

BUILDING SOCIETIES PROVIDE  
SUPERIOR CUSTOMER SERVICE



Independent research commissioned by the BSA shows that building societies provide better service and satisfy their customers more than other financial service institutions.

## Satisfaction with service levels

The GfK NOP Financial Research Survey found that customers were more satisfied at building societies than at other financial service providers. 71% of savers were extremely or very satisfied at building societies, compared to just 56% at other savings institutions. In terms of mortgages, 72% of customers were extremely or very satisfied at building societies, versus 62% at other mortgage providers. Therefore, building societies do generally deliver a higher level of satisfaction than other providers.

The higher levels of satisfaction seen at building societies compared to other savings and mortgage providers applied across all age groups and socio-economic classifications, where the sample size was sufficiently large to allow comparison.

The BSA decided to investigate further this generally higher level of satisfaction with the service at building societies relative to other financial institutions. GfK NOP were commissioned to conduct additional research to explore how people rated service at their mortgage and savings providers across a number of dimensions.

Respondents to GfK NOP's omnibus survey were asked to what extent they agreed with a number of statements regarding various service criteria. For both savers and mortgage holders, the responses were consistently and substantially more positive for building society than for bank customers.

“ While complaints about lousy service from banks are common, I receive virtually none from building society customers ”

Liz Dolan Sunday Telegraph  
12 November 2006



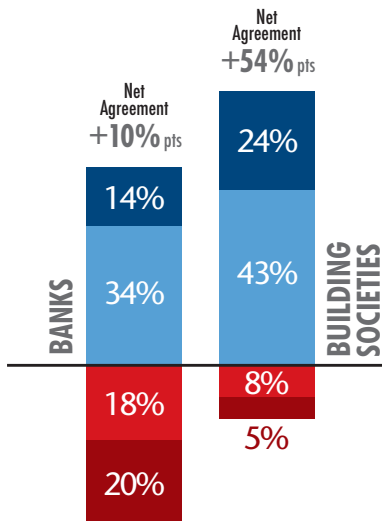
GfK NOP FRS, 6 months ending January 2007,  
28,270 individuals interviewed

% extremely or very satisfied



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

**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)

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

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

## Does your provider treat you fairly?

Respondents were asked whether they agreed that the institution with which they held their mortgage or savings account treated its customers fairly.

The chart to the left summarises the responses. The areas shaded in blue represent agreement, and the areas shaded in red represent disagreement. The darker the area, the stronger the sense of agreement or disagreement. The net agreement figure above each bar shows the total proportion agreeing with the statement, minus the proportion that disagrees.

This shows that two thirds (67%) of building society customers agreed that they were treated fairly (24% agreed strongly and 43% agreed slightly), compared to under half (48%) of bank customers.

In contrast, one in five (20%) bank customers strongly disagreed that they were treated fairly. This compares to just one in twenty (5%) who felt the same way about building society service. A further 18% disagreed slightly that they were treated fairly by their bank, compared to just 8% at building societies.

The Financial Services Authority continues to focus on its *Treating Customers Fairly* initiative, and these results suggest that building societies are currently ahead of their main competitors in this regard.



The very principles at the heart of treating customers fairly are becoming the hallmark of building societies' service to their members.....we are pleased to say that as a sector mutuals are head and shoulders above the average high street bank. And that is good news.

**Leader comment**

Financial Adviser Magazine, 31 May 2007



## Do you trust your provider to give you good advice?

The questionnaire also asked whether customers agreed that they could trust their financial institution to give them good advice.

Almost a fifth (19%) of building society customers strongly agreed that they could trust the advice they received, compared to 14% of bank customers. However, the difference is more marked in those who disagreed. At banks, over a third of customers (34%) disagreed with the idea that they could trust the advice they were given. This compares to just 17% at building societies.

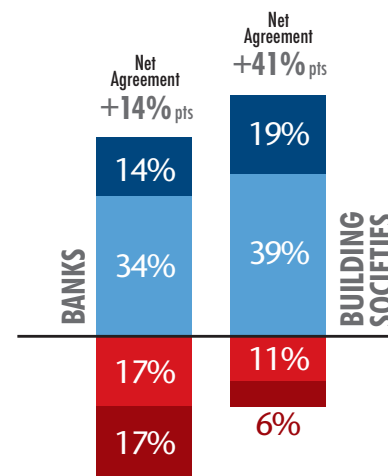


A general theme that emerged is that people seem to be more likely to trust building societies than banks. Building societies are perceived to be more ethical than the big high street banks and better at looking after their customers.

Interim Report into the Second Saving Gateway Trial  
HM Treasury, 19 July 2006



### 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)

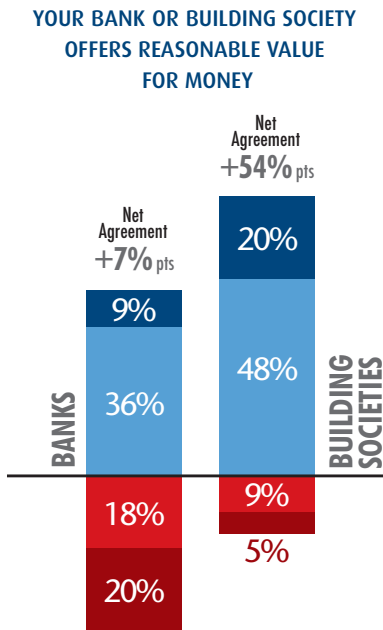
■ Agree strongly  
 ■ Agree slightly  
 ■ Disagree slightly  
 ■ Disagree strongly

## Does your provider offer reasonable value for money?

Savers and mortgage borrowers were asked if they agreed that they got reasonable value for money from their provider.

The chart to the left shows that building society customers perceived that they got a better deal than bank customers. Over two thirds (68%) of building society customers agreed that they got reasonable value for money. This compares to less than half (45%) of bank customers. Instead, a fifth (20%) of bank customers strongly disagreed that they got value for money, and 18% disagreed slightly.

Building societies' frequent showing in best buy tables backs up this finding. For example, building societies took 16 of the top 20 spots in the Moneyfacts 2007 Mini Cash ISA Survey.



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



Societies in general provide the public with excellent value for money, with interest spreads much lower than banks..... Similarly societies are generally frugally run with several having management expense ratios of under 0.6%.



Building Society Database 2006

KPMG, September 2006

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

## Would you recommend your provider to friends or family?

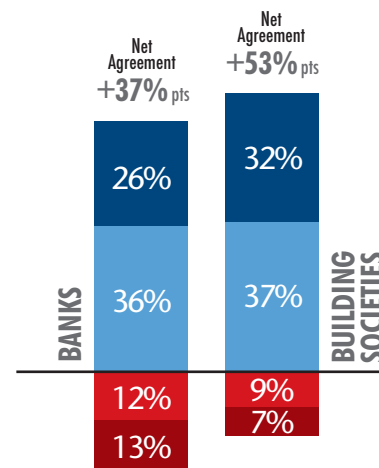
Customers were also asked whether they would recommend the service they received at their financial institution to friends or family. Advocating a provider to friends and family is a strong indicator of customer satisfaction, as it requires that people put their reputation on the line. If they recommend a provider that then turns out to offer poor service, their reputation and personal pride suffer.

This result is quite surprising, as the proportion of respondents who agree with this statement at building societies is not that much greater than at the banks compared to the other statements. While 69% agree they would recommend building society service, 62% of bank customers agree that they would do likewise. Bank customers were more likely to disagree with the proposition, though, with more than one in eight (13%) disagreeing strongly. However, the net position, shown by the 53 percentage points at building societies compared to the 37 percentage points for the banks, still represents a substantial difference.

Nevertheless, the relatively high level of recommendation for banks then raises an interesting issue: with such strong frustration at the levels of service provided by banks, it is surprising that customers would recommend providers that, on other measures, appear to offer relatively poor levels of service.

However, this may reflect the low levels of dissatisfaction in service provision. The GfK NOP Financial Research Survey results showed that often only 1% or 2% were extremely or very dissatisfied with the service at their mortgage or saving provider, possibly because of low (or possibly just realistic) initial expectations. Combined with a suspicion that all financial service providers are the same, or with pride preventing people from admitting that they themselves haven't switched to the best available offer, people may recommend institutions that do not necessarily serve them as best they could.

### YOU WOULD RECOMMEND THE SERVICE OF YOUR BANK OR BUILDING SOCIETY TO FRIENDS OR FAMILY



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



## Differences between savers and mortgage borrowers

Across the four areas covered in the survey, savers tended to show greater agreement, and mortgage borrowers were more likely to exhibit disagreement. This was the case across all four topics and across all types of institution, but the banks stimulated relatively more disagreement in all instances. For example, while 70% of building society savers agreed (and 12% disagreed) that they were treated fairly, 53% of building society mortgage customers were in agreement (and 22% disagreed). However, 36% of bank savers disagreed that they were treated fairly, but a huge 54% of mortgage borrowers disagreed that banks gave them fair treatment.

Mortgage customers' perception of how fairly they are treated, the value they get, how trustworthy the advice is, and whether they would recommend the service may all be diminished due to the nature of mortgage products compared to savings accounts.

Mortgages are inherently more complex and they cost the borrower something directly. In contrast, savings accounts return some benefit to the account holder. Research has shown that losses have a much greater psychological impact than do gains of the same magnitude. Therefore, an institution's mortgage service is likely to be viewed more critically than service for a saving account.

Alternatively, staff at financial institutions may be better able to understand and explain savings queries than complicated mortgage issues. Of course, the results could also be a reflection of generally poorer service standards in mortgage provision than in the savings area!

## Do people appreciate the difference between types of institution?

A significant number of respondents have savings accounts with the same type of institution with which they have their mortgage. The results for people in this situation appear to be very different depending whether they are with building societies or banks.

For instance, of the respondents holding both their mortgage and a savings account at building societies, the level of strong agreement with the four statements was very high, and there was little strong disagreement with any of the statements. In contrast, the level of strong disagreement in bank customers was substantial.

No respondents who held both their mortgage and savings with building societies strongly disagreed that they were treated fairly, whereas nearly a quarter (24%) of customers with both mortgage and savings products with a bank strongly disagreed that they received fair treatment.

This may be an indication that customers who have a dual relationship with building societies do so because they appreciate the better service this type of institution tends to provide.



High charges, paltry interest rates and poor service are common customer gripes but you can avoid them if you search out the best accounts. Most are provided by building societies, which do not have to pay shareholder dividends.

Sunday Times

7 May 2006





## Why don't customers switch to get better service?

The GfK NOP research shows that a significant proportion of savers and mortgage borrowers find the service they receive to be poor. However, a large number, particularly at building societies, experience better levels of service. Therefore, why don't customers just change provider to benefit from a higher level of service?

This could be for a number of reasons. Customers may be locked in with a provider contractually, or they may perceive the sheer effort required to research and make the switch to be too onerous. Furthermore, consumers may assume that the poor service that they receive from their bank is typical of all financial service providers, unaware that many building society customers are happy with the service that they receive.

## Why should service be better at building societies?

Building societies are owned by their customers. As such, they do not have to pay dividends so are able to offer higher savings rates and lower mortgage rates than publicly quoted institutions. In addition, building societies do not have to make decisions for the benefit of shareholders but which may not always be to the advantage of the organisation's customers. Plcs, such as banks, aim to improve their customer service subject to the primary motive of maximising their profits. In the mutual model, maximising the benefit to customers and to the owners are one and the same thing.

The central role played by a building society's customers in its ownership structure means that better customer service represents a different way to better rates of interest for building societies to return the benefits of their mutual status to their members. Better customer service is therefore a point of differentiation from the banks.

## Developments in customer service requirements

Customer requirements are likely to become more demanding in the future.

Products will probably become more complex, with more choice for the consumer that reduces standardisation, particularly in mortgages. Direct channels, such as the internet, will play a greater role, making consistent and cohesive service more difficult to provide. Customers may become more cynical following well publicised complaints by some consumers about unfair charges and mis-selling.

Building societies are well placed to respond to these challenges. While there is room for improvement in the current level of service provided by societies, they are clearly meeting customers' needs to a much greater extent than their competitors. The importance of their customers, as owners, means that building societies are well incentivised to be at the forefront of innovations in customer service.

Building societies continue to invest in their staff and facilities to improve the service that they offer. In addition, more and more societies are paying closer attention to their customers, by setting up member panels to discuss products and processes and to review complaints.



### Summary

Building societies frequently appear in the best buy tables for mortgages and savings products. This is because they are owned by their customers, so do not have to pay dividends to shareholders. They can therefore offer more attractive rates of interest. The research presented here shows evidence of an additional way that building societies return the benefits of their mutual structure to the customers that own them – through higher levels of service.

Customers who experience poor service or uncompetitive rates at their financial service provider should be aware that building societies tend to offer a fairer, more trustworthy and more satisfying alternative that is also better value for money.

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### Research Methodology

The satisfaction questions were asked as part of GfK NOP's Financial Research Survey which interviews approximately 5,000 individuals aged 16+ every month across Great Britain. The results shown were for the six months ending January 2007.

The four statements were posted in GfK NOP's omnibus survey. The questions were asked face to face to 2,022 adults aged 16+ between 12 and 17 April 2007.

In both sets of research, to avoid confusion about what is a bank and what is a building society, respondents were asked to identify which brands they have a saving or mortgage account with. The researchers then allocated the responses to the appropriate type of institution. This ensured that institutions such as Abbey National, Alliance & Leicester, Bradford & Bingley, Halifax, Northern Rock and Woolwich were all correctly classified as banks.