'TESH AND SEB' OWN THE FAST-GROWING FOOD BUSINESS RAGLAN COCONUT YOGHURT. SEE MORE AT www.raglancoconut yoghurt.co.nz

"how we used people-power to get INTEREST-FREE LOANS"

If you've ever wanted finance without crippling interest rates, a savings pool could be for you. Business owners Latesha and Seb from Raglan explain how they started theirs.

Two years ago, a fellow Raglaner asked my fiancé Seb and I if we'd heard of 'savings pools'. I pictured children gleefully attempting to paddle in a sea of silver pennies. It turned out to be far less wasteful – savings pools are when a group of people 'pool' their savings into one account, allowing members to borrow money interest-free. The ethos is simple: combine resources and we all win.

We saw potential to escape from the bank's iron clutches, so went along to a meeting, curious. We wondered – is there a minimum contribution amount? How are loans agreed on? What happens if someone defaults on a loan and moves to Argentina?

Peter Luiten, a record-keeper for SPA – the Savings Pool Association – was happy to answer our questions. He explains that Bryan Innes and Joanne Pearsall started the first savings pool in New Zealand around eight years ago based on a proven model in Sweden, the JAK Members Bank.

Peter is not a fan of traditional banks – "I don't hate banks, but they are certainly a waste of money," he tells us.

How does it work?

The basic operational principles of a savings pool seemed fairly straightforward:

1. All members sign an agreement that outlines the pool's 'creed'– this includes committing to contributing a regular amount that you're happy with.
2. Contributions are deposited into an account. This ideally has at least three members who volunteer to act as signatories, and sign off any loans that are approved.
3. Each proposed loan needs the approval of the whole pool – if even one person isn't happy, it won't get sign-off. This maintains trust within the pool.
4. If you want to borrow a large amount, you have to provide security; this could be your house, car, boat, rare stamp collection...
5. The pool 'owns' (registers as its security) anything purchased with its funds until the item has been repaid in full.
6. And here's the tricky bit – when you borrow money, you need to repay the full amount twice – i.e. 'save' the same amount on top. This ensures that the pool keeps growing. Once completed, you can choose to withdraw the amount you've saved if you wish, or leave it in the pool.

The theory all sounded fine, but did it really work in practice? We asked members of the original Raglan savings pool how they'd found pooling resources over the past nearly five years. "It definitely creates a sense of openness and trust around money," Suz Hall (co-owner of Raglan Backpackers) told us. "You end up supporting each other with your financial goals." Jon, founder of local organic co-op WOK, said the savings pool had enabled him to grow his business sustainably, without the burden of interest payments.

Armed with these glowing testimonials and full of hope for a bright, interest-free future, we kicked off the first gathering of potential savings-poolers at our home a few weeks later.

It took about four rounds of doodle-polling to get that initial meeting time sorted, and three subsequent get-togethers before we had our 13 pool members confirmed and a name decided on ('RagCoin' was the winner).

Here's the thing we realised early on with savings pools: they're made up of a big group of people, and therefore likely to be slow-moving. Talking about money isn't easy. Especially with people who in some cases you are just getting to know. We noticed in our group there were hesitations around saying things like, "This is how much student debt I have left to pay off." Or, "I can only contribute X amount weekly due to my level of income." It also took ages before anyone got up the courage to actually ask for a loan! But once things got moving, openness increased and the pool could be put into action.

Agreeing on technology to use for RagCoin matters was also a challenge, as the ages of our group members vary from 20s to 60s. We ended up settling on Google Docs for meeting minutes, and for loan proposals used Loomio (www.loomio.org), which is a rather brilliant piece of New Zealand-made cloud-based decision-making software. We started off with monthly meetings, but now only meet when there's a new loan application that needs in-person discussion.

Interest-free success!

So far RagCoin has:

- Paid off one member's student loan
- Financed hundreds of trees for another member's property
- Helped Seb and I fulfill a dream and buy a yurt – without digging into our mortgage

We also love being part of a concept that takes the power away from banks and puts it back with people – allowing them to move forward without accumulating debt from juicy interest rates.

There is already talk in Raglan of a third savings pool. Who knows, in 20 years it might be the new normal for financing!

WANT TO START? HERE'S WHERE TO BEGIN:

1. Put together a list of interested people in your local community – talk to friends, family, maybe run an ad in the local paper or put up a flyer at the library.
2. Visit www.le.org.nz/savings-pools and let them know you're interested in hosting an information evening in your community. They may be able to send someone to give a presentation.
3. Invite everyone along, and make sure you get all their email addresses afterwards – they could be your future savings pool members!

SAVINGS POOLS IN NEW ZEALAND

- Living Economies (a registered charity) is the education network that provides information on savings pools in New Zealand – see www.le.org.nz/savings-pools
- There are currently 30 savings pools in the country, with around 270 total members
- The savings pool concept has been used by communities around the world for centuries but owes its current accounting system to the JAK Members Bank which originated in Sweden and has been running since 1965.