



Glasgow City Council

City Administration Committee

Report by Director of Financial and Business Services

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Item 4

13th March 2025

Approval to Transfer Surplus Funds

Purpose of Report

The council is one of four members of Scotcash CIC (In Liquidation). The Board of Scotcash has recently agreed that surplus funds left after the liquidation process should be transferred to East Lancs Moneyline (IPS) Ltd. They will then be transferred to a subsidiary, Moneyline Thistle Ltd, who will provide services that are similar to those offered by Scotcash. The implementation of the Board decision requires approval by each of the four members.

Recommendations

It is recommended that the City Administration Committee authorise officers, acting on behalf of Glasgow City Council, to approve the necessary legal documents to facilitate the transfer of surplus funds to East Lancs Moneyline (IPS) Ltd.

Ward No(s):

Citywide: ☒x

Local member(s) advised: Yes ☐ No ☐

consulted: Yes ☐ No ☐

1. Introduction and Background

- 1.1 Scotcash Community Interest Company (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. It was set up initially to offer an alternative to door-step lending and more recently pay day loans. It offered loans without the requirement for a savings history and also provided additional support such as money advice and access to bank account opening through links with various banks.
- 1.2 Glasgow City Council is one of four members of Scotcash with the others being Wheatley Group (WHG), NG Homes and Royal Bank of Scotland. Each of the members appointed directors to sit on the Board with the current representatives for GCC being the Director of Financial and Business Services and a Legal Manager.
- 1.3 Scotcash was set-up with initial funding from GCC and Glasgow Housing Association (now WHG) however over the years was successful in attracting external funding from other organisations including the DWP and Scottish Government.
- 1.4 Scotcash initially offered loans in Glasgow but expanded over the years to offer loans throughout the UK although its customer base was always predominantly in Glasgow and the central belt of Scotland. Since inception it provided over 35,000 loans worth over £16 million. Its average loan value was under £500 with an average repayment period of 6 months.
- 1.5 Despite a number of different initiatives over the years Scotcash was never able to grow its customer base sufficiently to generate income to cover its running costs. As a result, in May 2023, the Board took the decision to stop lending due to concerns around financial sustainability and then agreed to put the CIC into liquidation in December 2023. The timing of this was to ensure that Scotcash could achieve a solvent liquidation. During 2024 the Board has been considering the transfer of surplus funds which are in the region of £400,000. The liquidator requires an instruction from the members of Scotcash on this transfer before it can be finally wound up.

2. Board Considerations

- 2.1 The current Scotcash Articles of Association set out the requirements of how to manage remaining assets on the winding up. This specifies that:

- 147 If on the winding-up of the company any property remains after satisfaction of the company's debts and liabilities, such property shall not be paid to or distributed among the members of the company; that property shall instead be transferred to some charitable body or bodies operating in the City of Glasgow (whether incorporated or unincorporated) whose objects are similar (wholly or in part) to the objects of the company.
- 148 The body or bodies to which property is transferred under articles 147 shall be determined by the members of the company at or before the time of dissolution or, failing such determination, by such court as may have jurisdiction at that time.

2.2 In summary, the funds cannot be allocated back to the members of Scotcash. The CIC Regulations specify the organisations to which surplus funds can be transferred and these are;

- Community Interest Company;
- Charity; or
- Asset Locked Community Benefit Society (CBS)

These definitions therefore restrict the recipient of funds. Although many types of financial institutions, including credit unions, are regulated by the Co-Operative and Community Benefit Society Regulations the recipient would need to meet the asset locked CBS criteria which would exclude co-operative societies from the receipt of funds.

2.3 To be able to transfer the funds to a Community Interest Company or an Asset Locked Community Benefit Society Scotcash requires to change its Articles so that the Articles reflect the up-to-date legislative position.

2.4 The Board were supportive of identifying a recipient for the funds that offered services that were as similar to Scotcash as possible, in line with its Articles. The Board engaged with Social Investment Scotland (SIS) who provided advice on organisations who they considered met this criteria. In addition, advice was sought from Responsible Finance, an umbrella body for community development finance bodies. It was through this process that East Lancs Moneyline (IPS) Ltd was identified, which meets the requirements of an Asset Locked Community Benefit Society.

2.5 The Chief Executive of Moneyline presented to the Scotcash Board in June 2024 and set out their plans to expand in Scotland. Moneyline has a delivery model that matches Scotcash very closely. This includes:

- providing small value loans across Scotland but focussing on West of Scotland
- InBest income maximisation tool
- Proposals for a decline portal to provide signposting to customers who do not qualify for a loan

- 2.6 Moneyline have created a new legal entity to operate in Scotland. This legal entity (Moneyline Thistle Ltd) is a private company limited by shares and is wholly owned by East Lancs Moneyline (IPS) Ltd.
- 2.7 Moneyline have also been proactively engaging with a number of organisations across Scotland including:
- Right Way Credit Union (Glasgow, Paisley and Renfrewshire)
 - Scottish Government Financial Wellbeing Division
 - Scottish Illegal Money Lending Unit
 - Citizens Advice Scotland
 - Money and Pensions Service
 - Financial Inclusion Scotland
 - Scottish Housing Federation
- 2.8 As part of the diligence by the Board a letter of support for Moneyline has been received from their main funders.

3 Next Steps

- 3.1 Scotcash cannot transfer funds directly to Moneyline Thistle Ltd as it is a private company limited by shares (see para 2.2). However East Lancs Moneyline (IPS) Ltd does meet the CIC legal requirements as an asset locked community benefit society although a transfer to them would require a change to the Articles of Scotcash.
- 3.1 The funds would then be transferred on to Moneyline Thistle Ltd and this has been confirmed via a letter of intent from the Board of East Lancs Moneyline (IPS) Ltd.
- 3.2 All members are being asked to approve a change to the Articles. A change to the Articles requires 75% of members to vote in favour. Each member has 1 vote. This would be agreed by written resolution and then be sent for registration with the CIC Regulator.
- 3.3 Once the registration with the CIC Regulator is complete, members would be asked to approve a special resolution to formally transfer the funds to East Lancs Moneyline (IPS) Ltd which again would require 75% of members to agree. A copy of that special resolution would be provided to the liquidator who will then progress the transfer of funds.

4 Policy and Resource Implications

Resource Implications:

Financial: None

Legal: None

Personnel: None

Procurement: None

Council Strategic Plan: None

Equality and Socio-Economic Impacts: None

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

What are the potential equality impacts as a result of this report?

Please highlight if the policy/proposal will help address socio-economic disadvantage.

Climate Impacts: None

Does the proposal support any Climate Plan actions? Please specify:

What are the potential climate impacts as a result of this proposal?

Will the proposal contribute to Glasgow's net zero carbon target?

Privacy and Data Protection Impacts: None

5 Recommendations

- 5.1 It is recommended that the City Administration Committee authorise officers, acting on behalf of Glasgow City Council, to approve the necessary legal documents to facilitate the transfer of surplus funds to East Lancs Moneyline (IPS) Ltd.