Bank of England PRA

Helen Ainsworth
Senior Manager, Credit Unions Team

28 November 2025

Dear Directors,

Prudential Regulation Authority (PRA) Annual Assessment of the Credit Union Sector

You are receiving this letter as your firm belongs to the group of credit unions (CUs) with total assets up to £50 million. We recently held a Periodic Summary Meeting (PSM) for this peer group, which reviewed the risk profile of CUs, examined the medium to long-term supervisory strategy, and approved the supervisory plan for the following 12 months. This letter sets out the key findings from our annual assessment and the actions we expect you to take.

While this letter focuses on your peer group, it is important to read it alongside the **Dear CEO letter to UK deposit takers** in January 2025, which outlines the PRA's priorities for your sector. The 2026 letter will be published in January. We will also be inviting you to join a CU conference call where we will discuss the priorities as they relate to CUs.

Key risk one – Operational resilience

Operational resilience remains a key risk for credit unions in your peer group. Our thematic work during 2026 will focus on supporting credit unions to strengthen their operational resilience, including contingency planning for unexpected events and ensuring robust arrangements for replacing key staff and directors. Dependencies on critical third parties and outsourcing, material operational changes, and loss of service due to cyber or operational incidents are all factors that can impact operational resilience. Boards should be aware of these dependencies and risks and consider how they would respond to them.

We attach a separate letter, 'Operational Risk and Resilience: A Proportionate Approach for Credit Unions', which sets out our expectations in this area in more detail. This letter includes guidance on critical third parties, outsourcing, and cyber risk, as well as good practice for identifying and managing important business services.

We also provide the CQUEST questionnaire modified for CUs in this peer group, which boards may wish to consider, particularly with respect to cyber risk. The questionnaire is designed to help boards assess their strengths and weaknesses in cyber, and to identify areas where further action may be needed.

Key risk two – Disorderly failure

We expect CU boards to continue proactively monitor their own CU's prudential position, its performance against financial forecasts and act in a timely manner in response to any emerging issues. Where the board identifies that the credit union activities are no longer sustainable, we expect directors to consider alternatives, engage with the regulators and a trade body (where applicable) in order to reduce the risks of a disorderly failure. Where a credit union is no longer viable and sustainable, its options and the timescales for implementing those options are affected by the services it offers. Certain activities, such as providing transactional accounts or processing Department for Work and Pension benefits may increase the risk of a disorderly failure. Boards should understand how they will interact with members and the impact of these services on the credit union, including the scenario where the credit union is unable to continue to offer those services.

Areas of supervisory focus

In additional to operational resilience and the risk of disorderly failure, the supervision team's work during 2026 will include a continued focus on risk management. We will continue do so in a proportionate manner and engage and cooperate with trade bodies.

Governance work and expectations

As highlighted in our recent governance review, standards of governance remain an area of interest for the PRA. Boards should always be considering and striving to maintain their compliance with our expectations in this area. Robust governance arrangements are essential for reducing dependency on key individuals and supporting the proactive identification and effective mitigation of risks. The PRA will continue to seek assurance that these standards are being maintained through engagement with the sector.

We are encouraged by the level of engagement and action from the CUs, including the high proportion of CUs who attested to compliance or provided credible evidence for work plans to achieve compliance. However, there remain areas that require continued focus to move further towards good practice. Boards are encouraged to continue to regularly assess themselves against the following areas:

- Succession planning and resourcing, ensuring arrangements are in place to replace departing staff and directors with appropriate expertise and experience.
- Regular reviews and updates of key policy documents and periodic assessment of management information.
- Improving business planning to ensure plans are kept up to date and include clear objectives, annual targets, financial forecasts, and a risk assessment.
- Implementing formal and timely appraisals of board and senior management performance against agreed objectives.

This is not an exhaustive list, and all boards are reminded of their responsibility to ensure that standards of governance and risk management across all areas meet the PRA's rules and guidance. The PRA's focus on governance will remain and the supervision team will continue targeted engagement with individual CUs.

Conclusion and next steps

We are committed to engaging with CUs on regulatory matters in a proportionate way, which relies on CUs being open and transparent with the PRA. Fundamental Rule 7 states that 'A firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice'. If you become aware of any events that are likely to impact your prudential position or ability to continue to offer your services to members, we expect you to notify the PRA as soon as reasonably possible, by emailing **prudential_creditunions@bankofengland.co.uk**.

As directors of a CU, you have personal and joint obligations to serve your members and to meet regulatory and legal requirements. In doing so, you should consider the points set out above and act appropriately. The content of this letter has been shared with the FCA, UK trade bodies and CU auditors, and you may wish to discuss the issues with them.

If you have questions about the content of this letter, please contact the Credit Unions Supervision Team at **prudential_creditunions@bankofengland.co.uk**.

Yours faithfully,

Helen Ainsworth
Senior Manager, Credit Unions Team