What is community finance?

Community finance refers to a group of not-for-profit and purpose-led financial organisations that exist to serve people and communities, rather than to maximise shareholder profit.

In the UK, community finance is most commonly delivered by credit unions and Community Development Finance Institutions (CDFIs). Together, they provide savings, loans and other basic financial services to millions of people who might otherwise struggle to access fair, affordable options from mainstream banks and commercial lenders.

At its core, community finance is about local knowledge, fairness and long-term benefit. These organisations are often rooted in a particular place, employer group or shared community. They tend to know their members well, take a more personal view of affordability, and reinvest any surplus back into the organisation or the communities they serve.

Credit Unions

Credit unions are member-owned financial cooperatives. When you join a credit union, you become a member, not just a customer. Members typically save with the credit union and can apply for loans at rates that are capped by regulation.

Most credit unions serve people who live or work in a defined area or belong to a particular group, known as a “common bond”. Because of this, credit unions often offer smaller loans, simpler products and more flexibility than commercial lenders, particularly for people on lower or irregular incomes.

Community Development Finance Institutions (CDFIs)

CDFIs are specialist lenders focused on supporting individuals, small businesses and social enterprises that are underserved by mainstream finance. They often work with people who have been declined elsewhere, offering loans alongside practical support and guidance.

Published 24/12/2025, Written by: Marc Biles

CDFIs play an important role in local economic development, helping people start businesses, stay in work, or manage through periods of financial difficulty.

How community finance differs from commercial lending

Community finance organisations are regulated and professionally run, but their incentives are different. They are not driven by advertising budgets, aggressive sales targets or complex pricing models. Instead, they focus on affordability, sustainability and outcomes.

This does not mean community finance is suitable for everyone or every situation. But for many people, it can offer a fairer and more appropriate alternative, particularly for smaller loans, savings products, or when mainstream options are limited or expensive.

Why it matters

Despite the size and impact of the sector, community finance remains relatively invisible to most consumers. Many people simply do not know that these organisations exist, or assume they are not eligible to use them.

As a result, people often turn to high-cost or unsuitable commercial products when a community finance option may be available nearby.

Improving awareness, access and visibility is essential if community finance is to reach more of the people it was designed to serve.

Published 24/12/2025, Written by: Marc Biles