

Innovation and Change in Irish Credit Unions

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Chapter 4 The Origins of the Credit Union Movement in Ireland

“We can make history by re-reading it, and by realising and accepting the fractured, divergent realities, and the complications and nuances behind the various Stories. The ambiguities of Irish history are, in many ways, the most distinctive thing about it” (Foster, 2001b, p.35).

4.1 Introduction

While credit unions have been in existence in Europe for 150 years, and in North America for 100 years they have a relatively short history of just over 40 years in this country. Despite this brevity, the existing historical account of the credit union movement in the public domain, specifically that regarding the period prior to the launch of the first credit union in 1958, leaves a lot to be desired. The roots and origins of the credit union movement in Ireland are much more complex than previously accepted. The early history has been viewed through too narrow a lens. It concentrates almost exclusively on the evolution and implementation of credit unions’ organisational and administrative structures at local and national level in the context of its co-operative ethos. Consequently there is a need to place the arrival of the credit union movement in a wider national context. The main aim of this chapter, therefore, is to illustrate that one particular view of the origins of the credit union movement in Ireland has become dominant. It suggests that documentary evidence, that has up to this point been ignored, points to a longer and much more complex history. Inconsistencies between different accounts that could not be resolved prompted this investigation. By closely analysing the evidence, this chapter seeks not so much to contest

the accepted history of the credit union movement in Ireland but rather to elaborate upon it.

The documented history of the origins of credit unions in Ireland has suffered for many reasons, four of which are of particular importance:

- The social and cultural context in which the movement originated has been too narrowly focused.
- It has placed too much emphasis on the personalities involved.
- The time scale studied immediately preceding the launch of the first Credit Union has been too limited.
- Attempts to create an archive have not been successful. This has led to many uncorroborated, fragmented and disjointed anecdotal accounts of the early years entering the public domain.

To illustrate these points one has to look no further than a paper issued by the Irish League of Credit Unions (ILCU) in April 1994 titled *Background, Development and Growth of Irish Movement*. Its opening line reads:

The vision, courage and tenacity of three people led directly to the founding of the Credit Union Movement in Ireland ...
Nora Herlihy... Seamus McEoin... and Sean Forde. (p.1).

It suggests that that the involvement of these three people in setting up the Dublin Central Co-operative Society and the National Co-operative Council led directly to the concept or idea of credit unions being introduced to Ireland. To quote at length from the 1994 ILCU paper, the National Co-operative Council:

Set up a special committee consisting of Nora, Seamus, Sean and some others to collect information relative to co-operative

ventures worldwide. During the course of the investigations Nora made contact with the Credit Union National Association (CUNA) in America. As a result she studied in great detail the operation of Credit Unions. The special committee came to the conclusion that the possibility of setting up Credit Unions in Ireland was worth pursuing. Following this investigation the committee, having acquired the knowledge of the operation of a Credit Union, decided to approach people and encourage them to become involved locally. Nora Herlihy, around this time, spoke at a Folk School Meeting in Dublin and she so impressed two sisters that eventually with a group of their neighbours they formed the Donore Credit Union in 1958. Also around this time the Dun Laoghaire Co-operative Society formed a Credit Union. (p.2).

This version of the origins of the credit union movement in Ireland is such a simplification as to almost become a caricature. Yet it has been repeated so often and has become so widely accepted that few have thought to look at the records that do exist to corroborate and substantiate it.

Culloty (1990), in his carefully written biography of Nora Herlihy,⁶ while deferring eventually to Nora Herlihy's version of events astutely hints at a more elaborate history of the movement:

It is difficult to unravel all the threads in the staggered evolution of the movement in those early days. Nora herself is the best authority. (p.45)

A careful reading of the biography indicates that Nora Herlihy was very much aware of the complex origins of the movement in Ireland

⁶ Nora Herlihy's biography serves as a very valuable starting point when researching credit unions in Ireland. She should be praised for consenting to the biography. Prior to this, her thoughts and opinions were kept very much out of the public domain and Culloty's work offers unique insights into her life and life's work.

and that her account of the history of the movement was being contested and challenged.

In a letter to Thomás MacGabhann in 1979, Nora recalled that difficult period [the early days of the movement in Ireland] and refuted claims of various bodies concerning events. She wrote – ‘but the cradle in which it was conceived and nurtured was the Dublin Central Co-operative Society where the idea sent down its first root in October 1954; I have letter after letter dated 1954, 1955, 1956 and 1957 from the United States, Canada and elsewhere which evidenced every stage of its gradual growth to maturity in my mind.’ The minutes of the Society, recording when the letters were put before the Committee are also extant (p.).

This rather cryptic reference, in which Nora refutes claims of ‘various bodies concerning events’ could easily be overlooked. It represents a puzzling conclusion to Culloty’s third chapter. It portrays her in a defensive frame of mind yet the reason for its inclusion, or Nora Herlihy’s mindset at the time, is not explained or elaborated upon. What is evident in this extract is that Herlihy is using the opportunity presented by her biography to do two things. Firstly she is claiming ownership of the movement in Ireland and secondly she is referring interested parties to an archive where her version of events could be substantiated.

To understand why Nora Herlihy was concerned with this issue in 1979 one has to refer back to the events of the ILCU Annual Convention two years earlier in 1977. At this Convention John Neville (RTE Credit Union) and John Sunderland (League Board) successfully proposed that an archive of historical documents related to the credit union movement be established. Interestingly, Nora Herlihy refused to co-operate with this project. This made matters significantly more difficult for those involved in

the project, but despite this obstacle they persisted and in 1979 a draft document titled *A Preliminary History of the Irish Credit Union Movement 1953 – 1960* was compiled by Aine Monahan and was being circulated internally in the movement. In this document Monahan dated the formation of both the Dublin Central Co-operative Society and the National Co-operative Council, referred to in the ILCU document, to 1954. Monahan also dated the Folk School Meeting to May 1957. Based on the information provided by Monahan it is possible to conclude that the earliest possible date that Nora Herlihy, Seamus MacEoin or Sean Forde could have learned about Credit Unions was late 1954. Indeed, this was later corroborated by Nora Herlihy in her biography published in 1990, which dates her discovery of credit unions specifically to October 1954 (p.45). The story as Herlihy told it is interesting and worth repeating:

Denis Byrne of the Dun Laoghaire Co-operative Society attended a meeting of this Central co-operative and discussed with the members the idea of Co-operative Banks and also spoke of a new type of organisation which had developed in America. It was known as a credit union. Nora became very interested and was impressed by the knowledge of this new approach which Denis displayed. She agreed with a suggestion from him that he would write a letter to a Dublin evening paper about the new system and Nora would reply seeking further information. The letter, published in 1954, made the point that the scandal of money lending was seldom referred to in the discussions of financial matters in the media. It then went on to introduce idea of the new approach – ‘Credit Unions have played a big part in the United States in protecting wage earners from loan sharks. Credit Unions are Co-operative Savings Banks but they also provide loans at reasonable and clearly understood rates of interest.... The possibility of adopting the credit union or some variation of these ideas in Ireland would surely be an attractive pastime for those who not only believe in the principles of social and economic justice but are prepared to work a little to foster them.’

Nora replied to the newspaper and this was duly published. Denis responded giving the address of the Credit Union National Association (CUNA) in Wisconsin in the United States of America. He also mentioned that lists of further material on the subject were available from the American and Canadian Embassies in Dublin.

On November 30th Nora wrote to all three, seeking details. In her letter to CUNA she mentioned that the Society she was representing was interested in the possibility of adopting the idea of credit unions in Ireland (pp.38 – 39).

It is usual, therefore, for historians of the movement to date the first arrival of the idea of credit unions into Ireland to late in 1954 and attribute the idea to Nora Herlihy. But the story is much more complex and involves a much wider group of people than even Nora Herlihy understood. One simple but important question that nobody has asked, and is of pivotal importance, is where had Denis Byrne learned of the credit union movement and how had he come to possess the information he chose to forward to Nora Herlihy in this very public way.

4.2 Introducing Ambiguities

There is a perception extant that Ireland in the period 1930 – 1958 was a society that was stagnating. It has been characterised by commentators of the period as an era of poverty, mediocrity, economic stagnation and mass emigration. While accurate in some respects, the situation was not as dour and hopeless as portrayed (Fallon, 1998). Several concerned individuals were actively involved in seeking solutions to the many problems that Ireland was experiencing. The culture was very different to the one that emerged in the 1960s and people did not expect the State to solve all their problems. In fact they actively resisted the encroachment of the State into areas that did not directly concern them. Ireland between 1930 and 1957 was not as closed or isolated intellectually as it was economically. Many ideas coming into Ireland from both

Europe and the United States were being filtered and given an Irish expression. For instance, many local organisations that appear on the surface to be uniquely Irish show strong external influences. In this process, the Catholic Church emerges as playing a critical role. Muintir na Tire (the people of the land), for example, a community development, self help organisation with a strong rural orientation, founded by Fr. John Hayes in 1931 and relaunched as a voluntary organisation in 1937 was modelled on the Belgian Boerenbond founded by Abbe Mellaerts in 1886. Immediately one can see the importance of the Catholic clergy in introducing and shaping ideas that were new to Ireland during this period. Muintir na Tire also promoted the development of a rural society strongly influenced by the Catholic social principles outlined in *Quadragesimo anno*, a papal encyclical issued in 1931 by Pope Pius XI. So here we can see Belgian and Italian ideas finding expression at local level in Ireland in the guise of Muintir na Tire. Further examples of the extent to which Ireland was open to outside ideas can be seen in the fact that the Folk School Meetings organised by the National Co-operative Council were based on a Danish model. Running parallel to these Folk School Meetings, Muintir na Tire, since the late 1930s, organised annual Rural Weeks – a week-long series of lectures, seminars, plenary sessions called ‘fireside chats’ combined with social and recreational activities – and these were modelled on the French Semaines Rurales from the 1920s and 1930s.

Essentially what happened was that the idea of the credit union movement had ‘entered’ the country by two routes. The first was as described above, when Nora Herlihy and Denis Byrne collaborated to inform the public of credit unions’ existence. The second was more circuitous and involved another voluntary organisation, Muintir na Tire. In the *Irish Monthly* in April 1936 Brigid Redmond in an article titled ‘Reshaping a Rural Society’ wrote the following about the Boerenbond:

they have a central bank, formed by a federation of local banks modelled on the Raiffeisen system, (p264)

As this is a passing reference it would not be wise to attach too great a significance to it but it does show that in these Catholic journals certain ideas, deemed to have merit and worth, flowed freely across national boundaries. What is highly significant, however, is that Muintir na Tire was, as already explained, modelled on the Boerenbond. The founder of Muintir na Tire and his advisers had studied this Belgian organisation in detail. They knew from their research that the Boerenbond acted as a federating body for various farmers clubs, clubs for women, societies for the purchase of agricultural machines and building societies. It was an economic organisation that looked after the interests of the rural community in matters of production, finance and marketing. The Boerenbond acted as the federating body for local banks modelled on the Raiffeisen system. In Belgium in 1887 there were 159 local banks. However, by 1929 this figure had risen to 1,949 with assets exceeding 74 million francs.

In 1941 Muintir na Tire launched an annual journal that invited articles from members of the organisation, the clergy and a selected number of academics. The purpose of the publication was to inform and educate. Throughout the 1940s and early 1950s, a series of articles appeared that advocated the stronger adoption of co-operative principles in Ireland. In 1942 an article appeared in *Muintir na Tire's Official Handbook* titled 'Co-operation and Christian Principles'. It was written by the Professor of Politics and Ethics in Maynooth, Corneilius Lucey, later appointed Bishop of Cork. He was closely involved with Muintir na Tire since its inception and served as its president between 1950 and 1969. Bishop Lucey, it might also be recalled, played a major role in the establishment and perpetuation of the credit union movement in the diocese of Cork and is particularly remembered as the driving force behind Ballyphehane Credit Union. In the article he contributed to

the *Muintir na Tire Official Handbook* he explained the ethos of Muintir na Tire:

The great objective Muintir na Tire has in view is the reconstruction of Irish rural life on a sound Christian basis. To bring this about, it relies first and before all else on fostering in the people of each parish a strong spirit of neighbourliness and solidarity; a will to work together to deal with local problems....*Co-operation* therefore is the watchword of Muintir na Tire. Co-operation first in the social and cultural sphere and then in the economic (p.49).

This emphasis on co-operation is highly significant. He then proceeded to ask four questions the answers to which constituted the major part of the article. One question in particular, and the answer suggested to it, is of some significance to those interested in researching the origins of the credit union movement in Ireland. He asked:

Are we neglecting any desirable form of co-operation in this country at the moment? (p.49)

The answer, although lengthy, deserves to be quoted in full:

We hear much nowadays about Credit Reform. Strange that nobody in this Catholic country so far has put the case for the characteristic Catholic answer to the problem of providing credit in small amounts and on easy terms, namely the setting up of Parish Co-operative Societies. On the Continent, in Canada, and latterly in the United States, co-operative credit societies flourish by the thousand and meet satisfactorily the farmer's need for cheap credit.

The parochial credit co-operative excels as a credit-dispensing agency for several reasons. It can carry on almost without running expenses; it can lend not so much on the security of the borrower's possessions as on his industry, sobriety and general ability to make good once he gets the necessary capital; it can lend safely because all the members know each other and can appreciate the real needs of the

intending borrower, what use he is likely to make of the loan, and whether he is likely to repay it; and it will lend with all caution, since its debts are guaranteed by all the members jointly. Recognising all these advantages, the State in various Continental countries usually distributes through the local credit co-ops. the money it makes available as agricultural credit. Surely it is not asking too much to ask the Government here to follow this proven practice, and place credit at the disposal of the agricultural community through the agency of parochial credit co-operatives under the aegis of Muintir na Tire.

Is it not high time that we too, should complete the unity of our rural parishes in this way? And what organisation is better fitted to undertake the task than Muintir na tire? Most earnestly therefore, I commend to all Muintir na Tire guilds the work – thrice blessed from the social and economic point of view as well as from the moral point of view – of establishing parish credit unions throughout the length and breadth of rural Ireland (pp.52 – 53).

What is particularly interesting is that Lucey does not seek inspiration from past experiences with the co-operative movement here in Ireland. He does not point to the work of Plunkett and Russell at the turn of the century and the early 1900s. Rather he demonstrates a keen awareness of ideas and movements in other countries and suggests that these, if imported and shaped for an Irish context, could bring many benefits to Irish society. Interestingly also, he begins by referring to parish co-operative credit societies but concludes by calling them parish credit unions and in the process become the earliest known author to refer to this idea and one suspects, introduce it into Ireland. The penultimate paragraph of the article clearly shows that the ideas that Lucey implemented in the fledgling parish of Ballyphehane during the 1960s had been in his mind for some time:

....Alphonse Desjardins, the pioneer of Credit Co-operation in North America, once declared: ‘The object of the credit union is to complete the unity of the parish. Up to now the parish has

lacked unity because there was no provision for the economic needs of the people comprising it. This lack the credit co-operative is called upon to fill by placing credit at the disposal of all honest people within the parish, promoting a spirit of thrift, and placing a financial premium as it were, upon good character' (p.53).

Visiting Boston and seeing the work of credit unions at first hand appears to have only confirmed their value as forces for parochial social and economic integration in his mind and strengthened his resolve to introduce the idea to Cork city. As bishop of Cork he instructed the clergy of that parish to oversee and support the establishment of a credit union.

While this article was largely theoretical and aspirational, the application of credit unions to Irish circumstances found their clearest articulation in 1946 at a Muintir na Tire rural week. There P.J. Meghen, the County Manager of Limerick and the Vice-Chairman of Muintir na Tire's National Executive, delivered a paper titled 'Parish Credit Societies' in which he stated:

I would like to bring before you the story of the Co-operative Credit Society and the work it has accomplished in practically every country in the world (p.75).

He proceeded to outline in some detail the accomplishments of Schulze-Delitsch, Raiffeisen and the spread of their ideas into Italy and Belgium and also the work Desjardins in Canada and the diffusion of the movement into the United States. He outlined the decline of earlier co-operative credit movements in Ireland. Then eight years before Nora Herlihy made contact with CUNA, he made the following statement:

You will note that the Commission [Commission of Inquiry into Banking, Currency and Credit, 1938] are not hopeful of a big expansion of credit societies in this country, but they recommend that any start to be made should be welcomed by

the Government authorities. That in general seems to be the opinion of the soundest authorities. It is believed that there is a field in which the societies could do useful work, but that the initial stages will require plenty of voluntary work so as to reduce expenses to a minimum and to enable societies to build up reserves.

Now I think the effort should be made again and, to make it more effective, I believe that there should be some changes in the structure in these societies..... the co-operative credit society movement in Ireland has so far been based on the Raiffeisen system of unlimited liability. The numerous credit societies of this type formed by the IAOS at different times have catered entirely for the rural population and were societies under the Friendly Societies. These societies were enabled to receive deposits or to borrow money at interest from members, subject to the provisions of the Societies Borrowing Powers Act, 1898.

I feel that the Muintir na Tire Organisation should sponsor a new credit union, which could be registered as a co-operative society under the Industrial and Provident Societies Act, 1893. The scheme should be based on the Credit Union of America, and no loan is made to anyone who is not a memberThe credit union is not in competition with the ordinary banks of the country..... There is a need for credit, on the part of people of small means who have only their character to offer as security and the society I have in mind is for those people...the people we propose to assist are people who cannot get a loan from a bank and can only resort to a moneylender.... My suggestion then is that we form a society to be known as the Muintir na Tire Provident Loan Society or Muintir na Tire Credit Union (pp.80-81).

Meghen was astute in suggesting the shift in governing legislation under which the societies should operate. Ironically he had become aware of the aptness of the Provident Societies Act, 1893 for the purpose he was now suggesting because of Muintir na Tire 's own

history. In a previous incarnation between 1931 and 1937 Muintir na Tire had been Muintir na Tire Limited

To return to 1957 and Nora Herlihy's address at the Folk School Meeting in Dublin where according to the ILCU document of 1994:

She so impressed the two sisters that... they formed Donore Credit Union (p.2).

It is a matter of record that both of these sisters had been members of Muintir na Tire for some time. Culloty (1990) refers to Eileen and Angela Byrne as "enthusiastic followers of Fr. Hayes, Muintir na Tires founder (p.59), and that they had for years attended the summer school (Rural Weeks) organised by Muintir na Tire. There in 1946 they would have been exposed to the idea of credit unions. Here we can only speculate as to what happened. It is highly likely that Eileen Byrne and her sister approached Nora Herlihy to tell her that they too were already quite familiar with the idea of credit unions. Perhaps they even went as far as telling her that under the auspices of Muintir na Tire they were proposing to launch one as they did one year later incorporating part of Muintir na Tire's title in the name of the credit union, Cumann Muintir Dúnóir. Nora Herlihy was faced with a dilemma. She no doubt had envisaged the credit union movement as a stand-alone organisation and not one operating under the auspices of another voluntary organisation. She may also have been informed by the Byrne sisters that the Muintir na Tire Credit Society was in existence since 1949. This spurred Herlihy into action. In her biography by A.T. Culloty he stated:

In a letter Nora tells how she jealously guarded the independence of the movement "which was why I advocated the autonomy of the Credit Union Extension Services at its third meeting at the end of June 1957. I wouldn't have to beg the permission of any other organisation to open my mouth wherever I could get an audience." (pp.45-46)

She wrote this letter less than three weeks after meeting the Byrne sisters and learning of Muintir na Tire's interest in credit unions. While being interviewed for her biography, shortly before her death Nora spoke of Donore Credit Union in warm and friendly terms and "recalled a session with the committee, discussing interest charges and how quickly and effectively they mastered the system" (p. 61). Recent unpublished research on Donore Credit Union appears to suggest that initially her involvement with this new credit union could have been more supportive and friendly. In the course of interviews with founder members it emerged that Herlihy opposed and discouraged the establishment of Donore Credit Union and that relationships between the founder members and Herlihy were not always good. It appears that Nora Herlihy was vehemently opposed to the idea of Dunore setting up a credit union. The reason given for this is that there was no legislation in place at that time. Yet Culloty (1990) states:

They (Donore Credit Union) studied all the available literature on co-operative credit societies. They were interested in the idea of a credit union, but were very conscious of the absence of any legislation under which they could organise one. Eventually they found a solution. They would found and register a 'Friendly Society' and draw up their own rules and regulations (pp.59 – 60).

In other words they did exactly as Meghan had suggested in 1946 (and as Muintir na Tire did in 1949) – they registered as a co-operative society under the Industrial and Provident Societies Act 1893 on 20th August 1958. Perhaps it was Nora who informed them of this obstacle not realising that a solution had been in existence for eight years. This shows how astute Nora Herlihy was. She understood from her knowledge of credit unions in North America that ultimately legislation for credit unions would become necessary. There was a much better chance of legislation being implemented if the credit union movement remained independent

from all other organisations. If credit unions operated under the auspices of Muintir na Tire, a voluntary organisation, legislation would have become, at best, much more difficult to draft, and at worst impossible. This may explain why she was initially somewhat reluctant about the launch of Donore Credit Union. However, as time passed and it became clear to Nora Herlihy that the credit union movement would not become subsumed into Muintir na Tire, relations between her, Donore Credit Union and Muintir na Tire improved. During the 1960s she attended their rural weeks and in 1966, twenty years after P. J. Meghan's article, contributed an article about credit unions in Ireland to Muintir na Tire's annual publication, *Rural Ireland*. Interestingly Aine Monaghan's *A Preliminary History of the Irish Credit Union Movement 1953 – 1960* did contain one paragraph on Muintir na Tire and the Byrnes. But without Nora Herlihy's co-operation the full story remained untold, also the timescale chosen 1953-1960 militated against the full story being discovered. It is difficult therefore to understand why Nora Herlihy was unhappy with the version of events proposed by Monahan. Undoubtedly, it did begin to try to place the origins of the credit union movement in Ireland in a wider context while acknowledging the contributions of people other than Forde, MacEoin and Herlihy.

The idea of credit unions, therefore, had found multiple expressions in Ireland. It was an idea with which the upper echelons of the Catholic Church were enamoured. However, despite their best efforts to popularise the idea by using various public fora – particularly Muintir na Tire's rural weeks and its journal *Rural Ireland* – the idea did not take root. Without doubt the single most important event and the catalyst for the development of credit union in Ireland was the Folk School Meeting in 1957. Its significance lies not in the fact that it served as a forum for the exchange of ideas of likeminded people but in that it enabled these people to meet for the first time. The idea of credit unions had evolved to

different degrees within different groups. Some had acquired greater knowledge in understanding certain aspects of the movement than others.

Until this Folk School Meeting took place, different groups working in isolation from each other were struggling to find an organisational structure that would enable them to activate co-operative banking societies in their communities. Contrary to accepted histories the idea of using the credit union was not a notion introduced into the public domain by Nora Herlihy alone.

It is possible to identify four strands underpinning the development of the credit union movement in Ireland. Each strand is vitally important to its overall evolution. The Herlihy/ILCU and the Plunkett/Raiffeisen strands, as outlined in Figure 4.1, are widely known but the Lucey/Muintir na Tire strand has been neglected. The Ulster strand also, perhaps because of its complexity, has not been integrated as fully as it should have been into the overall narrative.

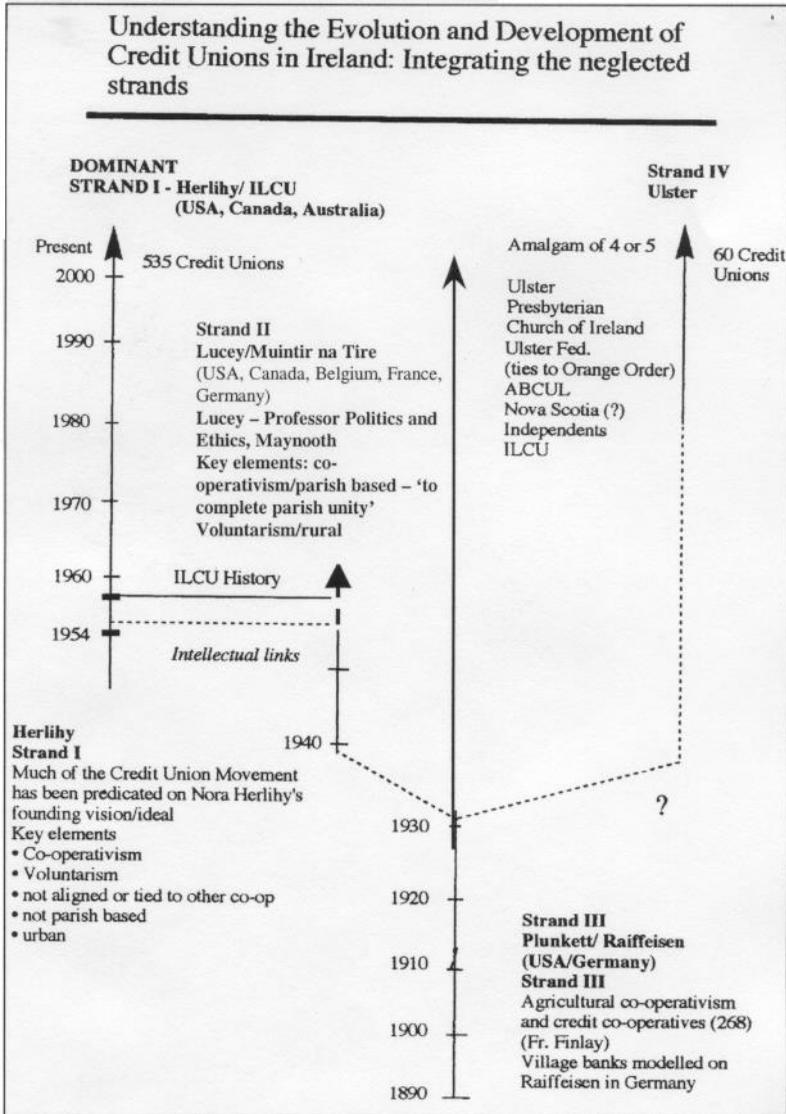


Figure 4.1

4.3 Conclusion

There is a need for ambiguity in history. The complexities of life must be reflected by complex histories. Even in this chapter the full role of Bishop Lucey and Muintir na Tire has not been fully outlined. Further research is necessary and will be undertaken. The credit union movement deserves an accurate history and should not settle for simplified accounts of its past. This has not been an attempt to rewrite history, but to complement already existing information so that a deeper appreciation of the environment out of which credit unions emerged can be more fully understood. This report does not suggest that Nora Herlihy, Seamus MacEoin and Sean Forde did not establish the credit union movement in Ireland. Muintir na Tire had the idea since 1940, but was unable to give it a practical expression in rural areas. The major achievement of Nora Herlihy and her colleagues was that within four years of hearing of the credit union movement they accomplished what many before them had failed to achieve. They presided over the spread of credit unions across the country. It may well be that Donore Credit Union and the Byrne sisters were the catalyst that forced Nora to activate her plans earlier than she wanted to. But once the credit unions began to form at local level, she could not hold back the tide and chose quite wisely to try to direct it and shape it.

As the movement expanded, it may have been in the wider interests of the young movement to put a halo on one person. When Herlihy assumed this role, it was something she neither sought nor expected. What Herlihy desired was a more central and productive role in the organisation and development of the credit union movement in Ireland. What she received was canonisation. This role may have been very frustrating for her because it relegated her functions principally to that of public relations. While the ILCU may have needed somebody to fill this role, in the process it probably lost the most knowledgeable and capable person working within the movement. Herlihy, a very astute woman,

understanding the role she had unintentionally assumed, eventually sacrificed her personal ambitions and worked for the remainder of her life for the greater good of the movement.

In the next chapter, the development of individual credit unions at community level is analysed. Attention is primarily focused on the important role played by the Catholic Church in facilitating fledgling credit unions to become established. It outlines in detail the methods by which the Catholic Church and local clergy supported and sponsored the new credit societies.

Chapter 5 The Origins of Local Credit Unions

5.1 Introduction

Apart from the adjectives “enthusiastic” and “dedicated”, if one were to further generalise and describe the mindset of the founders of credit unions, it would not be accurately encapsulated in the phrase ‘a determination to succeed’. It would be far more accurate to describe it as a strong desire, almost an anxiety not to fail. One can also detect from interviews with founder members of credit unions that the degree of success achieved took them by surprise. Or, indeed, when referring to the development of the credit union movement at national level, that they did not dare to dream that it would become as large or important as it has. In their own words they were “taken by surprise by its growth and strength”.

In the early years there was little strategic planning at national level. Community-based credit unions emerged and expanded because there was a need for them and a demand for the services they provided. Unlike other voluntary organisations, credit unions did not grow in a planned and centralised manner.⁷ The idea

⁷ Two voluntary organisations that centrally directed their expansion were Horace Plunkett’s Agricultural Co-operative Movement and Canon John Hayes’s Muintir na Tire. Both used field officers and area organisers to spread their message and create enthusiasm for the organisations they sought to promote. Unlike credit unions, these organisations mounted powerful propaganda campaigns that originated and were sustained by people from outside of the communities in which they were seeking to establish. For further information, consult Kennedy, L. “Aspects of the Spread of the Creamery System in Ireland” (pp.92-110) and Keating, C. “Plunkett, the Irish Co-operative Movement, and Irish Rural Development (pp.45-69) in Keating, C. (ed.) (1983). *Plunkett and Co-operatives*. O’Connor, R. (1988). *The Origins, Ethos and Geographical Expansion of Muintir na Tire, 1931-1970*, Unpublished M.A. Thesis, Geography Department, University College, Cork.

spread not in a hierarchical manner but through contact. It was in the very early years a slow, tortuous, haphazard and *ad hoc* process. The diffusion of the idea followed many routes. Diploma student reports indicate that many people moving residence from communities with credit unions to areas where they did not exist brought the idea with them. Some had relatives in a part of the country where credit unions had been established and learned of the movement from them. Others had friends or relatives in the United States or Canada, or maybe had visited these countries for work or holidays and had encountered credit unions on their travels. Indeed this was the way that Bishop Cornelius Lucey of Cork and Ross publicly claimed to have first learned of the movement. On a visit to Boston, in the diocese of Cardinal Cushing, he had seen the benefits that accrued to members from credit unions. On his return to Ireland he decided to try to initiate the credit union movement in Cork by encouraging both clergy and parishioners in the new parish of Ballyphehane to start a credit union. McCarthy (1996) has documented the story of this credit union and its success.

5.2 The Credit Union Extension Service (CUES)

It would be incorrect, however, to give the impression that the early years of the credit union movement in Ireland were totally driven by local members. From the outset there was a core group (Nora Herlihy, Séamus MacEoin and Sean Forde) at national level. Based in Dublin the CUES monitored the spread of the movement and advised local communities on best practice and procedures. Their methods, however, were re-active rather than pro-active. They provided information about credit unions, based on the United States model, to interested parties on request. They tended to visit credit unions and give lectures to other voluntary organisations only on receipt of invitations. They rarely became involved until

approached by local communities but their interventions were highly influential and the direction and guidance they provided was of crucial importance. This tactic may have been shrewd because at local level people would be reluctant to commit money to untried credit societies without the support of local notables.

5.3 Study Groups

One aspect that the CUES consistently emphasised was the importance of the Study Group and they adopted the phrase “no study group no credit union” as a motto. Study groups were weekly gatherings of all people interested in forming a credit union. At meetings they would study literature provided by Herlihy *et al*, familiarise themselves with the rules that would govern their activities and the ethos of co-operation and co-operatives. Many study groups spent several months (usually between three and eight but on average six) becoming familiar with the responsibilities and obligations that launching a credit union entailed. An interesting fact that the research projects uncovered was that the vast majority of study groups were established in the autumn and winter months. Forty-two of the 48 studies that specified a particular month that the study group was initiated show a preference for the months between September and March. One can visualise the founder members passing away the winter months in deep discussion in anticipation of credit union activity that the spring and summer would bring. Indeed the majority of credit unions were launched between March and July. Many of the histories of the sixty-eight credit unions studied show that once the credit union was launched, those who had participated in the study group became so involved in managing the day-to-day activities of the organisation that they neither had time nor made time to inform new members fully of the ethos. Members who joined after the launch date to avail of credit union services may not have been as fully informed of the philosophy of the credit union movement and its co-operative ethos as the founding Board Members and directors. It is clear that from very

early in the credit union movement history in Ireland there was an erosion of some aspects of the co-operative ideal. Indeed there is little evidence to suggest that this ever really penetrated in any meaningful way to mass membership. This situation has not improved over the years:

Apart from the AGM there was no other member participation unless they volunteered to work at the credit union. This had not changed over the years from interviews with members they appear to be happy to avail of services but have not the time to get involved or they make excuses why they would not like to get involved . . .

The credit union movement has done little to alter this state of affairs:

The main reason for the lack of understanding of the philosophical principles even after 30 years of operation is because we do not have a specific educational programme.

Indeed many of the sixty-eight studies are critical of the Irish League of Credit Unions (ILCU) in relation to this point and also many others. They believe that it was not only local initiators of credit unions who were taken by surprise by the expansion of the movement. Criticisms of the ILCU similar to that quoted below are not uncommon:

. . . there is a lack of structured support from the ILCU Credit Unions have developed at a faster pace than had been anticipated . . . and the ILCU were unprepared for the phenomenal growth of credit unions and the demands this would place on the organisation.

5.4 The Early Diffusion of Credit Unions

Horner (1984) mapped the diffusion of credit unions in Ireland between 1958 and 1982. The maps produced for the period 1961-1967 show what Horner describes as a strong east-west

divide. He did not, however, identify that within this east-west divide, three core areas of activity emerge. These were the north-east, where Fr. P. Gallagher worked, the Dublin City region, where the CUES was based, and Cork City, where Bishop Cornelius Lucey actively promoted the movement. The idea spread from these core areas by a process of contagious diffusion (Fig.5.2). But Horner also pointed out that this was

not the only element of the diffusion sequence because at the same time as unions are spreading from individual sources *new* sources are being established in quite different areas (p.196).

He substantiates this by pointing to Limerick in 1962-63, Galway in 1964-65, and Kerry and Sligo in 1966-67. It is worth quoting Horner's explanations for, and reflections on, the pathways of diffusion followed by the early credit unions.

The pattern of expansion in the Monaghan area . . . suggests that personal contact may well have been important. In conversations with the writer, some credit union officials have pointed out that the Monaghan unions lie on or close to the main roads from Dublin to Derry – both centres where unions were established early. Did information on the new development spread along the road? Other persons have pointed out that the unions were perhaps directly or indirectly promoted at diocesan level. For example, the high density in south Ulster and north Leinster . . . coincides roughly with the Catholic diocese of Armagh. By the end of 1967, credit unions had been established in 21 or over one third of the parishes in this diocese. The influence and location of single committed individuals may also be significant (p.201).

Recent research undertaken by the Diploma students tends to highlight the importance of committed individuals working on the ground in their own communities. The support received from the Catholic clergy and the CUES was critical but it was these people who dedicated their lives to the realisation of the credit union ideal

at community level. While a number of people operated on the national stage and have had the history of the movement written around them (Nora Herlihy, Sean Forde, Seamus MacEoin, Fr. P. Gallagher, John Hume) the role played by local people working in their own communities has been undervalued. Without them the CUES would not have had any role to play. Committed to the betterment of their communities, these people were often already active in other voluntary organisations and used their influence in them to advance the credit union. As a result, the St. Vincent de Paul Society, the Legion of

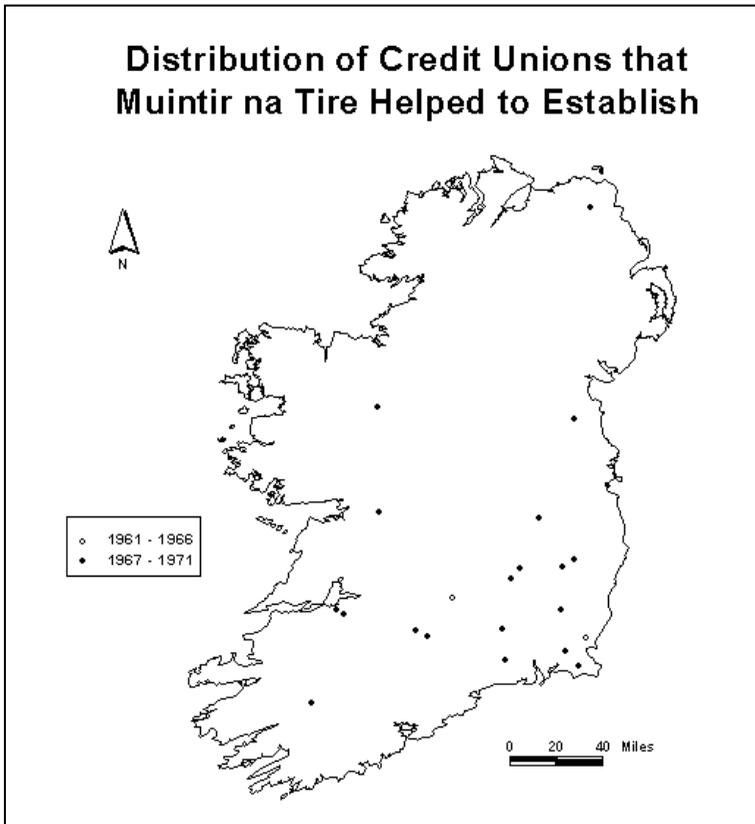


Figure 5.1

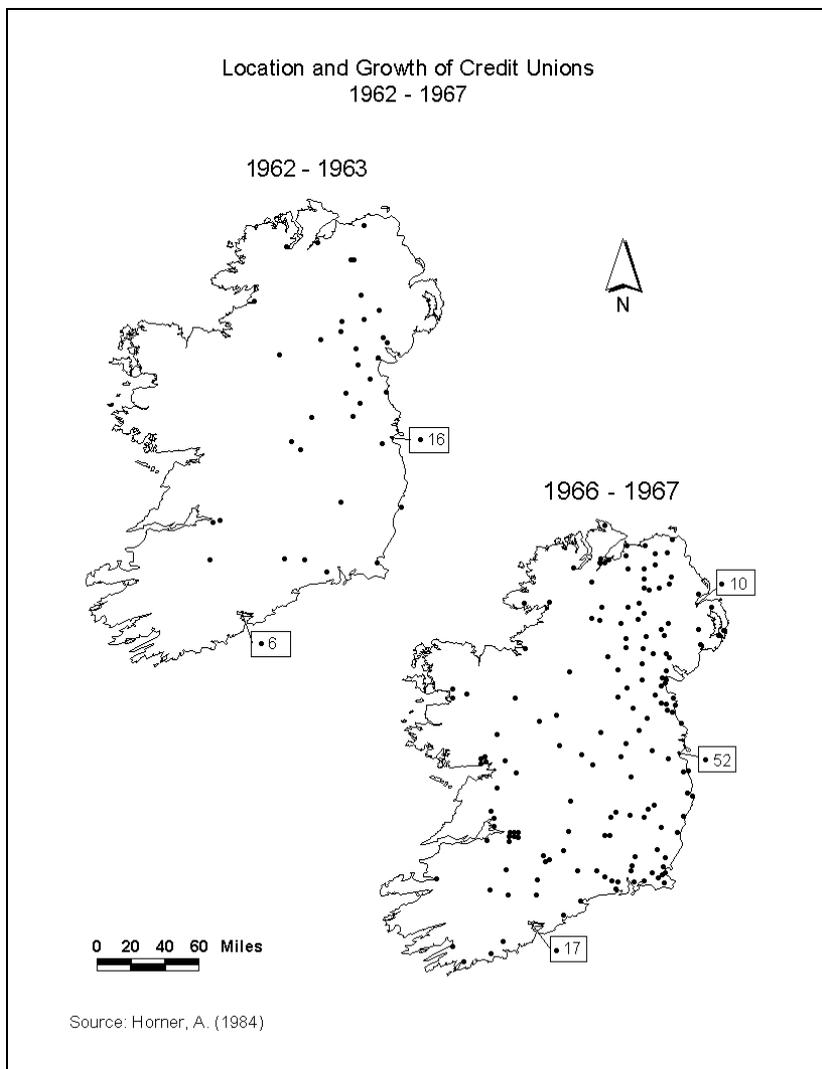


Figure 5.2

Mary, Muintir na Tire, the Irish Countrywomen's Association, and the Knights of St. Columbanus all acted as guardians for fledgling credit unions across the country. Indeed, once Muintir na Tire realised that the credit union idea was now being developed as an autonomous organisation, it immediately co-operated with the new movement and helped to establish several credit unions that affiliated to the ILCU (Fig.5.1).

5.5 The Role of the Catholic Church

In the late 1950s and early 1960s community and parish were synonymous in both rural and urban Ireland. If a member of the community wanted to initiate a project at local level, it was inevitable that at some point the Catholic clergy were consulted. This was particularly true with regard to credit unions. Fortuitously for the credit union movement, support was forthcoming from higher up the Catholic hierarchy. Many bishops actively espoused the adoption of the movement by people living in their dioceses. Two bishops were particularly prominent, Bishop Corneilius Lucey, as already mentioned, was an ardent supporter and promoter of the movement as was Bishop Michael Browne of Galway, another highly influential individual at national level. Both encouraged their clergy and parishioners to form and join credit unions. They donated money and facilities such as parish halls, school classrooms and church basements for credit unions to operate from. Bishop Browne even allowed that he be photographed becoming a member of St Anthony's and Claddagh Credit Union while receiving his passbook. Every Sunday priests endorsed credit unions in their sermons portraying them as worthwhile and worthy of membership - actively encouraging their parishioners to become members. In some places these sermons were reported in the local and regional newspapers and further raised the profile of the credit union in the wider community. Many people were highly sceptical of credit unions initially but on

hearing the clergy praise (and in their minds, perhaps, sanction) their activities many of their concerns were alleviated. Parishioners' main doubts about the new organisation centred on the issues of privacy and confidentiality - by joining a credit union in which a neighbour was a teller, director or board member they feared that the whole parish would know their business.

In order to endorse the activities of the credit union movement it became necessary in some places for the clergy to become actively involved as Directors or Board members. Indeed in one Leinster-based credit union the parish priest lodged £100 (in the 1960s a significant sum equivalent to 2-3 months wages) to ensure that the credit union had sufficient funds to meet the demands for loans soon after its launch. So keen were the clergy for credit unions to succeed that many priests handpicked those who served in the Study Groups. The clergy were in the position of knowing most of the people living in their parishes. Therefore they were approached by people seeking the names of others in the locality with experience of or interest in establishing credit unions. As one study for this research on a Cork-based credit union stated:

Support from the clergy was crucial . . . vital to the foundation of the study group - gave respectability to the unknown new movement.

Over the years as credit unions became embedded into the community and part of the fabric of parish life, the clergy drew back from the active, hands-on approach they engaged in initially. This occurred for two reasons. Firstly, as the parish communities evolved, new challenges emerged that required that they prioritise their time differently. Secondly, in 1966 legislation was passed that both sanctioned and regulated the activities of credit unions and from that point on the State replaced the Catholic Church as the sanctioning institution. While credit unions may have needed and, without any doubt, hugely benefited from the backing of the Catholic clergy to establish themselves in communities they were

well able to stand on their own when the clergy took a less active role⁸. Once the range of services and the types of services offered by credit unions became known, the demand from the community for these services was sufficiently strong to ensure not only their survival but their continued expansion and growth.

One important question remains unanswered to this point. Why did the Catholic hierarchy embrace so wholeheartedly the credit union movement? Many clergy were working from the perspective that credit unions could function as catalysts for the promotion of a sense of community, identity and belonging in the new suburbs that were being built in the late 1950s, 1960s and 1970s in cities right across the country. That they, in conjunction with other voluntary organisations (the GAA, Legion of Mary, St Vincent de Paul, Muintir na Tíre) would accelerate the process of turning large anonymous housing estates into parish communities with their unique identities and common bonds. Yet several other ventures could have achieved this objective. Other strategies could have been utilised. Why was the credit union singled out for particular praise and attention?⁹ Perhaps the answer lies in the Catholic Church's own attempts to fundraise for new churches in these expanding suburbs. As the suburbanisation of Irish cities accelerated in the late 1950s and 1960s the Catholic hierarchy had to re-draw old parish boundaries and create new parish networks. Each new parish required new schools and churches. This expense could not be borne by the Catholic Church alone so it began to fundraise in the new housing estates. Very quickly the clergy and the bishops realised the level of indebtedness, financial distress,

⁸ This may have been because the clergy did a good job in identifying leaders (i.e. those in the community who could productively contribute to the credit union movement) but more importantly, perhaps, it indicates the successful programme that was being developed by the ILCU.

⁹ An important reason behind the involvement of the Catholic clergy was the publication in 1961 of the papal encyclical *Mater et Magistra*

and poverty being experienced by their parishioners. Hire Purchase schemes operated by major retail outlets had interest rates of up to 33%. Moneylenders' interest rates were even more exorbitant and completely unregulated. Banks were uninterested in fully developing this market and lending to small-scale savers. The clergy became involved with credit unions because in the words of A.T. Cullotty:

The exploitation by moneylenders on one side and financial institutions on the other, had deprived many families of their dignity, sapped initiative and put unbearable strains on marriages and homes (p.33).

The Catholic hierarchy, by beginning on a phase of church building when it did, realised the financial hardships being experienced by the people. But they also realised that, as bad as things were, the people still managed to find some money each week or month to fund the building campaign. The credit union was an organisation that, if managed properly, could provide the necessary range of services while it also had a very acceptable ethos. Bishop Michael Browne issued a statement that demonstrates why support from the Catholic Church was so willingly given. Referring specifically to the success of the credit union movement in Galway he expressed pleasure at:

. . . the great success of the credit union established by the co-operative efforts of young men.

Proof of their intelligence and good sense that they are not deceived by specious advertising into the craze for foolish spending. More by the self-restraint and wisdom that saving involves they not merely develop the best elements of Christian character and provide for their future security and happiness, they also contribute to the social and economic welfare of our beloved country. They are true patriots who give work not words for the advancement of Ireland.

In 32 of the 68 credit unions surveyed the Catholic clergy played either a direct role in forming the credit union or a very

important indirect role by providing them with facilities or publicly supporting these new organisations¹⁰. They also received strong support from other, more established, voluntary organisations such as Muintir na Tíre, the Knights of Columbanus, St Vincent de Paul Society and the Legion of Mary. Indeed if we were to argue that all of these organisations had a strong Catholic ethos then the number of credit unions that received support via the Catholic Church would rise to 51. While the ILCU provided all the necessary information on procedures and best practice, the practical support of the Catholic clergy as the agents that placed and held study groups together, as the providers of premises from which to operate, as people of some means who deposited large sums to ensure demands for loans could be met and as the main source of advertising (even to the point where Board members were invited onto the altar at Sunday mass to advocate membership), was critical to the survival of the fledgling movement. This support also conferred a respectability and status on to these new credit societies and without it many may not have survived. This is acknowledged in several of the sixty-eight studies of credit unions. For example, a founding member of one credit union in Kerry reflecting on the role of the Catholic Church stated:

. . . you could say that the Church played a major role in the growth of the credit union. Because of the Church's early

¹⁰ While traditionally the Co-operative Movement straddled religious divides in Ireland, north and south, the strong involvement of the Catholic clergy in the credit union movement in Northern Ireland does appear to have played an important role in discouraging participation by non-Catholics in ILCU credit unions. The complex issues involved here will be addressed in more detail in future research of the Ulster strand. See Horner (1984), *Geographical Diffusion in Ireland: the example of credit unions, 1958-82* and *Economic and planning consultants' report on Irish League of Credit Unions 1981*, unpublished report, Dublin, 1981.

involvement in the credit union, this encouraged people who would otherwise have been sceptical to become members.

Generally the people who founded credit unions were among the most respected in the community. Communities availed of the expertise available within their common bonds. Local clergy identified people from within the community they believed could make a worthwhile contribution. Those who formed study groups and launched credit unions had much to lose on a personal level if the credit union failed and little to gain if it succeeded. As one commentator on a Dublin-based credit union stated:

Our founding fathers were men of great courage in the sense that they risked their position within the community through being the originators, the first activists for a financial co-operative.

The risks taken went well beyond reputation and social standing. As will be seen later many risked their own homes to ensure that the credit unions had a suitable base to operate from. It is to this issue, that of the acquisition of premises, that we next turn our attention.