



**Rainbow Saver  
Anglia Credit Union Ltd**

# Deferred Shares

- **A new way to invest in your local credit union**
- **A long term social investment**
- **A way to invest in Cambridgeshire, Norfolk and Suffolk**

In accordance with the provisions of The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011

## **Rainbow Saver Anglia Credit Union Ltd**

229 London Road South, Kirkley, Lowestoft, Suffolk NR33 0DS

Telephone: 502 584854

Authorised by the Prudential Regulation Authority and authorised and regulated by the  
Financial Conduct Authority FRN 213617

Registered under the Co-operative and Community Benefit Societies and Credit Unions Act.

Rainbow Saver has clear aims and values:

- Encouraging members to save when they can, borrow when they need to.
- Offering loans at fair and reasonable interest rates, taking into account what people can afford to repay.
- Empowering members to make informed choices about managing money
- Supporting communities to consider money management as an important element of community cohesion

### **Growing towards sustainability**

Rainbow Saver aspires to be a financial services provider for everyone within our trading area of Cambridgeshire, Norfolk and Suffolk.

We are aiming to become financially self-sustaining and seek to boost our capital by issuing deferred shares.

The PRA (Prudential Regulatory Authority ) requires the credit union to increase its reserves to total assets ratio to 8% if it wishes to grow larger, receive other credit union transfers and to offer interest on savings and to offer a range of products.

We currently have reasonable capital to asset ratio but this will not be adequate for further expansion so we need to improve Rainbow Saver's capital. Previously, credit unions relied largely on retained earnings to increase financial reserves.

We are now inviting supporters to invest in **deferred shares** in Rainbow Saver as the best way of boosting our capital reserves. This would be an investment, not a grant or donation.

## **What is a deferred share?**

Credit Unions are mutual organisations. Members own shares to the value of their deposits. Normal ('non-deferred') shares can be withdrawn on notice. They do not earn interest, but members who hold them may receive a dividend from the year's surplus.

By contrast, deferred shares in a credit union are not withdrawable. They are repayable only on the consent of the financial regulator, if the credit union is wound up or dissolved. Deferred shares rank behind all other creditors including other shareholders. It is because deferred shares are tied in this way that they can count towards the credit union's capital reserves.

Investors in deferred shares are members of Rainbow Saver. As members they have the right to a vote in a general meeting but unlike public limited companies, those with a stake in the business can only have one vote, however much they have put in.

Deferred shares are not protected by the Financial Services Compensation Scheme. This is an important consideration. Under section 17 of The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 the credit union is obliged to draw your attention to this exclusion from protection.

The Board anticipate that no dividends will be paid on deferred shares for at least the first five years they are held, but undertakes to discuss its distribution policy with investors as well as declare it to members at each AGM.

# **The small print**

## **Who can invest in deferred shares?**

Rainbow Saver welcomes investment in deferred shares from individuals and corporate bodies.

## **Why invest?**

Organisations which seek to offer long term support to the credit union can now do so using this new financial instrument which strengthens the credit union balance sheet. This is a social investment which is not likely to offer large returns, but is intended to offer modest returns over the long term.

Deferred shares are transferable but not withdrawable and are only repayable in limited circumstances. Deferred shares count towards the capital of a credit union. Buying deferred shares is a way that organisations and individuals can invest to strengthen the credit union.

## **Minimum and maximum investment**

Admission to membership of Rainbow Saver is at the discretion of the Board. All applications to invest in deferred shares will be considered on their merits. The minimum investment in deferred shares in Rainbow Saver is £100, the maximum investment will be determined by August 2014 and is likely to be £1 million

## **Distribution Policy (Dividend Policy)**

The Board anticipates that no dividends will be paid on deferred shares for the first five years they are held. This policy is designed to ensure that investors accept that the returns are likely to be low in the early years and are suitable for investors who are seeking social investment rather than seeking maximum financial returns.

The Board will declare its distribution policy each year, but actual distributions are decided by vote at each AGM. The current distribution policy is to offer a modest dividend to individual and corporate depositors when sufficient surplus has been generated, and to consider deferred shares distribution in five year's time. The Board

undertakes to treat corporate depositors equally with individual depositors, but that deferred shareholders rank behind these two groups when distributions are considered.

**Other points:**

Deferred shares in Rainbow Saver represent a long term non-withdrawable investment, and are transferable from one member to another at the discretion of the Board.

Deferred shares are the most junior investment in Rainbow Saver, ranking junior to all creditors, including subordinated creditors.

Holders of deferred shares in Rainbow Saver have one vote at general meetings.

Deferred shares in Rainbow Saver are not protected by the Financial Services Compensation Scheme.

A share certificate will be issued for deferred shares in Rainbow Saver.

Deferred shares in Rainbow Saver will not be listed on the Stock Exchange.

The FCA anticipates that a trading market will develop in future years, but as this financial instrument is so new that no structure has yet emerged for trading in credit union deferred shares.

The credit union cannot offer investment advice. The contents of this document should not be construed as legal, financial or tax advice. Each prospective investor should consult its own legal, financial or tax adviser for legal, financial or tax advice in relation to a purchase of deferred shares.

**Disclaimer**

Rainbow Saver believes that the information displayed in this information is accurate as at the date of publication, but we do not guarantee the accuracy or currentness of any information and we disclaim all representations and warranties, whether express or implied, to the extent permitted by applicable law and regulation.