SUSTAINABLE BANKING

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PUBLISHER'S LETTER

"Banks do not have an obligation to promote the public good." Alexander Dielius, Goldman Sachs, Wall Street Journal, May 2010.

Banking is broken in Britain. In fact, it's broken everywhere

Banks are vital to the smooth running of an economy. They collect savings upon which they pay a small amount of interest, and lend money to individuals and organisations upon which they charge a large amount of interest. The gap is their profit. They lubricate the economy, facilitating growth and commerce and storing our financial wealth securely

So far, so sustainable.

They also create money*. They speculate wildly on markets causing economic and social crashes. They crash. They create complex products that they don't understand. They turn junk into triple AAA rated. They rig and manipulate markets. They launder money. They fund drug barons and warlords. They lend to and invest in all sorts of organisations that cause social and environmental harm. They don't lend money and stifle disruptive and sustainable innovation by only lending to established unsustainable ventures. They aid in the aggressive avoidance of tax. They aggressively avoid tax. They treat customers like cattle. They ignore complaints. They bribe politicians and mislead regulators. They miss-sell. They keep their profits private and nationalise their losses. They reward failure with massive bonuses. They almost always get away with it.

It all starts to look less sustainable.

"And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale." Thomas Jefferson, 3rd US President, in a letter to John Taylor in 1816

To misquote a major bank's slogan, there has to be another way.

In this 2016 edition of our Guide to Sustainable Banking the Global Alliance for Banking on Values writes that there's profit and positive impact in sustainability-focused banking.

Move Your Money writes about a sustainable banking system. The Association of British Credit Unions explores a sector that is more than just ethical while the Building Society Association explores lending into retirement and Charity Bank asks: *"how do we make our banking and personal finance more sustainable?"* I spoke to Paul Ellis of the Ecology Building Society about making the transition to a low carbon economy. A theme that is picked up by Huw Davies of Triodos Bank UK who writes about the greening of capital.

With the government pulling back from fully investigating the culture of banks, another scandal and crash seems inevitable. Choose a more sustainable option than the banks that are screwing up the economy.

"The best way to rob a bank is to own one." Title of a book by William K. Black (2005)

** Once you really get your head round fractional reserve banking, it blows your mind.*

Simon

Simon Leadbetter
Publisher, Blue & Green Tomorrow


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GABV PROVES THERE'S PROFIT AND POSITIVE IMPACT IN SUSTAINABILITY-FOCUSED BANKING

By LINDA RYAN

The Alliance now asks *'Why isn't all banking done this way?'*

The Global Alliance for Banking on Values (GABV), a not-for-profit organisation representing a network of the world's leading values-based banks, recently released an updated report reinforcing the business case for the growing values-based banking movement. Based on 10 years of data, the GABV is posing a question to policy makers, regulators and banking institutions worldwide that asks *'Why isn't all banking done this way?'*

Following the 2008 financial crisis, banks that put people before profit have gained recognition and are growing in strength and number. Whether called regenerative banking, ethical banking, values-based banking or sustainable banking; a growing number of banking institutions are reassessing their role in supporting the delivery of social, economic and environmental impact. The GABV calls these banking institutions sustainability-focused banks.

'This approach is more than corporate social responsibility or charitable giving,' commented Dr Marcos Eguiguren, Executive Director, GABV.

'It is banks embracing a viable model that strategically take a longer term view of profit and prosperity. For sustainability-focused banks, profit is a result of sustaining and growing the real economy and healthy communities, not an end goal.'

In 2014 sustainability-focused banks continue to show that serving the real economy delivers better financial returns than those shown by the largest banks in the world. These sustainability-focused banks address the very real needs of enterprises and individuals within their communities for banking services, especially credit. The success of their banking approach is verified by independent research. There is also increased evidence of the support for sustainability-focused banking from regulation in developing markets such as Peru and Nigeria, and elsewhere. The data is clear: making the business case for sustainability-focused banking compelling.

So why aren't all banks adopting this model?

The reasons are many, ranging from: inertia and the power of the status quo; a lack of courage by banking executives and shareholders in changing course; limited awareness of the data that reports like this provide. However, there is growing recognition of the need for a change in how banks behave and operate that over time should result in the growth of sustainability-focused banks within the overall financial ecosystem.

The Global Alliance for Banking on Values was founded in 2009. The GABV comprises 28 financial institutions across countries in Asia, Africa, Australia, Latin America, North America and Europe; serving 20 million customers; with nearly USD 100 billion of assets under management; and powered by a network of 30,000 co-workers. www.gabv.org.

2015 Achievements

- First Investments by Fund with $1 Billion Ambition to Impact Banking
- Do you believe banks should put people before profit? Passionate people power the #BankingOnValues movement.
- New Fund with $1 Billion Ambition to Provide Growth Capital for New Banking Paradigm
- City First Bank of DC, Ekobanken, and Southern Bancorp Join the GABV

SUSTAINABLE BANKING SYSTEM

By FIONN TRAVERS-SMITH

We've all heard the old maxim that you shouldn't reinvent the wheel, as time doing so is wasted. Why bother reshaping something that has been used successfully for generations, and, crucially, that works so well?

One look at the banking system, however, and it's hard to hold this view. The basic concept of banking has changed little, and yet the modern industry has driven crisis, crime, and inequality on a global scale.

In other words, it's easy to conclude that despite centuries of practice, the banking system does not work so well, after all, and in fact does need reinventing. This wheel has broken its spokes.

The problem is that this misrepresents the nature of banking both now, and in the past. Because in fact the banking system of today works extremely well at what it is designed to do – which is to enrich shareholders, top staff and management.

By contrast, banking of the past paid much greater heed to its role as a public service, facilitating exchange between savers and borrowers, and enabling transactions between people and businesses in exchange for real-world goods and services. It was intentionally designed to serve society, rather than just itself.

If viewed as a public service, there are some key principles that can be applied to banking to make it more sustainable and socially beneficial.

The first is representation. You can't further peoples' interests if you don't know what they are, and the best way to do this is to enable people to express it themselves. People must be given a say in how things are run that affect their lives, but this must be done in a way that actually responds to their voices in a meaningful way. So responsiveness is another principle too.

In fact there are some good examples of this in banking today. The Co-operative Bank's ethical policy was renewed early in 2015, consulting 74,000 customers on what the bank should and should not invest in. The result was the bank strengthening their ethical policy, refusing lending or banking services to fracking companies, tax dodgers or pay day loans providers, as well as implementing the living wage for its staff.

This is a good example of representative, responsive policy, but even better is the credit union movement, which has representation built in structurally. Beyond mere consultation, members directly participate in shaping the organisation's direction.

Another principle of public service is transparency. Transparency facilitates accountability, and in banking that allows us information on the impact our money is having in the world around us, and enables greater control about how our money is used as a result.

One of Move Your Money's main aims is to improve transparency in the banking sector, from exposing how much the big 5 banks invest in fossil fuels, to highlighting the emergent national crisis in bank branch closures. Key to this is our banking scorecard, which measures the ethical and sustainable credentials of most banks and building societies in the UK. We encourage people to use this tool to support more ethical and sustainable banks, and to leave banks that cause financial crises and power destructive industries.

A more granular approach to transparency is taken by some institutions, which allow you to see exactly where your money is going. Triodos allow you to see right down to the ground where your money is being spent and on what projects. Charity Bank regularly set up *"meet our borrower"* events so that savers can even talk face to face with the charities and social enterprises that they are helping to fund.

Responsiveness, representation, and transparency. Three simple principles applied to individual financial institutions that can make them more sustainable, inclusive, and attuned to their necessary social functions. And yet, these are the same three qualities so sorely missing from the biggest banks in Britain.

With such banks dominating the market, moves by individual institutions to become more ethical and sustainable can only go so far – we also need the system as a whole to become more responsible and sustainable.

There are two ways to make this happen. The first is to take action individually, to reward banks and building societies that are more sustainable and responsible, by actually giving them our custom and money, and helping them to grow.

It's a very simple idea that would make a world of difference when achieved on a mass scale – to put your money where your mouth is, and to use a bank or building society that actually aligns with your values.

7-day switching makes this easier and safer than ever before, whilst the Move Your Money scorecard makes it clear which banks are better and which banks are worse for your priorities.

The second thing that needs to happen is at the system-level: we need a whole new layer of banks that are responsive, accountable and transparent. Not just a proliferation of more of the same type of bank, but a whole new strata of different types of banks instead. Banks that are specifically and structurally set up not only to make a profit, but that also serve the local community and the society that it supports and relies on.

This may seem like a big ask, but in fact this type of bank that is accountable to its stakeholders is actually remarkably common across developed countries. In fact, such stakeholder banks actually dominate small business lending in many other developed countries, whilst Britain remains one of the only advanced economies without them.

There are some who are already trying to establish these banks, reaching out for people who will help to build the sustainable banking infrastructure that this country needs. These developments are desperately needed, and are only constrained by the advantage and power that the existing big banks hold as a result of their dominance of the market.

In this way, the two solutions are interlinked. Moving your money out of the biggest, scandal-ridden banks helps to slowly erode their power, whilst enabling more responsible, sustainable providers to expand and increase their influence. In that sense, the future of sustainable banking may be less about reinventing the wheel, and more about fixing it onto the right wagon.

With Government dancing to the bankers' tune, it's up to us to deliver a banking system that serves people and society rather than just itself. Take action against the criminal big banks, by moving your money into an ethical and sustainable alternative.

To find out more and to join the campaign visit:

moveyourmoney.org.uk


THE GUIDE to Sustainable Tourism
THE GUIDE to Sustainable Investment
THE GUIDE to Ethical Financial Advice
THE GUIDE to Ethical Funds
THE GUIDE to Fair Trade
THE GUIDE to Limitless Clean Energy
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AFFILIATE DIRECTORY
SUSTAINABLE HOMES
SUSTAINABLE DEMOCRACY
SUSTAINABLE INVESTMENT

MORE THAN JUST ETHICAL

By MARK LYONETTE

Four and a half years ago, a viral campaign saw a massive surge of American consumers switching their savings and current accounts from banks to credit unions. Around a quarter of a million people are thought to have joined credit unions in the five weeks up to *"Bank Transfer Day"*, as a new generation of American consumers voted with their feet and made a statement about the sort of organisations they want to do their business with.

This triggered an appetite for something similar to happen in Britain, with a fair degree of impatience from some quarters at the realisation that our credit union movement is a long way behind the USA in its development curve.

To offer some context, American credit unions serve 104 million consumers – around one third of the country's population. By contrast, credit unions in England, Scotland and Wales serve 1.2 million people including junior depositors, which is around 2% of the British population.

Yet our movement is going through a period of rapid growth and exciting technological innovation. In the last decade, the number of people using credit unions in Britain has doubled, while the amount deposited with credit unions has trebled to over £1 billion and the movement's assets have trebled to more than £1.25 billion.

So impressive has this growth been that it was recognised with a special award from the World Council of Credit Unions at their annual conference in Denver last summer.

Yet we see this simply as a staging post on the path to a much larger British credit union sector, and we have set the ambitious target of serving two million adult members by 2020.

Key to achieving this goal will be ensuring we learn the lessons from other recent entrants to the financial services industry, and perhaps the most important lesson is ensuring that we deliver what consumers are really looking for.

Advances in banking and lending technology have revealed a consumer expectation that we should always be able to control our own money instantly and at any time of day or night. And when we need to borrow money, we should be able to get an instant decision without any need for human contact, with the money (if approved) available to spend in minutes.

Working co-operatively with the support of the UK Government's Credit Union Expansion Project, a group of credit unions have developed an automated lending decision tool which allows those instant decisions to be made – with the option for referral to a manual decision where the application needs more attention.

And the first wave of credit unions are preparing for the *"transformation"* phase of the Project, which will involve adopting a completely new operating model which includes a banking platform. The accessibility, responsiveness and scope of this model should put credit unions at the forefront of technological innovation and carry a significant appeal for savers and borrowers of all ages and from all walks of life.

We know that when credit unions get involved in this space, we can deliver good outcomes for consumers. Four credit unions have so far been awarded five stars from the Fairbanking Foundation for their loan products, with glowing levels of customer satisfaction.

So the lesson for credit unions is that our target isn't just to appeal to ethical consumers; our co-operative values and structures already achieve that. Our challenge is to ensure we deliver the products, services and accessibility that modern consumers expect.

In celebrating what makes member-owned, non-profit-driven providers *"different"* from commercial banks, there is sometimes a temptation to believe we need to be different in every way; we should somehow be a bit shabbier and amateurish; the service shouldn't be as rapid or the product range as attractive.

Of course, the key credit union difference comes from our values, our democratic structure and how we share and reinvest profits for the benefit of members. There's no rule that says an ethical provider needs to offer an inferior service.

Similarly, there is sometimes a view that by developing and expanding our services and by offering products that are attractive to people on above average incomes, we are abandoning our social mission to make financial services available to people who face exclusion and limited choices.

In fact, the complete opposite is true. By offering a broader range of products that appeal to consumers from all walks of life, credit unions can generate the income which makes it possible to sustainably offer the smaller sum credit and inclusive products that are key to our purpose.

These products are expensive to run and have often required external funding, but by co-operating as a movement to cut overheads, develop new technology and offer attractive products through accessible channels, credit unions can do even more to serve the financially excluded – and do so sustainably.

2016 is set to be a year of exciting innovation for the British credit union movement as we seek to build on our roots to firmly establish ourselves as financial services providers that more and more consumers are proud to be a part of.

Mark Lyonette is Chief Executive of ABCUL – the Association of British Credit Unions Limited.

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B&G Team

LENDING INTO RETIREMENT

By HILARY MCVITTY

Imagine you're a parent in your 30s. Maybe you live in the South East of England, where house prices have increased rapidly in recent years, or are based in London where the average price for a home topped half a million in 2015.

Your income is just reaching a level where you can provide a good standard of living for your family. But you're also trying to save enough each month to put down a decent deposit on a home of your own, whilst a major chunk of your pay goes on rent. It seems like you won't be able to save enough until you're in your early-40s, so that any 'standard' 25-year mortgage will take you up to or into state retirement age.

This is the reality for more and more people in the UK. According to a survey we commissioned last year, around half of current 25-34 year olds already believe they'll need a mortgage that lasts into retirement. Over a quarter (27%) of people in this age group also think they could struggle getting a mortgage into retirement because their income or their age will count against them.

At the other end of the spectrum, the UK already has 11.6 million people over the age of 65, and by 2034 it is estimated that around a quarter of the population will be 65 plus. Putting it all together, a potent mix of factors exists. It goes beyond house prices to include student debt, the divorce rate and right through to the abolition of the default retirement age mean that consumers generally are tending to buy homes later and go for longer repayment terms.

Historically financial services, both firms and regulators, are kitted up and comfortable with mortgage terms of 25 years or less. But these days, many people need terms of 35 or even 40 years or a mortgage of some kind as they approach retirement – which today is far more about a process than a single event (with or without carriage clock).

So, society itself is changing and the financial needs of consumers are moving right along with the demographics. Isn't it time therefore that we re-think lending into and in retirement? A good quality home is a basic necessity and ownership is important to many, so we need a sustainable approach to handling a situation that may be considered niche now, but will become mainstream very soon.

Lending into retirement isn't always riskier, but the risks are certainly different and handling potential vulnerabilities like illness, death and conditions such as dementia do change the risk profile. The need to take a prudent and proportionate approach to likely pension income is also key. The regulations do not specify a maximum age but the FCA requires lenders:

- Where the term of a mortgage extends beyond the date a customer expects to retire, lenders must take a prudent and proportionate approach to assessing the customer's income beyond that date.
- The closer a customer is to retiring, the more robust the evidence of the level of income in retirement needs to be.
- Where retirement is many years in the future, the FCA says it may be sufficient merely to confirm the existence of some pension provision for the customer by requesting evidence such as a pension statement.

For a current borrower in their 40's the Government's recent pension reforms are a factor. Can a lender rely on a pension projection, when there's a possibility, however small, that the borrower could be planning to take a lump sum out of the scheme to spend?

We've been doing a lot of work thinking about these issues with our members – including all 44 building societies - and we kicked off a more public debate with the launch of an interim report on lending into retirement in November 2015. This is very much the start of a journey that will also include other questions around lifetime mortgages and equity release – but you have to start somewhere.

In the report we made nine initial recommendations, top among them a commitment from all building societies to review their maximum age limits for mortgage borrowers. The other eight recommendations are:

1. The availability of suitable housing options for older home-owners who want to move to a property that meets their changing needs – making it an aspiration not a chore.
2. Better cross-departmental co-ordination to rationalise Government policy on the treatment of older borrower's housing wealth.
3. Delivery of regulation that encourages innovation.
4. The provision of clear information that empowers older consumers.
5. Working with insurers to develop policies that enable lenders to mitigate the different risks involved in lending to older borrowers.
6. Improving the availability of holistic financial planning in retirement.
7. The formation of a cross-industry alliance with other bodies focused on the needs of older consumers.
8. Working towards a mortgage which adapts to the different stages of a person's life.

Even before the report was written, building societies tended to take a more flexible approach with eight having no age limit - manually underwriting each case, and another 10 with an age limit of 80 or above. Since the report came out six more societies have either lifted their age limit or done away with it altogether.

The FCA was involved in the preparatory work behind the report and Paul Broadhead, Head of Mortgage Policy at the BSA has been impressed by their open-minded and participatory approach. We also sought the views of many other stakeholders, from policy makers in government, to housing associations, equity release providers and consumer groups. These views are now contributing to the next stage of the project, to deliver progress for those who want, need and deserve to buy a home of their own into and in retirement. The age demographic is here to stay, the journey to find sustainable solutions to provider access to funding for older consumers is well underway.

Hilary McVitty, Head of External Affairs, Building Societies Association (BSA)

Facts, Figures & Opinions

BSA Yearbook 2015/16

Building Societies Association

HOW DO WE MAKE OUR BANKING AND PERSONAL FINANCE MORE SUSTAINABLE?

By MARK HOWLAND

Banks play a pivotal role in directing money across the globe. A core part of their business involves gathering deposits from individuals and companies and using the money to make loans, helping organisations to finance their activities.

Here comes the unsustainable part. . .

What do banks do with your money?

When money leaves a bank, it can be lent to an array of businesses and industries, some positive but others capable of being destructive.

When money goes into industries like fossil fuels, gambling and tobacco, this may be at the expense of communities, our health, wildlife and the environment. When care, transparency and high standards aren't applied to a bank's lending, as savers we can end up unknowingly supporting activities that we would never endorse among friends and family.

Ethical banking gives money a moral compass. When guided by good intentions, money can create jobs and support worthwhile economic activity; it embarks on a journey to care for and protect people and the natural environment in which we all live and on which many depend for their livelihood.

The sustainable alternative

For ethical banks, a focus on financial return alone is a short-sighted and inadequate means of building a more sustainable world: a world with less poverty, injustice, war, inequality or destruction of nature and the planet.

The sustainable alternative is an approach to banking that looks after *'people, planet and profit'*, so profit is measured using three components applying a triple *'bottom line'*.

The Global Alliance for Banking on Values argues that values in banking are not only crucial to building a better world; doing so is also a sensible business decision. Its 2014 study highlighted the financial strength of ethical banks:

> *"In 2013 banks with business models based on the Principles of Sustainable Banking have once again demonstrated higher financial returns than the largest banks in the world. These sustainability focused banks, with a social, environmental and economic triple bottom line at the core of their business models, deliver these results while continuing to be focused on meeting the needs of their clients through lending and deposit products"*

Ethical banks show that the story of banking can change. And that story starts with banks considering social and environmental values as core to their business.

Finding ethical banking options

Recent research into ethical banking has made it easier for consumers to choose their banks according to their own ethics. The Good Shopping Guide, for example, has created a banking league table which rates banks on their environmental and social performance, *"penalising those which have invested in projects that have caused outrage among environmental and human rights campaigners."*

There are a growing number of online guides and websites aimed at helping people explore ways of investing or saving their personal finances whilst having a positive impact on people, communities and our environment. Some good places to start include The Good Shopping Guide, Move Your Money, Good With Money, Ethical Consumer, Blue and Green Tomorrow and Pioneers Post .

What we do

Charity Bank is a savings and loans bank with a mission to use money for good. We exist to make loans to charities and social enterprises. So when savers deposit with us, we send their money on a mission, only ever lending to organisations benefitting people and planet.

From day one our goal has been to support charities and social enterprises with loans. Since 2002 we've agreed to lend more than £240 million to charities and social enterprises, making a difference to the lives of more than one million people from across the UK.

So what practices and safeguards define our approach to banking for good?

1. **We're a bank with a social mission**
   Charity Bank was founded in 2002 with a mission to lend money to charities and social enterprises. This mission is written into our articles of association in the form of our charitable objects.

2. **We're entirely owned by charitable foundations and trusts, and social purpose organisations**
   We're run for social purpose organisations and owned by them. Every single one of our shareholders is either a charity or a social purpose organisation.

3. **We're a social enterprise (and the only bank with the Social Enterprise Mark)**
   We're the only bank with the Social Enterprise Mark because the money saved with us, invested in us and generated through our interest rates, is ploughed straight back into supporting the social sector.

4. **We measure our impact**
   We measure social impact to assess organisations looking to borrow and to evaluate our own progress as a bank for good. Impact measurement is at the core of banking for good and a vital tool for us in:
   - deciding whether to make a loan
   - seeing how we're helping organisations improve and grow
   - understanding and tracking our borrowers' ability to achieve their social missions
   - showing our savers and shareholders where their money is going
   - understanding what works for our borrowers and making better decisions

5. **Our social mission is locked into all of our activities**
   The safeguard which stops Charity Bank drifting from its mission is known as a 'mission lock'. Our charitable objects cannot be changed unless approved by a special resolution of shareholders holding at least 90% of the total voting rights and following consultation with the Charities Aid Foundation.

'Banking for good' is at the heart of our business. For us, doing good isn't something that sits alongside our activities as a promotional tool, it is the very core of what we do.

MAKING THE TRANSITION TO A LOW CARBON ECONOMY

By SIMON LEADBETTER

Simon Leadbetter of Blue & Green Tomorrow speaks to Paul Ellis, Chief Executive of Ecology Building Society

At the Paris Climate Conference (COP21) in December 2015, 195 countries adopted the first-ever universal legally binding global climate deal. Paul Ellis, Chief Executive of Ecology Building Society says that, as well as the commitment to keep global climate warming well below 2ºC their aim to limit warming to 1.5ºC was a very welcome surprise,

> *"Half a degree makes a massive difference. The science predicts climate impacts such as sea level increases, heat extremes, crop failures, water scarcity, flooding, ecological devastation rise significantly between 1.5 and 2 degrees. The agreement is potentially a major turning point for humanity. At long last, after decades of discussion, the world could be on the path to a low carbon system, as long as all the warm words and pledges turn into hard actions."*

Ecology Building Society has been on that low carbon path since it was established in 1981 to improve the environmental performance of our housing stock and promote low impact lifestyles. In those days a building society could be started with just £5,000, so ten people with a vision for a sustainable future put in £500 each and they began trading from a tiny upstairs office in Cross Hills, West Yorkshire, just a few miles from their current eco-build HQ. Since then Ecology has grown and now has about 9500 members and more than £100 million in mortgage assets. It remains the only building society that lends exclusively for environmental projects.

> *"Our homes have a huge impact on the environment, from the energy we consume to the materials used to build them. "They currently contribute over 27% of our carbon footprint so we need to drastically improve the efficiency of our housing stock in the UK if we are to meet our emissions targets", outlines Paul, "Warm, healthy homes don't have to cost the earth. Our mission is to build a greener society and we do this through our sustainable mortgages and ethical savings accounts."*

Ecology only lends on projects with a positive environmental or social impact. They often lend on projects that other lenders won't consider, perhaps because they are unusual or are using innovative building materials. Over 35 years of lending there isn't much Ecology hasn't seen before, so they lend on conversions, retrofits, restoration of derelict properties, self and custom builds as well as alternative housing tenures such as co-housing which can support affordable housing – as long as the work results in a high environmental standard such as Passivhaus, the fastest growing energy efficiency standard for buildings. They also offer a range of *'C-change'* mortgage discounts, which adjust the price of the mortgage to reflect a property's climate impact.

All of their lending is funded by their range of simple, transparent ethical savings accounts that offer long-term value. *"Our members can be confident that their money is being used in line with their ethical principles"*, explains Paul.

Over the years Ecology has also expanded its lending beyond traditional retail mortgages. They actively support sustainable local economies through their commercial mortgages for ecological and community businesses and, through their lending on shared ownership, housing association and housing co-operative properties. In 2015 for example they extended their support for renewable energy projects by making a ground-breaking investment of £250,000 through Abundance, the UK's leading online ethical investment platform. Both organisations have a long commitment to the spirit of democratic finance and this was the first tie-up between a building society and an ethical investment platform.

Ecology selected the *'Oakapple Berwickshire'* project, for its first investment with Abundance. The project involved the installation of 749 roof mounted solar panel systems with a total capacity of 2,595 kW across homes owned by the Berwickshire Housing Association.

"We're pleased to be involved with Oakapple Berwickshire project. It's a great fit for us as it addresses our members' desire to tackle fuel poverty, support social housing and add to the UK's growing renewables capacity", Paul explains, *"We believe that investing via crowdfunding platforms allows institutions to stand alongside individual investors, and amplify the positive impact of their investments in a diverse funding package."*

Ecology's mutual ownership model means they can be completely focussed on their mission, rather than generating profits for shareholders. And, as their members have a say in how they're run, they can ensure that the mission remains at the core of the Society. *"Our members expect us to put our principles into practice throughout our operations, from customer service to our own carbon emissions and remuneration."*

As well as measuring and minimising their own carbon footprint, Ecology was recently awarded Living Wage accreditation which complements their long-standing commitment to fair pay. *"We believe that gross inequality has an environmental cost, which is why we were among the first organisations in the UK to implement a fair pay ratio to limit maximum salaries. Accreditation demonstrated our commitment to maintain fair remuneration practices, including ensuring that all contractors working on our premises are also paid the Living Wage. Our employees and contractors play a vital role in helping to deliver our mission to build a greener society and we believe that fair pay helps us reap business benefits such as lower staff turnover and improved customer satisfaction"* explains Paul.

So, it's quite simple really. It's about sustainable lending funded by savers who want to know that their money is being used to fund a better future. Can your bank say they do that?

WRITE FOR US

Whether anonymously, under a pseudonym, or with your name published loud and clear.

Journalism is changing rapidly through a digital and social media revolution. It is no longer the preserve of press barons and elite groups; journalism is now democratic and everyone has a voice.

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GREENING CAPITAL

By HUW DAVIES

After the World's leaders reached a global agreement on climate change targets in November at the COP21 summit, it is my hope that the global finance sector will play a big role in tackling this challenge. Because while glass fronted bank offices may feel abstract and divorced from the reality of rising temperatures, melting ice and extreme weather, money is at work around the clock, being used to lend, invest, create, destroy, buy and change.

Money is neutral, but how we use it as individuals and institutions gives it value. In short it can be used for positive change, or destructive activity. As spenders, lenders, savers, investors, pension holders, fund managers, bank CEOs – we decide.

It's easy to see and understand how certain activity is good or bad for the environment; that recycling will have a positive impact, whereas long-haul flights are accompanied by an environmental cost. But remarkably few people consider how, through their personal savings, investments, and pension, they could very likely be putting their wealth to work in actively destroying the planet they are trying to protect in other ways. Likewise, this money could be a powerful force against climate change, if invested in solutions combating it.

As a nation, we have a collective nest-egg of trillions of pounds in savings, investment funds, and pensions. This money is not an inert force, but is used daily while invested or on deposit. A proportion of this vast sum, unknown to the majority, will be invested and lent to activities causing environmental harm. Most Stocks and Shares ISAs on sale from high street banks will include investment in oil, mining, and other companies which are complicit in environmental destruction. Pensions will often invest in carbon. Even money in savings accounts will be lent to…. well, who knows – because there is so little transparency in the sector.

Banks increasingly talk of their green credentials, planting trees, reducing waste – but we need to cast a spotlight on the more fundamental workings of the sector. So, let's have a discussion on the apparent contradiction between this laudable activity and then selling investment funds which contribute to environmental destruction. Let's have a discussion about the need for pension funds to divest from carbon, not just for environmental reasons but for the long-term financial performance for investors. And let's have a discussion about transparency, about the need for banks and funds to be clearer on what our money is doing while they have it – so we can decide whether we're happy with that.

Recent research from Triodos Bank is illuminating; it found that climate change is an important issue for 60% of those surveyed, but two-thirds (65%) have never considered the potential impact of where their investments are held. Encouragingly, however, more than half (53%) of those polled did say that they would change their investments if they believed it could have a positive impact on climate change. It also found that almost half (48%) of UK adults believe banks have a responsibility to do more to tackle climate change, and that 39% said they want to see more ethical or sustainable banks in the UK.

There is growing consensus that the financial services industry – and big business generally – need to play an integral role in fighting climate change. Not in superficial ways, but by reviewing what they do and don't do with the huge amounts of money in their hands. The financial sector around the World must now use the weight of its power and influence, moving from investment in unsustainable activities and into the environmentally positive alternatives we need to combat climate change. The sector can no longer hide behind its opaqueness and claims that customers are not interested. They are, and increasingly so. But we need to make that clear, as customers, shareholders, employees of banks.

After the credit crisis, banks were criticised for having lost their way, for being out of touch with reality and their place as useful parts of society. Has the sector learnt, has it reflected on its purpose and who it should serve, what its real potential is?

I hope so, because the time for leadership and vision is now. And with it, a very human problem – climate change – could be solved by a very human creation – finance.

Huw Davies
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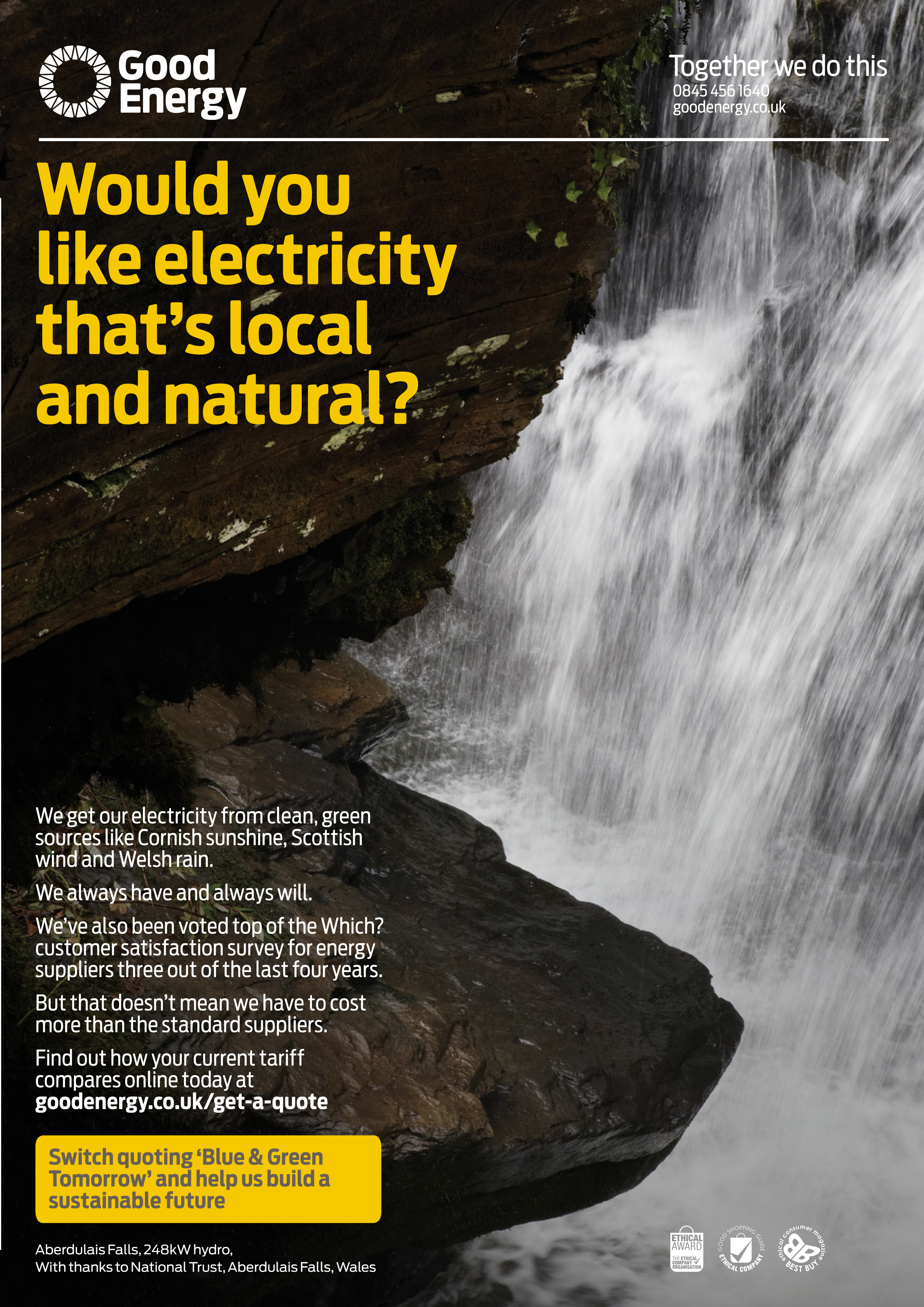
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