

## **Transfer of surplus funds approved – Authority to officers.**

**4** There was submitted a report by the Director of Financial and Business Services regarding the proposed transfer of surplus funds from the liquidation of Scotcash Community Interest Company (CIC) to the East Lancs Moneyline (IPS) Ltd, advising that

- (1) Scotcash CIC was established in 2007 as a community development finance initiative organisation to offer lower cost small value loans to individuals who were not able to access mainstream lending;
- (2) the Council was a member of Scotcash CIC, together with the Wheatley Group, NG Homes and the Royal Bank of Scotland, with each member appointing directors to sit on the Board and the Council's representatives on the Board were the Director of Financial and Business Services and a Legal Manager;
- (3) despite a number of initiatives, Scotcash CIC had been unable to grow its customer base to generate income to cover its running costs and the Board in May 2023 took the decision to stop lending due to concerns around financial sustainability and in December 2023 it agreed to put the Scotcash CIC into liquidation;
- (4) in 2024, the Board considered the transfer of Scotcash CIC's surplus funds which were in the region of £400,000, however the liquidator would require an instruction from the members of Scotcash CIC on this transfer before it could be finally wound up and Scotcash CIC's Articles of Association, as detailed in the report, set out the requirements of how to manage remaining assets on the winding up;
- (5) Scotcash CIC's Articles of Association does not allow the surplus funds to be allocated back to the 4 members of Scotcash CIC, however it does allow the transfer of the surplus funds to a Community Interest Company, a Charity or an Asset Locked Community Benefit Society, however these definitions restrict the recipient of the surplus funds, as detailed in the report;
- (6) the Board had sought to identify a recipient for the surplus funds that offered services similar to Scotcash CIC and had engaged with Social Investment Scotland (SIS) who met the criteria of the Articles of Association, and Responsible Finance, an umbrella body for community development finance bodies and it was through this process that East Lancs Moneyline (IPS) Ltd had been identified;
- (7) East Lancs Moneyline (IPS) Ltd, met the requirements of an Asset Locked Community Benefit Society and had a delivery model, as detailed in the report, that closely matched the Scotcash CIC model and had also created Moneyline Thistle Ltd, a private company limited by shares which operated in Scotland, wholly owned by East Lancs Moneyline (IPS) Ltd;

- (8) Scotcash CIC's surplus funds could not be transferred directly to Moneyline Thistle Ltd, as it was a private company limited by shares, however East Lancs Moneyline (IPS) Ltd met the CIC requirements as an asset locked community benefit society, however before it could transfer the money to Moneyline Thistle Ltd, Scotcash CIC's Articles of Association required to be amended; and
- (9) members of Scotcash CIC's Board were being asked to approve a change to the Articles of Association which would require 75% of members to vote in favour of the proposed change and, if this was achieved, a written resolution would be sent for registration with the CIC Regulation, and once completed, members of the Board would be asked to approve a special resolution to formally transfer the Scotcash CIC's surplus funds to East Lancs Moneyline (IPS) Ltd which would also require 75% of the members to agree and following agreement a copy of the special resolution would be submitted to the liquidator who would then progress the transfer of funds.

After consideration, the committee authorised officers, acting on behalf of the Council, to approve the necessary legal documents to facilitate the transfer of Scotcash CIC's surplus funds to East Lancs Moneyline (IPS) Ltd.