

# Annual Report 2007





# Annual Report 2007

**The Building Societies Association**

York House, 23 Kingsway  
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[www.bsa.org.uk](http://www.bsa.org.uk)

**Officers 2007-2008**

Chairman: **Iain Cornish**  
(Yorkshire Building Society)

Deputy Chairman: **John Goodfellow**  
(Skipton Building Society)

Director-General: **Adrian Coles**



# Contents

<b>SECTION ONE</b>	
<b>CHAIRMAN'S STATEMENT</b>	<b>4</b>

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<b>SECTION TWO</b>	
<b>DIRECTOR GENERAL'S REVIEW</b>	<b>10</b>

---

<b>SECTION THREE</b>	
<b>INTERNAL MATTERS</b>	<b>26</b>

---

<b>SECTION FOUR</b>	
<b>DIRECTORY</b>	<b>30</b>

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The Council	Members of the Association
The Staff	Associates of the Association

SECTION ONE

The year was, of course, dominated by the credit crunch and its effect on Northern Rock bank plc. Following these two linked events, the strength of the building society business model shone through in the second half of the year and into 2008

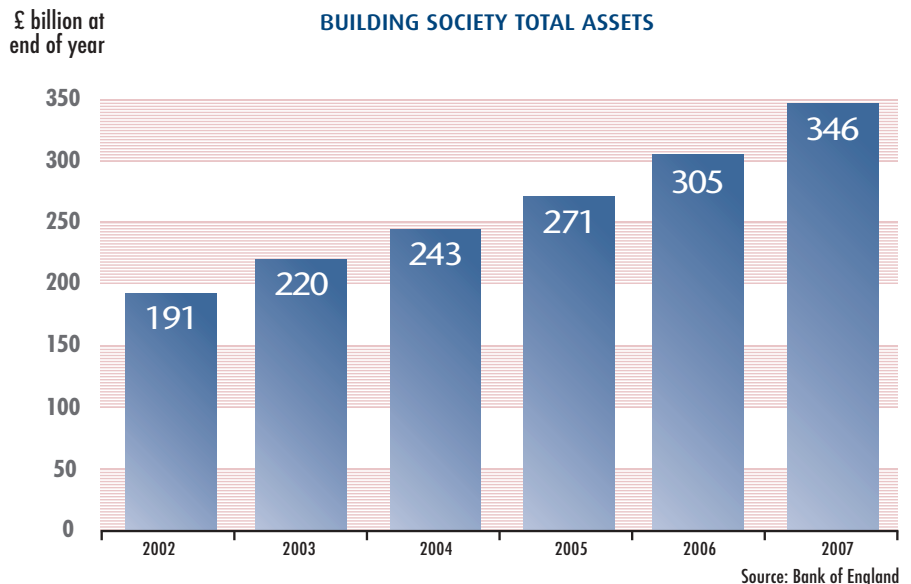
# Chairman's Statement

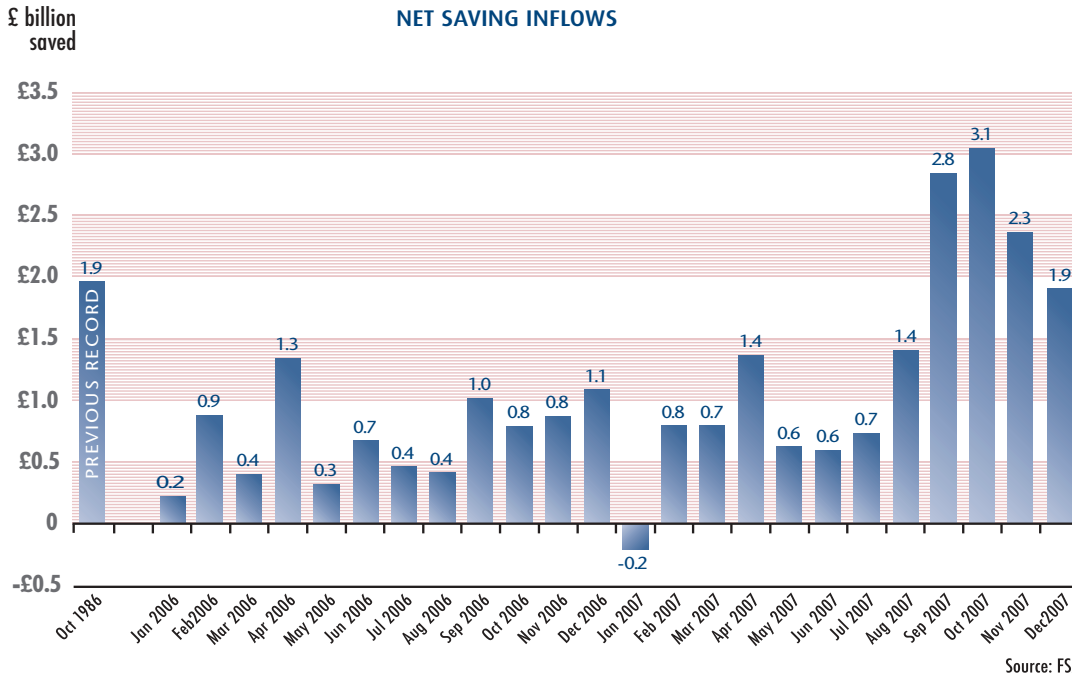


Iain Cornish

In difficult market conditions building societies were beneficiaries in the savings and mortgage markets: in savings they benefited from a flight to quality, and in mortgages, from the relative security of their funding base. This helped societies to offer a more consistent service to existing and potential borrowers than many of their competitors found possible.

Our monthly savings figures attracted ever increasing attention during the final third of the year. The run on Northern Rock began on the morning of Friday 14 September 2007 and ended on the evening of Monday 17 September. During September, building societies attracted £2.8 billion of retail savings (net), breaking a record for monthly net receipts that had stood for more than 20 years. The old record was also exceeded in October (£3.1 billion) and November (£2.3 billion) and equalled in December (£1.9 billion). In January 2008, a significant net inflow of £0.5 billion replaced the usual post-Christmas outflow.





The BSA played a key role in emphasising the difference between Northern Rock and building societies during and after the panicky days of the run on the bank. Northern Rock funded itself 75% from the wholesale markets. However, it was unable to fund the rapid growth in its lending once the wholesale markets closed in early August. By contrast, building societies are prohibited from taking more than 50% of their funding from the wholesale markets. In fact, societies take on average just 30% of their funds from this source, giving the sector a funding structure almost the mirror opposite of Northern Rock's. Other demutualised institutions, such as the Alliance & Leicester and Bradford & Bingley banks, also rely on the wholesale markets to a far greater degree than building societies.

As part of our role in explaining the differences between building societies and banks, we issued a range of publications during 2007 and re-organised the most frequently accessed pages of our website. In spring, we published the third edition of *Making Mutuality Matter*, which showed how building societies involve their members in their decision-making. Messages from mutual organisations all around the world followed its appearance on our website, indicating that it had struck a cord with institutions operating in a wide variety of markets.

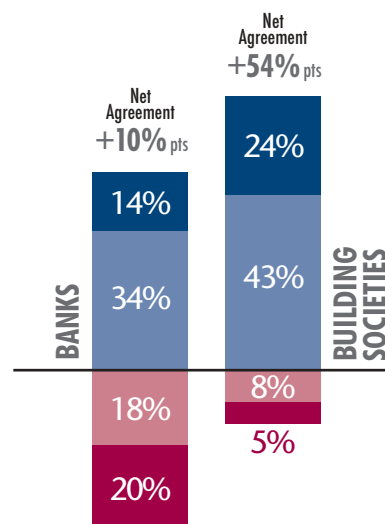
**Smaller building societies which have always financed their mortgages from deposits have emerged almost unscathed by the credit crunch.**

The Guardian  
25 February 2008

There is no doubt that most building societies remain more customer-focused than the banks. Research conducted on behalf of the Building Societies Association shows that customer satisfaction levels remain the highest across financial services. Treating customers fairly seems to come more naturally to a building society than a bank. This focus on customers explains why many societies continue to invest in their branch networks while some banks are desperate to close them down.

Mail on Sunday  
12 August 2007

**YOUR BANK OR BUILDING SOCIETY TREATS THEIR CUSTOMERS FAIRLY**



Base: All adults aged 16+ with a savings account or a mortgage with a bank (1,389) or building society (619)

Legend: Agree strongly (dark blue), Agree slightly (medium blue), Disagree slightly (light blue), Disagree strongly (red)

The figures in the charts do not sum to 100% because the proportion that "neither agreed or disagreed" is not shown, nor is the small number of respondents who answered "don't know".

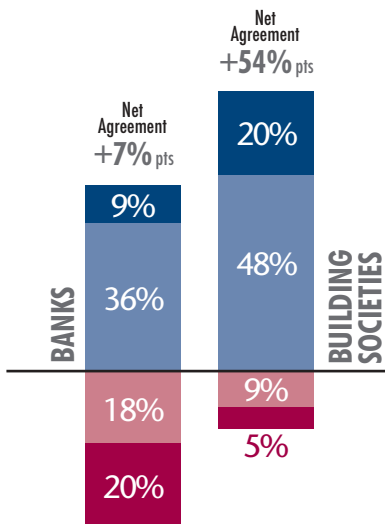
Later in the year, we published the results of research into customers' perception of the service standards in building societies and banks. *Building Societies Provide Superior Customer Service* showed that satisfaction of both building society savers and borrowers was significantly higher than that of customers of rival institutions in the savings and mortgage markets. Moreover, building society customers' perception of the extent to which building societies treated them fairly, behaved in a trustworthy manner, offered value for money, and were worthy of recommendation to friends and family, were significantly more positive than the perception of customers of banks. This was the case even when the customers were asked to consider only the service they received in relation to savings and mortgage accounts, thus removing the effects of any dissatisfaction they might have with banks over current account charges, a controversial subject in 2007.

The researchers were able to overcome any misconceptions about the identity of building societies; for example, those who claimed to be customers of "Halifax Building Society" were correctly allocated to the "banks" sector when compiling the results.

The message that building societies offered better service than banks was broadcast loudly to the readers of the *Mail on Sunday* and *Sunday Telegraph*.

Many of the quotations to be found on the pages of this annual report show that building societies offer keener pricing than their competitors – that is they typically offer higher savings rates and lower mortgage rates than banks. Our 2007 customer service research showed that societies also offer a better level of service.

**YOUR BANK OR BUILDING SOCIETY OFFERS REASONABLE VALUE FOR MONEY**



Base: All adults aged 16+ with a savings account or a mortgage with a bank (1,389) or building society (619)

■ Agree strongly  
 ■ Agree slightly  
 ■ Disagree slightly  
 ■ Disagree strongly

Building societies are winning the dogfight for personal deposits with record inflows boosted by former Northern Rock savings, while banks continue to face a downturn in new savings.

**The Independent**  
29 December 2007

Early in the year, we published the report *The Individual's Savings Decision* which used behavioural economics to examine why certain individuals were able to save while others could not. This publication was warmly received by a number of commentators.

On 17 September – hardly the best date given other events happening that day – we published *House Price Expectations: An insight into how people think about property purchase*, which analysed the motivations of homebuyers in the owner occupied and buy-to-let sectors. In December, we issued *Stepping Up To the Mark: Building Societies Responding to the Affordability Crisis*, an independent report describing building society innovation in mortgages. It emphasised ways that building societies help potential first time buyers who found difficulties in entering the housing market

following years of high rates of house price inflation. At its parliamentary launch, former housing minister, Nick Raynsford, said that although the government's affordable housing schemes were supposed to be simple to operate, it was clear from the report that this was not the case.

We are proud of our publications and so were especially pleased to receive a Trade Association Forum Award for *Society Matters* as the Trade Association Forum's "Newsletter of the Year".

The written word is all very well but, of course, the BSA also needs to be expert in face-to-face explanation of its views. I, and the Association's director-general, Adrian Coles, appeared in front of the Treasury Select Committee in June to discuss the government's proposed legislation on building society and bank lost accounts. Generally speaking, societies are content with the scheme which has been developed by the industry and the government, although there is debate about the prescriptive way by which funds will reach the government's designated charities. Adrian Coles also appeared in front of the Treasury Select Committee during its examination of the run on Northern Rock and the wider market disturbances that led to this event.

The Committee questioned whether Northern Rock would have faced the same difficulties if it had still been a building society and whether it was time for a return to the traditional forms of banking. The director-general noted that societies had retained the traditional form of doing business that had served them so well for over 100 years and would continue to do so.

Our views were well reported in the Committee's publications: *Run on the Rock* published in January 2008 and *Financial Stability and Transparency* published early in March.

Building societies have traditionally offered a great range of accounts paying generally good returns. Today 54% of Moneyfacts.co.uk best buy accounts are from Building Societies, dominating in particular the Mini Cash ISA market, taking 5 out of the top 6 places. Their accounts tend to pay middle to top rates, and pleasingly they don't often pay rates towards the lower end of the market.

Moneyfacts.co.uk  
18 October 2007

Mutual organisations, such as Nationwide, are much better positioned [than banks] to be holier than thou, and highlight bad practice. They can afford to sacrifice some of their profits for more transparent and competitive products because they are owned by their customers, not by shareholders.

The Independent  
13 August 2007

One of the key policy areas during the year was lost accounts. Under the new scheme agreed by the industry and the government, money left untouched in lost accounts for more than 15 years and where the institution cannot make contact with the owner, will in future be given to charity - although the original owner will have the ability and right to reclaim their deposit at all times. The industry committed to making more strenuous efforts to reunite lost accounts with their rightful owners during the year.

Some suggested that the separate schemes for building societies, banks and National Savings and Investments, confused customers; accordingly, the BSA along with the British Bankers' Association and National Savings and Investments worked together to produce a new website - [www.mylostaccount.org.uk](http://www.mylostaccount.org.uk) Usage of this new website, the bulk of the development work for which was undertaken in 2007, exceeded all expectations when it was launched at the end of January 2008. Within three weeks, the BSA had received more lost account enquiries than in the whole of 2007. I would particularly like to thank those BSA staff who worked long extra hours to clear the initial backlog of claim forms generated by the site.

As explained later in this report, we played a key role in negotiations with the Treasury over the nature of the statutory underpinning to the voluntary lost accounts scheme and will continue to do so as the Bill completes its Parliamentary progress during 2008.

Our policy achievements are described in some detail in the forthcoming pages. However, I should like to thank Sir John Butterfill MP for skilfully promoting through Parliament his Private Member's Bill, which eventually became the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007. The BSA worked closely with Sir John and other parliamentarians and civil servants during the passage of the Bill.

Finally, on the policy side, I should like to emphasise building societies' commitment to Treating Customers Fairly, both in its generic sense and in conjunction with the FSA's project in this area. By the end of 2008, building societies and other institutions will be required by the FSA to provide evidence of their implementation of TCF. We have produced a number of publications on this subject and run several seminars. I particularly recommend to members our guidance on producing management information on TCF.

At times, activity in 2007 seemed to be almost frantic. I believe that in times of stress in financial markets the role of a well respected and well resourced trade association is more than usually important. I believe that the BSA provided societies with information and opinion about the extreme market conditions, and represented societies' views on fast changing conditions in the political, media and business worlds extremely effectively in 2007.



Iain Cornish

**Building Societies can offer competitive products and reward loyalty because, unlike the banks, they don't have to pay shareholders.**

**Sunday People**

27 May 2007

## SECTION TWO

Representing our members' interests to government, regulators and opinion formers is one of the BSA's key roles. Another is improving external perceptions of building societies. This section describes the issues we tackled on behalf of societies in 2007

## Director General's Review



Adrian Coles

### Savings

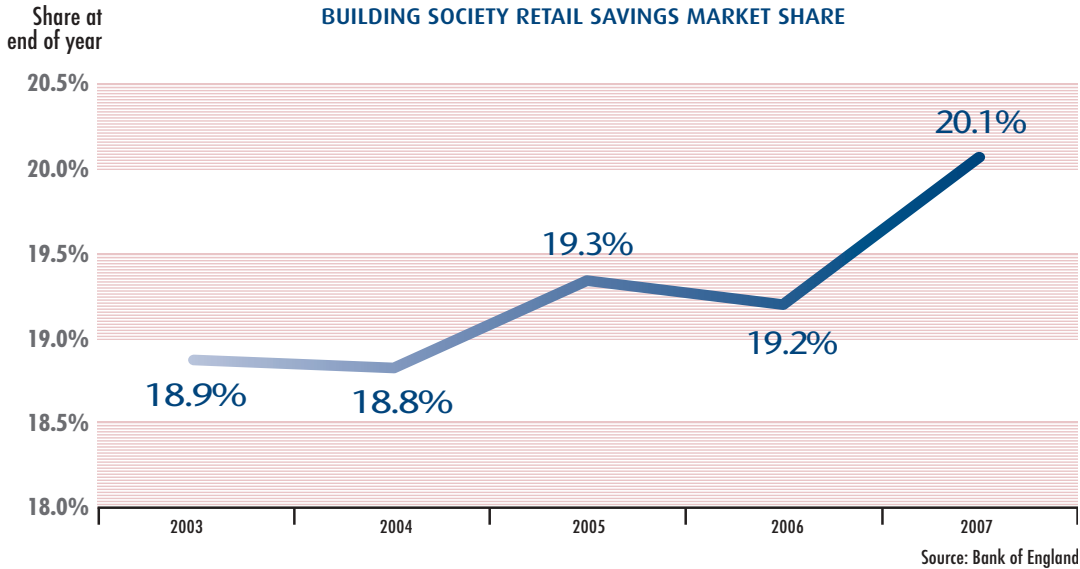
A record year for building society savings saw net inflows of £16.1 billion in 2007 – nearly double the figure for 2006. A significant proportion can be attributed to the “Northern Rock bank effect”, as savers voted with their feet and placed their trust in building societies to provide a safe home for their savings and good value products. More generally, uncertainty in the equity markets led savers to increase their cash holdings. These figures have been widely used by a range of media commentators to highlight the strength of building societies, and have obtained positive coverage for the sector in the national press.

Building societies' market share increased to 20.1% by the end of 2007, in the face of robust competition from banks and National Savings and Investments. This is the highest market share enjoyed by the sector since the last demutualisation in December 2000.

The advent of a nationalised Northern Rock bank is a development we are monitoring closely, particularly for signs that government action in support of the nationalised bank is creating unfair competition in the UK retail savings market.

### ISAs

Individual savings accounts continue to be a particular strength of building societies – with societies' share of the cash ISA market remaining firm, at 38%. The year started well when, in response to a suggestion from the BSA (among others), the Chancellor announced in the Budget an increase in the annual subscription limit for cash ISAs of 20% to £3,600, the limit for stocks and shares ISAs increasing by less than 3%, to £7,200. These changes,



together with a package of other measures, including the abolition of the distinction between maxi and mini ISAs, come into effect from April 2008 and we look forward to their giving a further boost to ISA sales.

The ISA has become an important part of the savings landscape and we are pleased that the government has confirmed its commitment to the future of the product. We do have misgivings about aspects of the government's plans, however. There is a strong case for aligning much more closely the annual subscription limits for the cash and stocks & shares components and we would like to see a commitment to equalise these over time. Also, the government's plans to allow only one-way transfers – that is from the cash component to the stocks and shares component but not the other way around – are disappointing. We have urged it to reconsider this policy. Allowing transfers from the stocks and shares component would enable ISA holders to rectify mistakes without losing their ISA tax exemptions. It would facilitate “lifestyling” of portfolios, allowing ISA holders to align their assets and liabilities over time - particularly helpful for those nearing, or in, retirement. Finally, it would allow societies to treat their customers fairly.

## Child Trust Fund

Building societies have traditionally been very strong in the field of children's savings and it is natural for societies to be among the main supporters of the Child Trust Fund which is now in its third year. 39 building societies offered a CTF in 2007 and 13 of these offered a cash-based CTF, a product in which societies predominate - only one non-building society has a significant share of the cash CTF market. Total cash CTF balances stood at over £300m at the end of 2007 and thanks to the CTF, many children are on course to receive, when they reach 18, financial support they otherwise would not have had.

Data collected and published by the BSA during 2007 showed that where parents were offered a choice between cash-based and equities-based CTFs, more than 70% opted for the greater certainty and safety of cash.

**The vast majority of child trust funds are being provided by mutuals.**

**Ed Balls MP,**  
Former Economic Secretary to the Treasury  
27 April 2007

We supported the government's Child Trust Fund week in January 2007 by writing to all MPs with a copy of our CTF leaflet, highlighting the role building societies play in delivering this policy, and by issuing press releases.

But the administration of the CTF continues to be a source of frustration for building societies, putting up a barrier to more societies offering a CTF. We have sought to persuade the government to adopt a more proportionate approach to CTF administration and in particular to relax its requirements for fortnightly reports to the tax authorities and statements based on the child's birthday, rather than the calendar or fiscal year as is the case with other products. We hope that the government can be persuaded to make these changes and have been encouraged by its willingness to consider in December the relaxation of another administrative burden – the requirement to receive and retain paper CTF vouchers.

**A record £2.8 billion was deposited in building society savings accounts last month. The majority is believed to belong to Northern Rock customers looking for a 'safe haven' for their money. Fears that the country's fifth largest mortgage lender faced collapse saw thousands withdrawing their savings. It is now clear most then moved their money into building societies, which are seen as being run in the interests of their customers, rather than shareholders.**

**Daily Mail**  
19 October 2007

## Saving Gateway

The Saving Gateway is a saving scheme where the government pays a "match" in proportion to an amount an individual has saved. The aim is to encourage those who do not save to do so. Two pilot schemes have already been completed. We continued our discussions with HM Treasury during 2007 and will take part in the consultation on the operation of the scheme in 2008.

## National Savings and Investments

In April, following a review prompted by concerns raised by the BSA, new requirements for National Savings and Investments came into effect. These require NS&I to take into account the impact on the wider savings market of its actions and prevent it from planning to increase its market share. The requirements addressed our concerns that NS&I's government backing and unique ability to offer tax-free savings products were unfair and distorted the market for retail savings - concerns that had resonance at the end of the year in relation to government guarantees for Northern Rock savings products.

## Lost accounts

In spring, the government issued two consultation papers on proposals for a lost accounts scheme for building society and bank accounts. We generally welcomed the plans for these accounts to be paid over to specified charitable causes. In November, the government introduced the Dormant Bank and Building Society Accounts Bill. The Bill is intended to provide statutory underpinning for a voluntary lost accounts scheme. Importantly for customers who have lost touch with their accounts, the money in the account remains their property –

able to be reclaimed at any time. Participating building societies and banks will pay lost account monies over to a central reclaim fund that will be responsible for ensuring customers who wish to reactivate their account are paid the full balance on the account plus interest. Any surplus monies not needed for reclaims will be given to charity via the Big Lottery Fund.

Special arrangements are expected to apply to smaller institutions, including 51 building societies, to allow them to direct their lost account monies to charities local to their branches. This provision reflects the strong links between building societies and the communities from which their members are drawn.

The scheme is due to be introduced in mid 2009 and in the twelve months beforehand, building societies and banks will be increasing their efforts to reunite customers with their lost accounts. As part of this, the BSA – together with the British Bankers' Association and National Savings and Investments - introduced in January 2008 a new website.

[www.mylostaccount.org.uk](http://www.mylostaccount.org.uk) provides a one-stop tracing service and has already handled many more search applications in its first month than in the whole of 2007.

## Corporate governance

We encourage building societies to follow the Combined Code on Corporate Governance and have issued guidance to help societies in this. In 2007, 98% of societies had regard to the Combined Code, compared to 86% in 2006. Other indicators of the extent to which the sector has voluntarily embraced good standards of corporate governance include the high proportion of societies, 98%, that held an advisory vote on their directors' remuneration. These are achievements we are rightly proud of, and we

encourage all societies to build on these by adopting industry best practice in all aspects of their corporate governance.

## Other mutuals have been following the building societies' lead in corporate governance reform.

**Ed Balls MP,**  
Former Economic Secretary to the Treasury  
23 March 2007

## Unencumbered by demanding shareholders and long sign-off processes, many building societies are able to push forward innovative ideas for the benefit of their customers, offering competitive and forward thinking products.

**Financial Adviser**  
4 October 2007

## Depositor protection

The BSA took an active role in the FSA's (pre-Northern Rock) review of funding arrangements for the Financial Services Compensation Scheme, successfully persuading the FSA not to include mortgage lenders as a distinct category of contributors to the proposed retail pool cross-subsidy arrangement (building societies and banks are already included as deposit takers, and this would have created a double liability). However, despite strong opposition from most of the industry and from the Financial Services Practitioner Panel, and doubts about its legality under the Financial Services and Markets Act 2000, the FSA went ahead with its proposals for the retail pool cross-subsidy. The new funding arrangements come into effect from April 2008 when the financial capacity of the scheme will be raised to a maximum of £4.03 billion per year.

The FSA has also created a new home finance class, in which the customers of failed mortgage intermediaries – some of which have no substantial capital - will be compensated by mortgage lenders. We regard this development as a retrograde step – the FSCS should not be treated as a substitute for good regulation: a point that now appears obvious in the light of the Northern Rock situation. In the autumn, major problems in the US sub-prime market and with Northern Rock resulted in significant changes to the limit on the depositor-protection class. Customers are now protected up to £35,000 of their investment with each institution. Further changes to FSCS arrangements are likely.

### Treating Customers Fairly

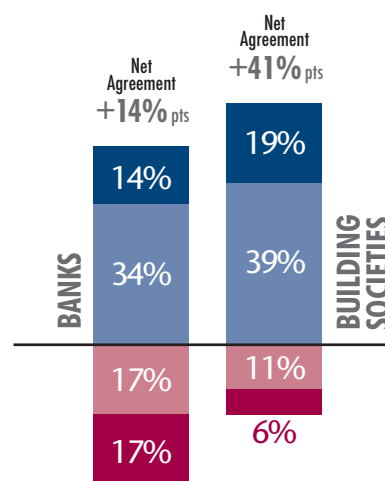
We continued to work closely with members and with the FSA on the TCF project. TCF is integral to the ethos of building societies and our members have strongly welcomed the TCF initiative. By the end of March 2008, the FSA expects firms to have appropriate management information and measures in place to test whether they are treating customers fairly including delivering the FSA’s six TCF “consumer outcomes”.

Most building societies have taken "treating customers fairly" in their stride, claiming with justification that they put customers first irrespective of whether they are long-standing or newish.

The Mail on Sunday  
10 February 2008

The new principles-based approach to TCF places weighty obligations on both firms and on the FSA but, if handled properly by both sides, should benefit customers and businesses. The FSA expects TCF to be fully embedded in firms by the end of 2008.

### YOUR BANK OR BUILDING SOCIETY CAN BE TRUSTED TO GIVE GOOD ADVICE



Base: All adults aged 16+ with a savings account or a mortgage with a bank (1,389) or building society (619)

Legend: Agree strongly (dark blue), Agree slightly (medium blue), Disagree slightly (light red), Disagree strongly (dark red)

### “Fair Play” mechanisms and deregulation

During 2007 we consulted members on the current range of fair play laws, regulations and codes of practice in relation to savings and lending, and on how they might be simplified. The government had itself said in 2005 that, “the existing consumer protection framework is complicated and fragmented and does not reflect the requirements of a simplified and modern legal framework”.

Our consultation drew the following conclusions:

- there are now ample fair play laws regarding savings and lending, and that it is in the best interests of both businesses and consumers that all concerned work to ensure that the *existing* arrangements operate sensibly and effectively, rather than seeking to develop new rules in the light of every novel development.
- the BSA should continue to encourage law-makers and regulators to be “joined-up” in their approach to laws and regulatory rules covering the same, or similar, areas of business.
- when an EU law is implemented in the UK, any existing domestic legislation that overlaps with the new law should be reviewed.

We will continue to seek sensible and proportionate simplification or adjustment, but will always bear in mind the disadvantages of rushed changes.

## Unfair Commercial Practices Directive

The Unfair Commercial Practices Directive harmonises laws on unfair trading in all EU Member states and introduces a general prohibition on businesses not to treat customers unfairly. It deals with unfair commercial practices, but does not cover contract terms. The directive will be implemented into UK law by the Consumer Protection from Unfair Trading Regulations 2008. We have worked closely with the government, the FSA and others, since the draft directive first emerged in the early 2000s. The regulations are now expected to become UK law from May 2008.

## Financial Ombudsman Service

The FOS Board has committed itself to external scrutiny by way of three-yearly independent review. The second of these reviews (the Hunt Review), which was announced in October 2007, focused on the accessibility of the service. We submitted a detailed response that, among other things, suggested that the FOS should be bound by the law in making its decisions and recommended a review of the principles behind Ombudsman decisions in cases with wider implications.

## Charges and fees

During 2007 we continued to keep building societies informed of progress on developments concerning charges and fees. Potentially the most significant of the charges and fees issues is the “test case” in the High Court between the Office of Fair Trading and eight financial institutions concerning charges for unauthorised overdrafts on current accounts. Relevant legal claims and also complaints to the FOS, both for the litigant institutions and other institutions, have been stayed pending the outcome of the case.

The legal and practical implications of the test case are potentially far-reaching. In particular, the laws on unfair terms and liquidated damages/penalties are likely to be thoroughly interpreted by the Court in the context of current account terms providing for charges and fees. The High Court Judgment is expected in spring 2008, but the complexities of the litigation may require further hearings. Realistically, the final outcome might not be known until the end of 2008, and could then potentially be subject to appeals.

70% of the top 250 mortgages available today are offered by building societies, research from Moneyfacts.co.uk reveals.

A survey carried out by Moneyfacts.co.uk covering the whole mortgage market, including fixed, discounted and variable rates over various time periods has shown that those looking for a mortgage today may well be better off going to a building society than to one of the larger banks.

Moneyfacts  
30 October 2007

## The Banking Code

In 2007, the Banking Code celebrated its 15th anniversary and underwent a triennial review. The code sponsors (BSA, British Bankers' Association and APACS) appointed an Independent Reviewer, Mike Young, to conduct the review. He held a number of meetings with key stakeholders and two round table meetings with all of the respondents. The Independent Reviewer submitted his report to the sponsors in May.

The report made over 50 recommendations for improvements to the code. The sponsors issued their joint response in November, accepting the majority of the recommendations. Where recommendations were rejected, they sought to present alternative solutions. From November onwards, the sponsors drafted a revised code and guidance for subscribers, incorporating the accepted recommendations. The new code is expected to come into force in March 2008, although implementation of some of the provisions will be staggered to allow adequate time for systems changes.

Changes to the code include:

- new requirements to actively monitor and contact customers that may be approaching financial difficulty
- new transparency and credit scoring requirements
- the introduction of an expanded fairness obligation.

## Cheque clearing requirements

In November, building societies and banks adopted voluntarily new cheque clearing requirements. These introduced maximum time limits for cheque clearing on interest, withdrawal and certainty of fate. Firms must now start paying interest on money deposited by cheque within two days, allow withdrawal of the funds within four days (or six for savings accounts) and give certainty of fate within six days. The requirements are often referred to as 2-4-6 (or 2-6-6 for cheques paid into savings accounts).

The requirements are expected to become mandatory under the Banking Code in March 2008.

## Financial crime

The Money Laundering Regulations 2007 came into force on 15 December, introducing new requirements and concepts such as simplified and enhanced due diligence, which allow firms to take a risk-based approach to money laundering prevention.

Also on 15 December, the Joint Money Laundering Steering Group, of which the BSA is a member, published its 2007 guidance notes. The notes, which incorporate the changes introduced by the 2007 regulations, help the financial services industry to comply with the statutory money laundering requirements.

## Data security management

Following the loss by HM Revenue & Customs of discs containing personal and banking data for 25 million UK citizens, the BSA, among other things, helped to distribute alerts to the 55 building societies whose members' details were put at risk. We continue to work with the police and others to manage the aftermath of this incident.

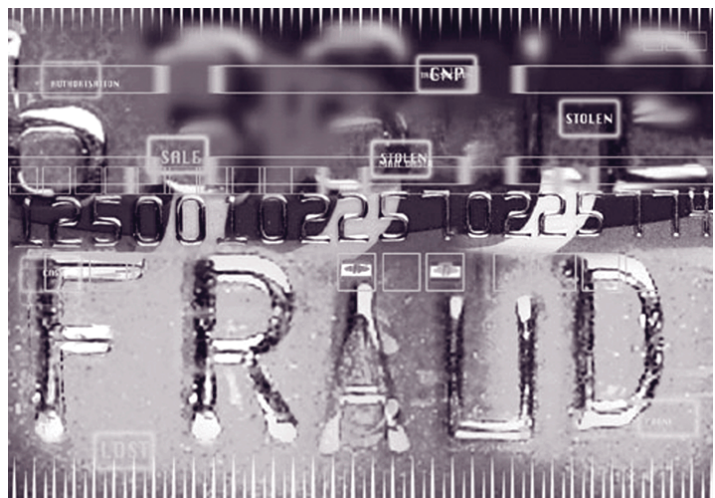
The HMRC loss and other incidents have meant that data security management has become a major issue for government, media and regulators and is the subject of current initiatives by the Cabinet Office, the FSA and HMRC itself. We recognise that this is likely to be a significant area for building societies and have responded by treating data security as a specialist policy issue in its own right. We are developing standing arrangements to deal with any future third party data losses.

## Prevention of fraud

The BSA continues to work with members, the police and with other trade associations to improve capability to prevent fraud. Activities include sharing fraud prevention intelligence and identifying current risks and trends through monitoring fraud data.

In August, we launched a new part of our website to provide members with secure access to intelligence from the Serious & Organised Crime Agency allowing rapid access to confidential information on suspected criminal activity. We also provide a range of information to members on fraud intelligence, anti-money laundering and other information relating to financial crime prevention.

We continue to compile statistics on fraud within the building society sector, which we circulate to participating building societies on a quarterly basis. These provide an accurate picture of fraud within the sector, highlight emerging trends and risk areas and allow societies to benchmark their own performance.



## Physical security

As with all banking institutions, building societies continue to be targets for criminal attacks ranging from branch robberies, to abuse of staff to cash-in-transit attacks on delivery of cash to branches and ATMs. Cash-in-transit attacks are increasing and societies have incurred higher delivery costs as well as loss of cash needed to provide for customers. The BSA has joined other trade bodies and police to press for this offence (currently classified as "street robbery") to be given a more serious classification as a deterrent to future attacks.

We support members by collating and distributing information on crimes within the sector and with other financial institutions and the police. This helps to spread best practice on physical security measures.

## The Building Societies (Funding) and Mutual Societies (Transfers) Act 2007

The Act received Royal Assent on 23 October 2007. It had started life in December 2006 as a Private Member’s Bill sponsored by Sir John Butterfill (Conservative MP for Bournemouth West). The Bill had its House of Commons Second Reading on 23 March and became, in effect, a government Bill. We worked closely with HM Treasury and FSA officials, MPs, Mutuo,

and others on the drafting of the government amendments, and the progress of the Bill generally. The Bill’s progress through both Houses of Parliament attracted all party support.

For each of the main provisions of the 2007 Act (see below) to take effect, HM Treasury will have to consult fully on the proposed secondary legislation and seek approval from both Houses of Parliament for the various amendments to the Building Societies Act 1986 that are proposed following consultation.

### Summary of the main provisions of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007

Section 1	Section 2	Section 3
<p><b>Funding limit for building societies</b></p> <p>This proposes amendments that would give power to HM Treasury to:</p> <ul style="list-style-type: none"> <li>■ increase (but not subsequently to reduce) the current 50% non-member funding limit to a maximum of 75%.</li> <li>■ require any society wishing to take advantage of the increased limit to seek approval from its members.</li> <li>■ make appropriate consequential amendments to a building society’s principal purpose.</li> </ul>	<p><b>Power to alter priorities on dissolution and winding up</b></p> <p>This would give HM Treasury wide power to ensure that, on a dissolution or winding up of a building society, ordinary shareholders would rank equally (“pari passu”) with ordinary creditors. There would be appropriate transitional provisions to preserve the rights of existing depositors. The overall approach was confirmed by the January 2008 paper <i>Financial stability and depositor protection: strengthening the framework</i>, issued by the Bank of England, HM Treasury and the FSA.</p>	<p><b>Transfers to subsidiaries of other mutuals</b></p> <p>This section would give HM Treasury wide power to enable the transfer of the business of a building society, friendly society, industrial and provident society, mutual insurance company or an equivalent European mutual, to a subsidiary of another such society.</p>
		<p><b>Section 4</b></p> <p><b>Transfer to subsidiaries: distribution of funds</b></p> <p>This relates to the approval and distribution of funds to members by the transferor or the mutual society of which the transferee is a subsidiary (the holding mutual).</p>

## Offshore funding

A series of legislative changes took effect on 6 April. Perhaps the most significant was a change to the funding limit calculation: building societies are now able to “disregard” retail deposits held by their offshore deposit-taking subsidiaries (if applicable), subject to a limit of 10% of total shares, deposits and debt securities. We had been lobbying for this change for some years, arguing that offshore deposits were more akin to UK retail “deposits” (shares) and should, therefore, be treated in the same way.

Contained in the same legislative package were:

- minor changes to the format of summary financial statements (only applicable to societies that use international financial reporting standards); and
- an increase in certain financial limits and thresholds (all societies).

## Cash ratio deposits

While we supported HM Treasury’s proposal, issued in August, to reduce the CRD ratio from 0.15% to 0.11%, we were not in favour of leaving all other parameters of the scheme untouched. Instead, we proposed that the current £500m eligible liabilities threshold should be tied to an appropriate index.

Moreover, we considered more types of institutions should be part of the CRD scheme. The benefits obtained from the Bank’s sterling liquidity, monetary policy, price stability and financial stability operations are not limited to the building societies and banks that contribute to the scheme and it is appropriate that other institutions contribute.

## Offshore accounts

At the start of the year, HM Revenue & Customs signalled its intention to investigate accounts held by UK residents at the offshore operations of building societies and banks. To help reduce the time and resources needed to identify the individual accounts, HMRC proposed sending institutions a questionnaire. Building societies and banks rejected this “short-circuiting” of the legal process and suggested their trade associations respond on their behalf. At the end of November, the BSA, BBA and Association of Foreign Banks sent HMRC a strongly-worded response outlining industry concerns. This led in February 2008 to HMRC dropping plans to use a questionnaire and to carrying on its investigations in a staggered way.

**Building societies with decent High Street accounts for pensioners include Norwich & Peterborough, Skipton, Newcastle, Coventry, Leeds, Yorkshire, West Bromwich and Chelsea.....Halifax, the largest savings bank, along with the big four clearing banks, Barclays, HSBC, Lloyds TSB and RBS/NatWest, continues to ignore pensioners looking for decent branch-based accounts.**

**Daily Mail**  
25 July 2007

## HMRC audits

Concern about HM Revenue & Customs audits of the Tax Deduction Scheme for Interest and individual savings accounts grew during the year. Several societies reported a hardening of attitudes during its audits. Fines – some quite large – were being levied for “technical” errors that carried no loss of revenue either to the customer or to HMRC.

To help societies prepare for these audits, we organised a successful seminar in Manchester in June. Further benefit to societies came in early 2008 when HMRC announced an extension to its concept of “good evidence” to allow “repair” of missing or incomplete forms in Tax Deduction Scheme for Interest audits. Similar changes are also planned for ISA audits.

The contrast between a mutual and a company can immediately be seen when we look at how they distribute the profits of their business. They do not pay dividends to shareholders, so they are able to operate on much narrower margins than plcs. That means that, all things being equal, they can deliver better value for their customers. They can also influence quite considerably the pricing policy of their competitors. For example, pressure from building societies was the main factor preventing banks from charging for access to cash machines.

Sir John Butterfill MP, House of Commons  
23 March 2007

## Capital Requirements Directive

1 January 2007 saw the implementation of the Capital Requirements Directive, which implemented the revised Basel Framework, based on three “pillars”.

Central to Pillar 2 (supervisory review) is the internal capital adequacy assessment process, better known by its initials, ICAAP. From 1 January 2008, all societies had to have carried out an ICAAP. This meant they had to show that they had sound risk management processes that properly identified, measured, aggregated and monitored their risks.

To help societies with their ICAAP, we ran a well received seminar in London in March. Over 100 delegates attended representing 53 building societies.

The FSA sought views in 2007 on its plans to change the definition of capital for Pillar 1 (minimum capital requirements) purposes. Of particular importance was the FSA’s proposed treatment of permanent interest bearing shares, which it wants to treat the same as banks’ hybrid capital instruments.

At the end of the year, the FSA reviewed its capital adequacy requirements for groups. The BSA pointed out that the current solo/group arrangements led to legal, accounting and administrative complexity.

## Liquidity

Largely unaffected by the CRD in 2007 were the rules and guidance on liquidity, risk management and large exposures. But this will change.

In December, the FSA issued a discussion paper on liquidity. Shaping this paper was, of course, the recent credit crunch. The FSA remains very much interested in how firms reacted to these events. It has already said it wants stress testing to be strengthened.

2007 saw a minor change to the liquidity regime for building societies: qualifying money market funds were added to the list of assets they are able to hold as prudential liquidity. The BSA was one of the organisations that had sought this change. We also held a seminar with the money market fund industry to examine the effects of the change.

## Regulatory and statistical reporting

The implementation of the Capital Requirements Directive has led to major changes to the way societies report to the FSA. For many, this has necessitated large investments in systems and project management.

From January, all societies had to submit a quarterly mortgage lending and administration return and some, a half-yearly retail mediation activities return. On top of these and existing returns, all societies had to complete a temporary return on capital adequacy. This was superseded in 2008 by a permanent return.

During the year (and in 2008), further changes to the implementation dates of several new returns were announced and one old monthly return was kept on beyond 2007 to provide the

FSA with regular updates on liquidity. Societies have managed these changes made by the regulator, but not without significant cost.

From 1 January 2008, building societies began sending certain data direct to the Bank of England; previously this had been sent via the FSA. Again, this has meant large investment by societies. During 2007, the Bank produced guidance and held an introductory and follow-up seminar on its reporting requirements.

Mutuals offer many of the mortgage market's easiest to understand and fairest deals.

Exit fees are another area where societies score well. Before lenders started scrapping them in late July and early August because of regulatory pressure, only to replace them with a number of other fees, the only providers to have reduced them were mutuals.

A quick look at a best buy table from Money Mail at the time of writing shows societies leading the way.

**Mortgage Strategy**  
3 September 2007

Smaller building societies that never went down the route of wholesale funding, instead financing their mortgages from savings deposits, have emerged almost completely unscathed by the credit crunch. Indeed, many enjoyed a huge windfall when billions of pounds in savings left Northern Rock in the second half of 2007.

**The Guardian**  
26 February 2008

## International relations

We continue to engage in international debates on housing, savings, mortgages and mutuality. With the Council of Mortgage Lenders, the BSA forms the UK delegation to the European Mortgage Federation; I am the chairman of the Federation's budget committee as well as a member of the executive committee. The UK's principal representative on the executive committee is Matthew Bullock, the immediate past chairman of the BSA.

During the year, we continued to run the affairs of the International Union for Housing Finance, of which I am the secretary general. Despite employing no full-time staff, the Union has continued to produce a stream of literature on developments in the housing finance market – in 2007, these developments were unusual and dramatic and this was reflected in the Union's publications. Since the Union's affairs became the responsibility of the BSA at the end of 2001, its cash reserves have doubled to around £200,000. It is now apparent that the Union's best interests will be served by a move of administrative headquarters and I will therefore stand down as secretary general at the end of 2008.

In October 2007, I was the opening keynote speaker in the augural annual conference of Abacus – the Australian Association of Building Societies and Credit Unions. The issues facing building societies and credit unions in Australia are similar to those issues confronted by building societies in the UK. The relationship which we now have with the newly formed Abacus will enable mutual institutions from both countries to enjoy a cross fertilisation of ideas over the next few years.

## Media relations

Issues regarding the credit crunch, and particularly the problems faced by Northern Rock, saw financial services dominate the front pages for much of the autumn and into the winter period.

Throughout this period, we followed a strategy designed to minimise any consequential impact on the building society sector. We prepared a reactive brief for members that helped them to reassure customers that their money was safe if they invested it in societies. More actively, we corrected misuses of the "building society" term and also provided widespread comment on the differences between building societies and banks.

This strategy paid dividends as a number of publications ran stories centred on the merits of the building society business model compared to their plc counterparts, as media interest in the impact of the credit crunch remained high throughout the final quarter of 2007.

Despite the distractions of the Northern Rock affair and the credit crunch, we maintained our profile on a number of other issues. In mortgages, many commentators upheld our claims that in a fragile housing and credit market, building societies were ensuring that

their tight lending criteria maintained the high quality of their mortgage books. As well as the regular monthly statistics, we continued to publish quarterly CTF statistics that also attracted considerable coverage.

a year. These meetings give press officers from societies the opportunity to meet their peers to discuss issues of interest.

**Building societies offered the best value on mortgages in 2007. According to the Mform.co.uk, whose research ranked best buy products based on the true cost including all fees across the year, building societies scooped all top ten places for 2007.**

**Mortgage Introducer**  
3 January 2008



GfK NOP FRS, 6 months ending January 2007, 28,270 individuals interviewed

% extremely or very satisfied



GfK NOP FRS, 6 months ending January 2007, 9,320 individuals interviewed

We issued 43 media releases in the course of the year. These covered issues such as the Banking Code, the "Butterfill" Bill, the Budget and lost accounts. These were used by a wide range of national and trade press and helped to secure broadcast coverage for the BSA.

An important aspect of our work is to help member societies with their public relations work. One way we do this is by holding our public relations forum, which meets four times

We organised two events to give members' press officers the opportunity to meet journalists. A summer party, held at the Royal Aeronautical Society, attracted over 30 journalists and the same number of press officers, while a lunch held in November attracted a similar attendance.

Circulation for *Newsbite* and *Society Matters*, launched in 2006, rose sharply in 2007, generating increasing interest from advertisers. *Society Matters* boasted an impressive line up of contributors, featuring articles by parliamentarians such as Kitty Ussher, Vince Cable and John Butterfill. Not surprising then that it won the prize for "Newsletter of the Year" at the Trade Association Forum Best Practice Awards.

The 2007 edition of the *Building Societies Yearbook* featured well received major changes to style and layout.

Once again, we took part in the MORI poll of personal finance journalists, which compares the views of nearly 200 journalists on the press offices of eight financial services trade associations. Overall, we were joint first in journalists' perceptions of the overall favourability with which they viewed trade bodies.



**Ed Balls MP**  
former Economic Secretary to the Treasury

**Ed Balls.....praised building societies for leading the financial services sector in responsible lending and product innovation.**

**Financial Adviser**  
28 June 2007

Mutual ownership means that societies do not have to pay dividends to private or institutional shareholders. The savings can be passed on to existing and prospective members. The net interest margin (difference between the interest paid to savers and charged to borrowers) of the sector's top ten societies averaged 1.03% at the 2005/2006 year-end, compared to around 2% for most banks. As a result, building societies consistently feature in the best mortgage buying tables

**PricewaterhouseCoopers**  
March 2007

## Political relations

One of our roles is to monitor the political scene and represent the building society sector to parliamentarians and the government. 2007 was a busy year for us politically with two appearances in front of the Treasury Select Committee, a Private Member's Bill and the introduction of legislation on lost accounts – not to mention the events of the run on Northern Rock bank in the latter part of 2007. These are described in detail earlier in this report.

For the first time in many years, we did not run fringe events at the party political conferences. We instead put our resource behind producing a pack for MPs and local councillors to use with their constituents who come to them for help on financial matters. *A Guide to Personal Finance*, includes practical briefs on the Child Trust Fund, coping with mortgage arrears, debt and ISAs. Produced by the BSA and seven other financial services trade bodies, the pack was launched in Parliament in March 2008.

## BSA annual events

- Once again, our annual conference held in Bournemouth in May, was a highly successful event. The exhibition was again sold out, despite more stands than usual being made available. Speakers included Paul Lewis, presenter of BBC Radio 4's Moneybox, and Clive Briault, managing director of the FSA.
- Andrew Hilton from the Centre for the Study of Financial Innovation entertained guests at our annual lecture with a frank and thought provoking talk, "Can principles based regulation ever be achieved?" While arguing that regulation is often inevitable, and that there is little difference in reality between principles and rule based systems, he said that regulation is an inherently bad thing. Andrew Hilton said that regulation serves as a barrier to entry to the market, favours larger organisations over smaller competitors, inhibits innovation and can hurt the consumers it is supposed to protect.
- Nearly 200 people attended our annual lunch hosted by our chairman, Iain Cornish. We were delighted to welcome guest speaker, Kitty Ussher MP, economic secretary to HM Treasury. She gave her views on mutuality and the unique strengths of the mutual sector, as well as addressing the issues of market turbulence and Northern Rock. Ms Ussher said of mutuals: "This really is an amazing sector: unique strengths, a unique role, and a unique history - and very much a relevant and vibrant sector today."



**Andrew Hilton**  
speaking at the Annual Lecture



**Kitty Ussher MP**  
at the Annual Lunch

SECTION THREE

The key objectives of any trade association are to represent its members' interests and to provide them with information to enable them to run their businesses more efficiently. These two roles are at the core, but do not comprise the totality, of what the BSA undertakes for its members

## Internal Matters

### Membership of the Association

Continuing the trend of the first decade of the 21st century, there was just one building society merger during 2007. This simple statistic, however, disguises the fact that the merger – between Nationwide and Portman building societies – was the largest ever to take place in the sector. The merger took effect on 28 August.

### Associates

Much of the material we produce for our members is also of interest to other institutions such as mutual insurers, savings and co-operative banks, technical advisors to societies such as legal and accounting firms and to institutions that supply other services to building societies. We encourage these institutions to become associates and increase their awareness of developments in the sector. During the year, we recruited seven new associates, although changing market conditions resulted in eight associates resigning, leaving the number of associates at the end of the year one down on a year earlier at 36. Nevertheless, there remained a significant interest in our Associateship package and further new recruits joined early in 2008.

## Building Societies Trust

Building Societies Trust is a charity that makes small grants to institutions concerned with savings, housing, home ownership and building society matters generally. The Trust supports a library on building society matters and, during 2007, also made awards to:

- Crisis (for its SmartMove scheme).
- DebtCred (for the development of services on the High Sheriffs' literacy project for school leavers).
- the Money Advice Trust (for central administration costs and a specialist support casework consultancy).
- the Personal Finance Education Group (pfeg – for central administration costs).
- Shelter (for its Shelterline telephone advice service).
- Treloar Trust (for its Moving On project).

The Trust formerly made grants using the capital gains made on its equity investments; grant giving was reduced in the early years of this decade so that it is now broadly in line with the dividend income received by the Trust. The directors now have a policy of making grants valued at £90,000 - £110,000 each year, although this can be raised in exceptional circumstances. Grants totalling almost £120,000 were made in 2007.

The affairs of the trust are administered by BSA staff.

## Library and information service

We continue to provide a free library and information service to members, associates, researchers and the general public.



In addition to answering enquiries and adding and updating information on the BSA website, we maintain a specialist collection of several thousand reports and articles, including the annual reports of every UK building society. We keep a comprehensive archive of BSA guidance and publications and a complete set of the Building Societies Yearbook from 1927. In 2007, we continued our programme of transferring BSA archive and out-of-print material to electronic format and have started to make these items freely available via Google Book Search.

## Conferences and seminars

We held our usual range of conferences and seminars in 2007. The Fast Start, directors', chairmen's and audit committee seminars were held as usual; among the policy areas covered at other events were TCF, ICAAP, lost accounts, money market funds, payments systems, HMRC audits, member engagement, treasury risk management and affordable housing.

## New offices

On Monday 18 December 2006 we opened for business in our new offices in York House, having left our home of 24 years, 3 Savile Row, on Friday 15 December 2006. With only a few minor teething problems, staff soon settled in to their new workplace. Previously, staff were spread over five different floors of Savile Row. Now they are located in a modern, more efficient and cost effective single-floor office.

## Human resources

During the year, we continued to provide members with human resource-related surveys. These included a simplified version of the labour turnover and sickness absence statistics survey, a survey of members' pension scheme provisions and a survey of senior management and executive staffs' remuneration - which will be extended to include details of societies' non-executive directors' fees in 2008. In addition, and in response to members' requests, we surveyed societies on a range of HR policies and procedures. We will issue the collated data, which includes details of members' maternity leave policies, holiday entitlements, sickness procedures and salary sacrifice arrangements, to participating members in March 2008.

We took part in the sector's human resource group meetings and hosted the HR officers' group meeting at our offices in November. These meetings provide HR professionals from societies with an opportunity to share information on current trends and good practice.

## BSA staff

We are pleased to report that a staff opinion poll in 2007 reported that 100% of respondents think that the BSA is a good employer and that it values its staff.

There were no resignations during 2007 (excluding one redundancy). We were, however, delighted to welcome James O'Sullivan to our ranks early in 2008. James, who has worked for a number of years for Nationwide Building Society, takes over responsibility for anti-money laundering work, fraud prevention, physical security and business continuity.

In addition, two members of staff celebrated their respective twenty and twenty-five years' years of service at the BSA.

In accordance with the pension scheme's recovery plan, the defined benefit employee and employer contributions were increased to 7% and 21.8% respectively with effect from 1 April 2007 (from 5% and 20% respectively). However, to reduce the impact of this increase we introduced a "salary sacrifice" arrangement for staff in the scheme. Salary sacrifice arrangements were also introduced for those staff in the defined contribution scheme. Additional annual contributions of £231,000 were paid into the defined benefit pension scheme to eliminate the scheme's deficit over a

So don't bank on your bank - building societies have better deals.

Sunday Mirror  
28 October 2007

five year period (the scheme's deficit was £1.7 million as at 31 December 2005, of which £1.4 million is attributable to the BSA). The pension scheme's next formal valuation is scheduled for 31 December 2008.

## Financial position

Our surplus before tax for 2007 was £257,000, nearly £50,000 higher than budget. This includes the effects of a discount for the BSA's rent-free period: we had a one year rent-free period from assuming the lease at York House in September 2006. The notional expenditure for this rent in 2007 recorded in the accounts was £127,405.

Total income was £63,000 greater than originally expected; our seminars made a greater than expected surplus and the interest received on our deposits held with building societies was greater than budgeted.

Total expenditure for the year was £13,000 greater than originally budgeted (again excluding the notional rent-free costs).

## Membership of the Council

In the year to 1 March 2008 four members of the Council retired; all had given distinguished service to the BSA.

Philip Williamson, chief executive of Nationwide Building Society, had been chairman in 2005/06. His powerful, straightforward advocacy of building societies and the advantages that their mutual status gave them was described by one distinguished commentator as "Churchillian" on one occasion. While taking Nationwide forward to new successes, Philip also played a strong ambassadorial role for the entire industry and

every building society (and many others no doubt) were delighted when Philip was awarded the CBE in the Queen's Birthday Honours in 2007.

Barry Hunt also retired in the first part of the year. Barry was chief executive of the Hinckley & Rugby Building Society and represented the Midlands & West Association of Building Societies on the Council for a number of years. He was a straightforward and realistic commentator on the matters before the Council, but the Council will remember particularly his significant contributions as a distinguished chairman of the trustees of the BSA's pension scheme. The Council was delighted when Barry said he was prepared to continue in the role of chairman after his retirement from full-time employment in the sector.

Robert Sharpe left the Council at the end of August 2007, following the merger of his society, the Portman, with Nationwide.

Finally, early in 2008, Peter Richardson retired as chief executive of the Derbyshire Building Society and accordingly left the Council. Thanks are due to both for their contribution to the Council's affairs.

We should like to thank all four retiring Council members for their outstanding service.

**Lisa Taylor of Moneyfacts said: "It is worth looking at the mutuals for a good savings account, as they often have a more extensive range and pay higher rates than the banks with fewer disadvantages."**

**Daily Telegraph**  
27 October 2007

SECTION FOUR

# Directory

## THE COUNCIL

(As at 1 March 2008)

### Chairman

Iain Cornish (Yorkshire)

### Deputy Chairman

John Goodfellow (Skipton)

### National

Matthew Bullock (Norwich & Peterborough)

John Goodfellow (Skipton)

Phil Gray (Beverley)

Richard Hornbrook (Chelsea)

David Webster (Hanley Economic)

Vacancy

### Nominated

Graham Beale (Nationwide)

Iain Cornish (Yorkshire)

Neville Richardson (Britannia)

### Regional

Graham Dalziel (Northern) (Dunfermline)

John Milton (Metropolitan) (National Counties)

Stephen Peete (Midlands & West) (Loughborough)

## Constitution of the Council

The largest three societies - measured by balance sheet size - have an automatic right to nominate one member each to the Council.

The three regional associations each elect one member to the Council (for a three year term) on a one society, one vote basis.

The remaining six members of the Council are elected for three year terms on a vote of all societies at the Association's annual general meeting. The three largest societies, by virtue of their ability to nominate to the Council, do not have a vote in this election. The number of votes available to the remaining societies is proportional to the annual subscription that they pay to the Association.

**STAFF**

(As at 1 March 2008)

**Director-General**

Director-General: Adrian Coles

PA to Director-General: Keeley Baker

**Commercial Activities**

Commercial Manager: Charlotte Bell

Events Officer: Christie Sharp

**External Affairs**

Head of External Affairs: Rachel Snow

PR &amp; Policy Manager: Neil Johnson

Press and Public Affairs Manager: Rachel Le Brocq

Policy and External Affairs Officer: Katie Errington

**Financial Policy**

Financial Policy Consultant: Christopher French

Policy Adviser: Andrea Jeffries

**IT**

IT Manager: Phil Scott

**Legal and Practice**

Head of Legal Services: Chris Lawrenson

Policy Adviser: Andrew Hopkins

Policy Adviser: James O'Sullivan

**Library and Information**

Information Services Manager: Simon Rex

**HR and Finance**

Head of HR and Finance: Louise Thornbury

Personnel Officer: Melanie Snelgrove

Accounts Consultant: Phil Lickfold

Accounts Administrator: Outi Stenroos

**Office Services**

Facilities Adviser: Barry Smith

Receptionist and Telephonist: Lynne Bartlett

Catering Assistant: Irene Bastable

**Savings Policy**

Head of Savings Policy: Brian Morris

Economist: Andrew Gall

**MEMBERS OF THE ASSOCIATION**

(As at 1 March 2008)

Barnsley

Bath Investment

Beverley

Britannia

Buckinghamshire

Cambridge

Catholic

Century

Chelsea

Chesham

Cheshire

Chorley &amp; District, The

City of Derry

Coventry

Cumberland

Darlington

Derbyshire

Dudley

Dunfermline

Earl Shilton

Ecology, The

Furness

Hanley Economic

Harpenden

Hinckley &amp; Rugby

Holmesdale

Ipswich

Kent Reliance

Leeds

Leek United

Loughborough

Manchester

Mansfield, The

Market Harborough

Marsden

Melton Mowbray

Monmouthshire

National Counties

Nationwide

Newbury

Newcastle

Norwich &amp; Peterborough

Nottingham

Penrith

Principality

Progressive

Saffron

Scarborough

Scottish

Shepshed

Skipton

Stafford Railway, The

Stroud &amp; Swindon

Swansea

Teachers'

Tipton &amp; Coseley

Vernon

West Bromwich

Yorkshire

## ASSOCIATES OF THE ASSOCIATION

(As at 20 March 2008)

Addleshaw Goddard  
Airdrie Savings Bank  
Allen & Overy LLP  
Assurant Solutions  
AXA Sun Life  
Bank Machine  
Bates Investment Services Ltd  
Bishops Cavanagh  
Cardif Pinnacle Insurance  
The Children's Mutual  
Co-operative Financial Services  
Co-operatives UK  
CUNA Mutual Group Limited  
Deloitte  
EBS Building Society  
engage Mutual Assurance  
Ernst & Young LLP  
Family Investments (Family Assurance Friendly Society)  
Genworth Financial  
King & Shaxson Asset Management Ltd  
KPMG LLP  
Legal & General  
LV= (Liverpool Victoria Friendly Society)  
Mutual Vision Technologies Limited  
Mutual One Ltd  
NFU Mutual Insurance  
NIIT Technologies Limited  
Norwich Union  
Odgers, Ray & Berndtson  
Police Mutual Assurance Society  
PricewaterhouseCoopers  
SAP UK Ltd  
Sterling International Brokers Limited  
The TALL Group of Companies  
Thomas Eggar  
Trinity Horne  
Wincor-Nixdorf UK Limited  
WorkSmart Solutions LLP  
Wragge & Co  
The Wriglesworth Consultancy  
Zurich Insurance Co.



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