

# BOARD HIGHLIGHTS

## DEMOCRACY in the COOPERATIVE WORLD

In September, I promised to provide information about the democratic processes cooperative institutions practice. While quality of service, product offerings, pricing, and convenience draw many to our credit union, the ownership and democratic structure of credit unions really set them apart from other financial institutions. Before you begin to rest your eyes, let me cite an example or two to demonstrate the difference.

All – well most - of you remember that the world-class seafood company, Fishery Products International, called our province home. We were very proud of it. It directly employed thousands of our citizens and was a great corporate citizen. By what means did it go out of existence?

Well, a very small number of shareholders owned 85% of the shares. These few shareholders established a board of directors with the mandate to liquidate FPI and return the proceeds to them. You know the rest of the story. By comparison, all members of a credit union own it **equally**. Please note the critical difference: no member, regardless of amount on deposit or the number of shares owned, has more voting power than any other member does. This is a principle fundamental to all cooperatives, including credit unions.

Let me take a second example. The rationale the shareholders of FPI used was, essentially, personal. They could place their money more profitably elsewhere. Similarly, our big six banks move out of rural communities. They do so, not because they are not making a profit, but because they can make elsewhere a bigger

profit for their shareholders. What about credit unions?

Yes, credit unions sometimes make decisions that seem prejudicial to some members. But credit union directors never make decisions to enrich themselves or a few shareholders. Even if they were inclined to do so, the legalities that govern their actions would place them in peril. Only the good of the membership – all shareholders - guides their decisions. Take our recent closure of our Pasadena Branch.

The directors and senior staff, over a period of several years, spent many hours seeking ways to make the physical branch more attractive to the residents of the town. It remained largely inactive, because a great many members used other channels to complete their transactions. The directors decided, therefore, to redeploy resources from a building-based channel to electronic-based channels, to meet the current and emerging needs of all members. The fact, that no fully engaged member relinquished membership, attests to the appropriateness of the directors' decision. Again, please note: the directors made this decision to add value for all owners. Nevertheless, they did not abandon those in Pasadena. LECU continues to serve members there via electronic means, and for these times when in-person communication is required, in the near-by Corner Brook Branch.

To discover the way for you to influence the future of your credit union, watch for the next issue. In the meanwhile, should you wish to offer suggestions, please do so at this address:

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