

## Change to 'savings cap' March 2021

In March 2021, for reasons set out below, the Board of Directors of Waterford Credit Union took the difficult decision to limit savings to **€15,000** per member account.

### Why is Waterford Credit Union imposing a savings cap?

A limit on savings is not a decision your Board of Directors has taken lightly, but is necessary given the current economic environment. This decision resulted from a significant increase in the value of savings deposits made at the credit union. This increase in member savings has implications on the credit union's regulatory reserve requirements, as set out by the Central Bank of Ireland, which is a minimum of 10% of total assets. From February 2020 to February 2021, Waterford Credit Union accumulated additional savings in excess of €15.3M. In the same period for the previous year (February 2019 to February 2020), additional savings balances increased by just €2.6M. For every €1,000,000 saved with our credit union, we are obliged to put aside €100,000 into our reserves.

The credit union is also managing the challenges faced by the current low interest rate environment which is greatly reducing the investment income that Waterford Credit Union earns on its deposits. Due to the high level of on demand savings held by the credit union, large balances of members funds must be placed in short-term investments which we are currently receiving zero or negative interest rates. This low interest rate environment is impacting on the credit union's ability to generate a surplus and this we wish to avoid.

### What is the savings restriction?

The credit union now has a **saving restriction of €15,000 per member account**. This means that each member can have €15,000 on deposit with the credit union. If you currently have over that amount in savings, you will receive a letter advising you to reduce your savings to bring you to the €15,000 limit. If you have less than €15,000 you can increase your savings to €15,000 subject to the €2,500 monthly savings limit – but no more than that.

### What does the €2,500 monthly savings limit mean for me?

Effective from March 22<sup>nd</sup> 2021, a new monthly savings limit will apply to all accounts. This means that members can save up to €2,500 each month but cannot make lodgements in excess of this balance other than to facilitate loan repayments. Members who have regular payments into their accounts such as salary will be contacted and arrangements made to facilitate future payments.

You will receive a letter asking you to withdraw surplus funds and you will be required to withdraw funds to bring them below the €15,000. All withdrawals can be issued by cheque or an EFT transfer directly into another account.

As and from 22<sup>nd</sup> March 2021, you will not be able to lodge funds in excess of €15,000 into your account. If you have a standing order payment that brings you over the €15,000 limit it will be returned to your bank account.

## **How long will the savings cap last for?**

The Board of Waterford Credit Union will keep the savings restriction under constant review, if they make any decision to change the current arrangement, you will be notified directly of this.

## **Does this mean the credit union is in difficulty?**

No, this savings cap has no bearing on the day-to-day operations of the credit union. Waterford Credit Union is adequately capitalised at present and we wish to increase our reserves position for the future. We must meet the regulatory reserve of 10% of our total assets at all times. Each time our savings increase, we have to allocate more money from our surplus funds to meet this regulatory reserve, therefore reducing the amount we have available to pay out a dividend or loan interest rebate. It also reduces the amount we can afford to invest in new services and new technology options that can benefit all our members. To reduce the impact of this savings growth, the decision was reluctantly taken by the Board of Directors, to limit savings in order to assist with the sustainability and transition of the credit union into the future.

## **Are my savings safe here?**

We can assure you that your savings remain safe and secure at Waterford Credit Union. We are a financially strong and stable credit union with €190 million in assets. We made a surplus in 2020 in excess of €500k despite the economic downturn due to COVID. In addition, your savings continue to be guaranteed by the Government Deposit Guarantee Scheme up to €100,000.

## **Does this mean the credit union cannot give out loans?**

Waterford Credit Union is in a strong position to give out loans, subject to appropriate assessments being completed. Our ability to lend is in no way affected by the savings cap. We continue to provide valuable loan services to the local community.

## **I'm affected by the €15,000 savings limit – what do I need to do?**

If you're affected, we will contact you in due course to explain the procedure for the withdrawal of any funds in excess of €15,000 and to advise you on the next steps. We are always available to help.

We thank members for their understanding.

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