the Midlands represents both a major challenge and opportunity for MCF. It will be a major change for the business and will

mean working with a wide range of new partners.

One area of disappointment has been the difficulty of continuing and sustaining our lending to start up businesses. In large part this has been due to problems of securing sufficient funding for delivery. The revival of business lending remains a priority going forward into 2010.

I would like to pay tribute to the efforts put in by my fellow Board members in helping to shape and sustain the business. I have appreciated their support and encouragement as well as the wide range of skills, expertise and experience they bring to the business. This has been further boosted by the recruitment of Murray Macnab who brings a wealth of knowledge and expertise on legal matters. A strong Board will be needed to meet the challenges and difficult operating environment we will face going into 2010.

I would also like to pay a warm tribute to Andrew Baker our former Chief Executive who stepped down from the role as Company Secretary during the year. Andrew has been closely involved at every stage in the development of Midlands Community Finance since its' initial inception in May 2003. I would like to welcome on board our new Company Secretary Nigel Trowbridge who has many years experience in this role within the social housing sector.

Finally, I was sad to learn of the passing away of Andrew Lanning, a founder member of the Board of Derby Loans IPS Ltd. Andrew gave enormous help, support and encouragement during the early start up years which helped provide a solid foundation for the subsequent growth and development of the business. On behalf of all the Board members, I would like to extend our sympathies to Laura and other members of Andrew's family.

**Alec Shelton** – Chair of MCF Loans

## the two million pound milestone

By the time you read this MCF Loans will have reached the milestone of its total lending exceeding two million pounds. To have reached the two million pound mark well inside six years is a tribute to the vision of those involved in the original concept, funders, shareholders, supporters and most of all the staff.

# Looking back on 2009



Melanie Andrew – Chief Executive

Change is something that we all face and businesses in particular have to both generate and respond to change as the environment in which they operate changes.

This was the opening statement in our annual report back in 2006, and I have to say, that statement is even more appropriate now during 2009 and heading towards 2010. MCF has continued to evolve and change as the environment around us has altered. We have met many challenges along the way, successfully tackled them head on and grown the business during a time of recession. We want MCF, as a local community loan business, to become an efficient organisation operating across the Midlands, reaching the hearts of our communities.

## Visit to No. 10 Downing Street

MCF was fortunate to be invited to an event at No.10 Downing Street, in recognition of our achievements in the community.



**Prime Minister thanks the Front line**  
27 March 2009

Prime Minister Gordon Brown has spoken of his gratitude to community organisations for providing “real help now” during the economic downturn.

Mr Brown invited 22 representatives from Credit Unions and Community Development Finance Institutions around Great Britain to 10 Downing Street to personally thank them, and other front line agencies, for the work they are doing in the heart of communities.

The Prime Minister, Gordon Brown, said: “I am very pleased to be able personally to thank all those who are providing support and advice to the people of Britain in this time of economic crisis.

We want to do everything possible to make sure that every worker, every homeowner, every small business, every family and every pensioner here in Britain receives the advice and information they need to help them through these tough times.

I am delighted to be able to pay tribute to the advisers on the front line and thank them for the invaluable service they are providing to the people in their communities”.

Among those invited were Lisa Whysall, Operations Manager and Melanie Andrew, Chief Executive, MCF Loans. Both agreed that it was a great evening and a real boost to be recognised in this way, for the difference organisations like ours are making to people's lives.

## The key changes seen in 2009 include

- **Expansion into new areas.** MCF has continued to expand reaching more people in more communities. Following on from our expansion into North East Derbyshire and Bolsover in 2008, we have continued to open new branches and are now delivering into parts of Northamptonshire.
- **South Normanton and Pinxton.** We continue to deliver business and personal loans into the community with full support from Release Financial Charitable Trust, working together closely helping joint clients.
- **Swadlincote and South Derbyshire.** South Derbyshire District Council instigated the set-up of a credit crunch leaflet, in which MCF featured. They distributed the leaflet with the council tax letters last year, and through this successful campaign we were able to reach more people in new areas, from Hilton to Ashby de la Zouch.
- **The Opening of the Wellingborough Branch.** With the full support of Wellingborough Council, we were able to open quickly and efficiently, delivering access to personal loans from the Council premises. The Council issued a press release and the partnership working has been fantastic, with referrals from Council staff for affordable loans, enabling us to reach people in Wellingborough.
- **The Opening of the Corby VCS Branch.** Corby VCS have supported the opening of a branch in Corby, enabling our loan officer to interview customers during the week for affordable loans and in addition we are referring people for other services at the VCS centre.
- **The Opening of the Rushden Branch.** Rockingham Forest Housing Association has been instrumental in the opening of our branch in Rushden, enabling us to deliver loans to local people in the heart of Rushden from their premises. In addition they have fully supported the marketing campaign and contributed greatly to producing leaflets promoting the branch and affordable loans.
- **Raising the profile of community finance and financial inclusion.** We have been able to raise the profile of financial inclusion and access to affordable loans working closely with the financial inclusion champions and the illegal money lending unit. MCF have contributed to a number of financial inclusion strategies across the Midlands and it is important that we continue to work with partners in the community to ensure people get access to affordable loans, the right advice, open basic bank accounts and access to savings accounts..

## Let's look at what we did in 2009

- 16 business loans made with a total value of £144K.
- 720 personal loans made with a total value of £330K.
- 68% of personal loans are made to tenants of social landlords.
- 50% of personal loans are made to new customers, 50% to repeat customers.
- 49% of personal loans are made to single lone parents.
- 7% of personal loans are made to customers in receipt of disability living allowance.
- 47% of our personal loan customers have cleared their existing high debts to high cost doorstep lenders.

Finally none of MCF achievements would have been possible without the commitment of our dedicated passionate staff who believe in our vision and values and the continuous support from the board of Directors.

Thank you for all your help and support

## Making a difference to people's lives – case history 1

Miss S, a young single parent, had gone to a cheque cashing shop for credit. She had given them a personal cheque for £500 in return for £500 cash but had to pay a monthly fee of £60 to prevent them presenting the cheque. As she did not have the £500 in her bank account she was in effect committed to paying 12% a month until she could repay the whole £500. MCF Loans was able to lend her the money to recover the cheque. The £500 loan will cost her just under £580 over 18 months. Had she not taken this loan she would have paid £1080 to the cheque cashing shop over this period and still had the debt at the end. Miss S also had several CCJ's with Seven Trent Water. Miss S stated this was not a priority bill and she struggled to make the payments since her partner and her separated due to domestic violence reasons. We went through the Seven Trent Water Trust Fund checklist and felt Miss S met the criteria to apply. We contacted Release and booked Miss S an appointment to go through the trust fund application to get her water debt cleared. Release can also help Miss S with other financial issues.

*Lisa Whysall*

## Looking forward to 2010

MCF Loans has gone through a period of change in common with the whole community finance sector. There are approximately 8 personal lending CDFIs in the country. In addition, there are between 75 and 90 organisations of various sorts that can be called CDFIs doing business lending.

We stated back in 2006 that the number of CDFIs is probably unsustainable and the future lies with those organisations that can combine the economies of operating across regions without losing their local links.

Government funding for business lending has been increasingly channelled through the Regional Development Agencies. MCF Loans have joined the Fair Finance consortium, delivering business loans into East Staffordshire and building links with other CDFI's in the West Midlands.

In line with their regional economic strategies the Regional Development Agencies are very much focused on business lending, so MCF Loans, which grew out of the need for affordable personal credit within Derby communities has continued to initiate and implement change in order to prosper and be here for the long term.

- **The Opening of the Corby One Stop Branch.** Corby Council has supported the opening of a branch at the Corby One Stop Shop. Jim is based there three days per week and staff at the council are referring customers for loans. In addition Corby Council issued a press release and facilitated the launch of the new Branch alongside Phil Hope the East Midlands MP.
- **The Opening of the Kettering and Peterborough Branches.** Recruitment for the staffing of Kettering and Peterborough branches started in December 2009, and appointments made in January 2010. Branches in Kettering and Peterborough have been opened up and we are now delivering affordable loans into these communities.
- **Awarded Trusted Partner status by RBS.** MCF have been awarded trusted partner status by RBS and our staff have just completed training on opening RBS and Natwest basic bank accounts. The next stage planned for the summer is training on the opening of savings accounts. The plan long term is to give people access to affordable loans, bank accounts and savings accounts at first point of contact.

## So what is MCF doing in 2010?

- MCF Loans has proved over 7 years that a mixed personal and business lending CDFI can be made to work in the Midlands.
- We have a new brand that incorporates the full areas we deliver into – MCF Loans (Midlands Community Finance)
- We have continued to expand opening more branches across the region delivering personal loans into the heart of communities.
- We continue to offer business loans in conjunction with the Alliance for Enterprise LEGI fund in Ashfield, Bolsover and Mansfield from our South Normanton branch.
- We have opened a new Branch at the Markhamvale Environment Centre to deliver loans into Chesterfield, Bolsover and North East Derbyshire.
- Our Branches in Swadlincote and Burton on Trent are thriving, with a planned office move in Burton for the first quarter, next to the library.
- We have built robust links with Government Departments, various charitable trusts and other funders and are developing our national reputation.
- We plan to start delivering loans from the North East Derbyshire Council offices very soon, based in Chesterfield.

**To summarise, there is the potential for MCF Loans to be a significantly different organisation at the end of 2010 from what it is now.**

**We would like to formally express our thanks to all the individuals and organisations, some of whom are mentioned in this report, whose help and support has enabled us to reach this potentially exciting position.**

## Making a difference to people's lives – case history 2

Mr A was an unemployed single man, dependent on benefit of £82 a week. His weekly payments to a sub-prime lender were £49 a week (£212 a month). By taking out a loan with MCF Loans over 24 months he was able to reduce his repayments to £84 a month increasing his disposable income by £29 a week (£128 a month). He should also be free of debt after the 2 year period of the loan. In addition, he has opened a basic bank account. We advised the customer all relevant ID information he needed to take to the bank so he could get his account opened immediately. We contacted Barclay's Bank and booked him the appointment. This gives Mr A banking facilities, makes his life easier to pay his direct debit's. Mr A will also be recognised on the financial ladder – this will enable him to have more access to other banking/Insurance facilities in the future

*Lisa Whysall*

## MCF Loans (IPS) Limited Income and Expenditure **Account** Year ended 31st December 2009

	2009 General funds £	2009 Restricted funds £	2009 Capital fund £	2009 Total £	2008 Total £
<b>INCOME</b>	144,870	–	–	144,870	105,020
Administration expenses	(239,291)	–	–	(239,291)	(202,093)
Grants received	162,951	286,000	4,000	452,951	440,474
Amounts provided against interest and capital	(76,315)	(222,673)	–	(298,988)	(403,100)
Capital expenditure	–	–	(2,287)	(2,287)	–
Bad Debt recovery	–	8,029	–	8,029	–
Other Income	–	–	–	–	5,611
<b>OPERATING SURPLUS/(DEFICIT)</b>	(7,785)	71,356	1,713	65,284	(54,088)
Interest payable	(599)	–	–	(599)	–
<b>EXCESS OF INCOME OVER EXPENDITURE BEFORE TAX</b>	(8,384)	71,356	1,713	64,685	(54,088)
Taxation	–	–	–	–	–
<b>EXCESS OF INCOME OVER EXPENDITURE AFTER TAX</b>	(8,384)	71,356	1,713	64,685	(54,088)
Retained Funds at 1 January 2009	28,523	588,983	7,966	625,472	679,560
<b>Transfers</b>					
DWP interest recycle	(14,065)	14,065	–	–	–
Retained funds at 31 December 2009	6,074	674,404	9,679	690,157	625,472

## Business **Lending**

In 2009 we have supported a range of start up and small businesses expanding, from hairdressers, website development, stationery suppliers, to IT and engineering. Our average loan size is £9000. We have created 14 brand new jobs and maintained a further 25 jobs.



## meet the team

Lisa and Lynne

## meet the team

Donna and Dal



### MCF Loans (IPS) Limited Balance Sheet Year ended 31st December 2009

	2009 £	2008 £
<b>CURRENT ASSETS</b>		
Loan book	587,265	603,353
Debtors	28,719	28,706
Cash at bank	309,675	222,009
<b>CREDITORS:</b>		
amounts falling due within one year	(134,465)	(82,560)
<b>NET CURRENT ASSETS</b>	<b>791,193</b>	<b>771,508</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>791,193</b>	<b>771,508</b>
<b>CREDITORS:</b>		
amounts falling due after more than one year	(45,000)	(90,000)
<b>NET ASSETS</b>	<b>746,193</b>	<b>681,508</b>
<b>CAPITAL AND FUNDS</b>		
Called up share capital	56,036	56,036
Restricted funds	674,404	588,983
Capital funds	9,679	7,966
General funds	6,074	28,523
	<b>746,193</b>	<b>681,508</b>

*The financial statements have been prepared under the historical cost convention, in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) and in accordance with the Industrial and Provident Societies Acts 1965 to 2002.*

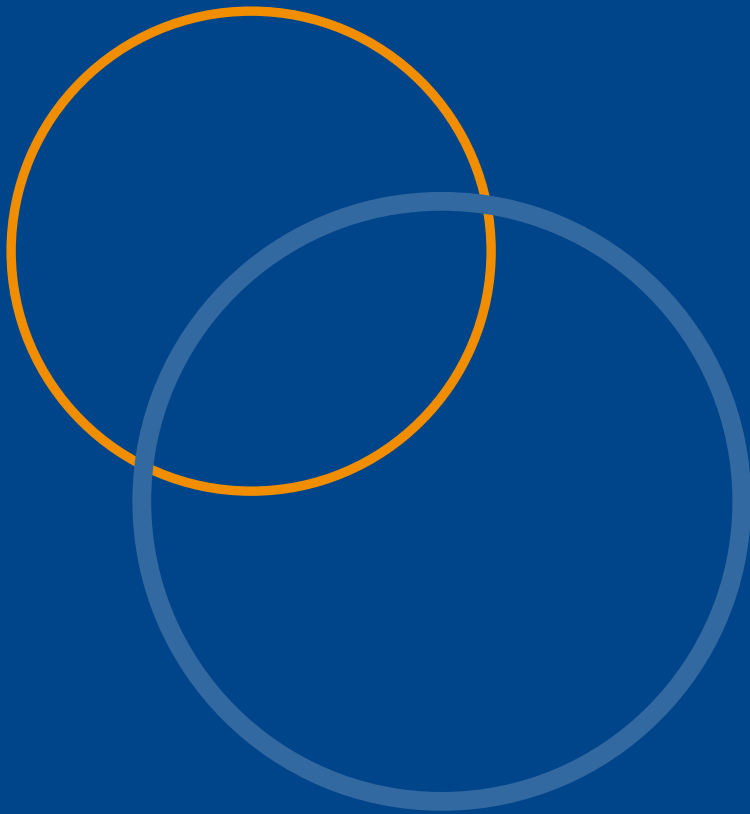
## Personal Lending

We never forget the reason why we started! There are still people who need to borrow £500 and only go to a sub-prime lender and repaying over £850 back in one year. Sadly, there are still people who think it does not matter how much they pay, as long as each payment is affordable.



## meet the team

Lyn and Jim



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- [www.cdfa.org.uk](http://www.cdfa.org.uk)



Midlands Community Finance

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