

# **BUILDING SOCIETIES: PROVIDING A BETTER 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

Research conducted by GfK NOP has found that building society customers are more satisfied with their provider than are customers with other institutions. Also, building society customers rate the service in the following dimensions better at building societies than amongst customers at banks:

- Treating customers fairly
- Value for money
- Trustworthy advice
- Safety of deposits
- Supportive of those in financial difficulties
- Recommendation

The results presented in this leaflet substantiate those in a similar survey conducted in April 2007 which also found that building societies provided a superior level of service than other financial service providers<sup>1</sup>.

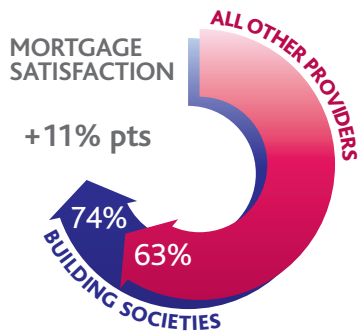
All the results presented in this report are built up by asking the survey respondents to identify the brands with which they have a savings account or a mortgage. The researchers then allocated the responses to the appropriate type of institution. This avoided any confusion that members of the public may have over which institutions are actually banks and which are building societies.



<sup>1</sup> "Building societies provide superior customer service" BSA 2007

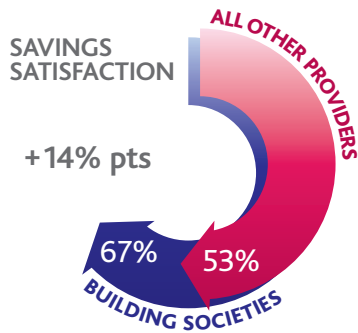
## General customer satisfaction

The GfK NOP Financial Research Survey found that building society customers were more satisfied than customers of other financial service providers. This applies for both mortgage customers and savings customers.



FRS, 6 months ending July 2008, 9,419 individuals interviewed

% extremely or very satisfied



FRS, 6 months ending July 2008, 32,305 individuals interviewed

## Mortgage customer satisfaction

Almost three quarters (74%) of building society mortgage customers were extremely or very satisfied, compared to less than two thirds (63%) of borrowers with other institutions. This is a gap of 11 percentage points.

These results are roughly the same as those in the April 2007 survey.

## Savings customer satisfaction

Two thirds (67%) of savers with building societies were extremely or very satisfied, compared to just over half (53%) of savers with other institutions, a gap of 14 percentage points, which is a similar size to the gap found in the April 2007 survey.

## What does "customer satisfaction" show?

Customer satisfaction is a reflection of two main elements:

- Expectations **prior to** the purchase of what the experience should be
- Evaluation **after** the purchase of the actual experience

Customer satisfaction is then a measure of the extent to which a gap exists between these two elements.

Therefore, customer satisfaction could be low because prior expectations were unrealistically

high, or because the actual experience fell short of what was expected. As a result, high customer satisfaction does not necessarily indicate that consumers thought that the service they received was of high quality; it could just be that the service was as had been expected prior to the interaction. The questions on the subsequent pages were asked by GfK NOP to determine if there were any distinguishing differences between the quality of service offered by banks and building societies.

### Theories of service quality<sup>2</sup>

Two models first developed in the 1980s are often used in an attempt to measure the quality of service offered by institutions. One approach differentiates between “technical” quality that relates to the firm having the capabilities to deliver the necessary outcome, and “functional” quality of the actual process and relies on softer aspects such as the attitude and behaviour of staff.

Another approach attempts to quantify service quality across five dimensions: reliability, responsiveness, assurance, empathy and tangibles. This is the SERVQUAL measurement scale, and it compares service quality at a specific institution to that at institutions which are setting the best practice.

Both of these approaches lead to considerable weight being put on “softer” factors such as employee morale, and another theory, that of the service profit chain, proposes a direct causal relationship between staff satisfaction, service quality and customer satisfaction. However, some research questions whether the importance of delivering the hard outcomes has been undervalued.<sup>3</sup> This might be expected to be particularly the case in financial services, where there is often a direct monetary loss to the consumer that stems from mistakes or delays that occur.

“ If you just want competitive savings rates, good personal service and a range of home loans from a prudent business that’s well equipped to ride out global market shocks, building societies remain a solid bet. ”

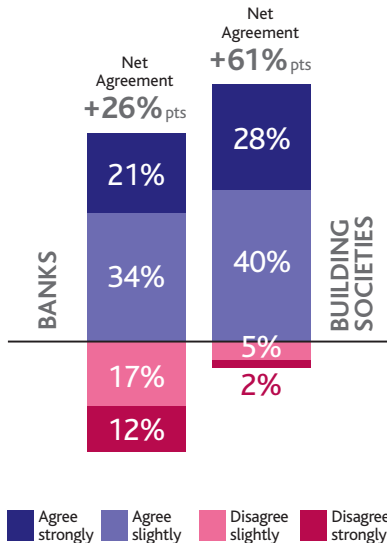
The Scotsman, 7 June 2008

<sup>2</sup> Service Quality Issues in Financial Services, Nath, P, and Devlin, J, Financial Services Research Forum, Nottingham University Business School, 2007

<sup>3</sup> Customer satisfaction and service quality in UK financial services, Maddern, H, Maull, R S, Smart, P A and Baker, P, University of Exeter Discussion Papers in Management 07/10, 2007

**Note:** The charts on this and subsequent pages show the proportions of respondents that agree or disagree. Those that answered that they "neither agree or disagree" with the statements, or that answered "don't know" are not shown. Therefore, the percentages do not add to 100%. The figure above the bars is the net agreement, equivalent to the total agreeing to some extent less those disagreeing to some extent. Totals may not add up due to rounding.

**DOES YOUR PROVIDER TREAT YOU FAIRLY?**



## Building societies treat their customers fairly

Whereas over two thirds (68%) of building society customers feel that societies treat their customers fairly, just over half of bank customers (55%) think the same about their providers. Furthermore, a substantial 29% of bank customers disagree to some extent, of which 12% disagree strongly. This compares to just 7% of building society customers that disagreed to some extent, with just 2% disagreeing strongly.

These results are similar to those found last time the BSA asked these questions in April 2007.

The Financial Services Authority has given a great deal of attention to its Treating Customers Fairly (TCF) project, and from the end of 2008 financial services firms must be able to demonstrate that they are consistently treating customers fairly.

Building societies continue to be perceived by their customers to be well ahead of banks in treating customers fairly. While there is room for improvement in the building societies' results, the chart suggests that they are perceived to be treating customers more fairly than banks.

In a speech to the banking sector in September 2008, the Director of TCF at the FSA said

“ We find that while senior management are committed and progress is being made, banks still have some way to go before they and we can be confident that they [are] highly likely to be consistently treating their customers fairly.<sup>4</sup> ”

<sup>4</sup> [http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2008/0929\\_sw.shtml](http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2008/0929_sw.shtml)

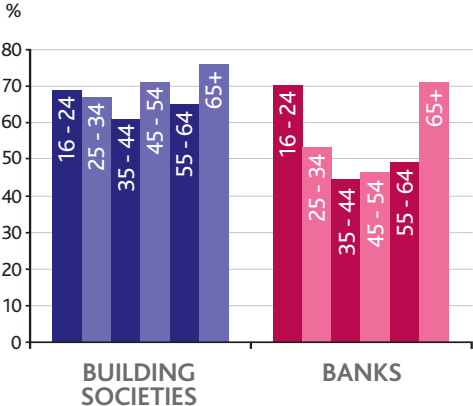
“ Most building societies have taken "treating customers fairly" in their stride, claiming with justification that they put customers first irrespective of whether they are long-standing or newish. ”

Jeff Prestridge, The Mail on Sunday  
10 February 2008

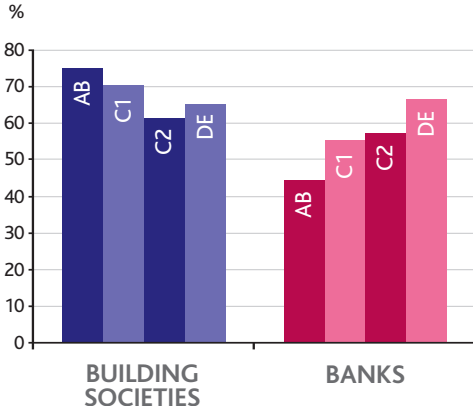
As building societies are owned by their customers, it should not be surprising that societies try to be fair to savers and borrowers. Without the demands of shareholders to satisfy, building societies aren't under the same pressure to squeeze more from their customers, as banks are.

The perception of fair treatment for bank customers relative to building society customers differs most in the middle age groups, and for higher socio-economic groups. Building society customers of all age groups report similar levels of agreement, but bank customers in the middle age groups are less likely to perceive that they are fairly treated. Also, those in higher socio-economic groups report particularly high levels of disagreement with the proposition that their banks treat them fairly (whereas the majority of building society customers in this group tend to agree with the proposition). These inequities between various groups of bank customers may reflect differences of perception among these groups, or they may reflect differences in how people in these groups are actually treated by their banks.

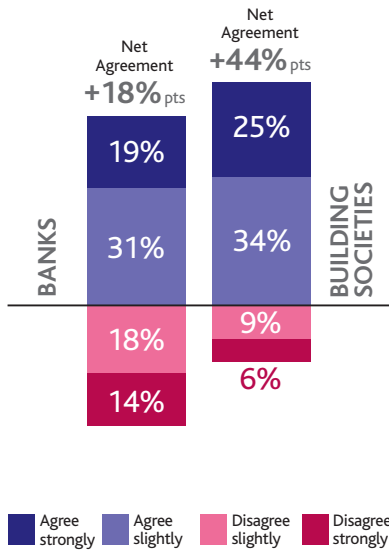
PROPORTION AGREEING THAT THEIR PROVIDER TREATS THEM FAIRLY, BY AGE GROUP



PROPORTION AGREEING THAT THEIR PROVIDER TREATS THEM FAIRLY, BY SOCIO-ECONOMIC GROUP



**DO YOU TRUST YOUR PROVIDER TO GIVE GOOD ADVICE?**



## Trusted to give good advice

The recent turbulence in financial markets has highlighted the importance of trust to the operations of financial service institutions. Consumers place great importance on trust because financial products tend to involve long-term relationships, can be difficult to understand, and any mistake has the potential to lead to a direct loss that is of a considerable size. Therefore, consumers must trust the advice that their financial services provider offers. Previous research by the BSA found that the less financially capable somebody was, the more reliant they were on factors such as trust when they came to selecting a savings provider<sup>5</sup>.

Building societies are more trusted to give advice by their customers than banks. 58% of building society customers questioned would trust their provider to give good advice, with a quarter of those interviewed strongly agreeing. This compares to 50% of bank customers who felt the same way. However, nearly a third (32%) of bank customers would not trust their provider to give advice, more than double the proportion of building society customers (14%) that thought this way.

The results are fairly consistent with those seen last year, with minor improvements for both banks and building societies. Overall, though, building societies remain more trusted than banks, which is vitally important in the current economic climate, and a reflection of their mutual structure as any advice they give to their customers is not clouded by the interests of other groups such as shareholders.

“ Overall, it seems that loyalty with a building society is a two-way process. Stick with them and they will generally play fair with you. If you deal with banks, you are on your own. You might earn more interest and get a better deal in the short-term, but watch out because somewhere along the line they will get you and make a stack of money from your savings. They do, after all, have shareholders to pay. ”

Tony Hazell, Daily Mail, 23 July 2008

<sup>5</sup> The individual's saving decision, BSA, 2007

## Value for money

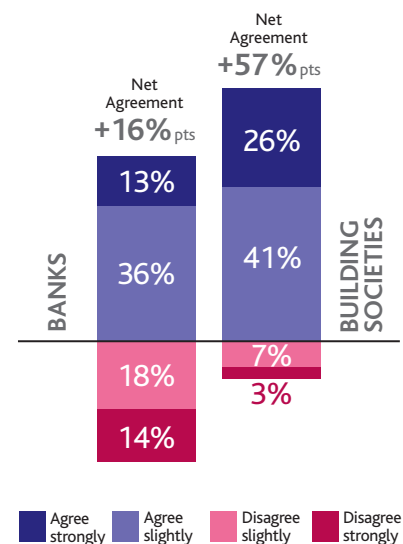
Two thirds (67%) of building society customers consider that their provider offers value for money, and over a quarter (26%) are strongly of this view.

Less than half of bank customers (48%) agreed that they got value for money, and nearly one third (32%) did not agree that their bank offered reasonable value for money. Just 10% of building society customers did not think that they got value for money to some extent. Again, the results are similar to those found in the 2007 survey.

In the higher socio-economic groups, building society customers agree that they get value for money to a much greater extent than do bank customers in the same groups. In the AB group of professional and managerial workers, 76% of building society customers agreed that they got value for money, but just 42% of bank customers agreed.

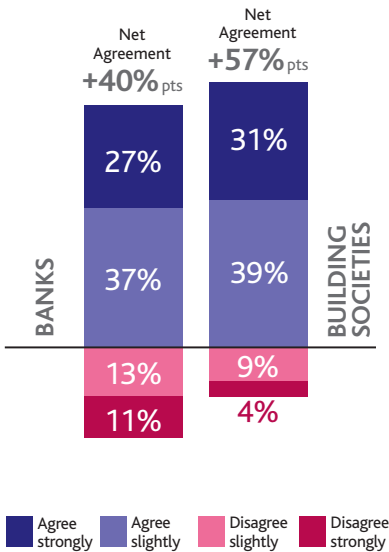
The results above are no surprise, as many independent surveys show that building societies offer better interest rates than their competitors. For example, according to the comparison service Moneyfacts, three quarters of the most competitive saving accounts over time were offered by building societies<sup>6</sup>. This benefit is also a product of building societies' mutual structure, as they do not have to pay dividends to shareholders, so can offer more attractive rates to borrowers and savers.

### YOUR PROVIDER OFFERS REASONABLE VALUE FOR MONEY



<sup>6</sup> Moneyfacts.co.uk consistent savings survey (October 2008)

**DO YOU FEEL YOUR MONEY IS SAFE WITH YOUR PROVIDER?**



## Safety of deposits

Savers at banks and building societies were asked how safe they felt their deposits were with their savings provider.

69% of building society customers with a savings product felt their money was safe, with nearly a third (31%) strongly agreeing. A majority of bank customers also felt their money was safe, with 64% agreeing.

Only 13% of building society customers who were surveyed did not feel to some extent that their money was safe, compared to nearly a quarter (24%) of bank customers.

Given that the research was conducted between 16-21 October 2008, in the midst of the financial crisis and following the collapse of a number of banks and mergers of deposit taking institutions, and when the safety of deposits was a major concern for many consumers, the research shows high levels of confidence among customers of the safety of their savings. In particular, just 4% of building society customers strongly disagreed that their money was safe, compared to 11% at banks. This would suggest that building societies are seen as safer institutions in comparison to banks. However, the relatively small proportions disagreeing that their money was safe may also reflect customers' trust in the Financial Services Compensation Scheme (FSCS) as much as their provider's ability to keep their money safe.

“ Anyone who has their cash in a building society rather than a bank knows their institution won't collapse because of stock market speculation....the key difference between a bank and a building society is banks are driven to greater profits and riskier deals by greedy shareholders. Building societies are owned by their customers. ”

The People, 28 September 2008

Groups that might be expected to have greater accumulated wealth, and so are more likely to be affected by the FSCS limit, tend to exhibit greater agreement that their savings are safe. This includes those in older age groups and those in higher socio-economic groups. Furthermore, these trends are more pronounced in building society customers than in bank customers. For example, for those in the socio-economic group AB, which represents those in professional or managerial work, 74% of building society savers agreed and 12% disagreed to some extent, and at banks 66% agreed and 21% disagreed. Therefore, building society customers in groups where the deposit protection limit is more likely to be relevant tend to exhibit greater agreement that societies are safe, relative to bank customers in the same groups.

## Supportive if in financial difficulties

The survey also asked customers that have a mortgage with a bank or building society whether they thought that their provider would be supportive of them should they get into financial difficulties.

47% of building society mortgage customers interviewed felt their provider would be supportive if they faced financial difficulties, with 15% agreeing strongly. Only 12% of building society borrowers disagreed to some extent.

Out of the bank customers, the proportions agreeing were very similar to those at building societies, with 15% agreeing strongly and 46% agreeing to some extent. However, almost a quarter of bank customers (24%) disagreed that they would be supported if they got into financial difficulties, double the proportion of building society customers that held this opinion.

However, over a quarter (28%) of building society borrowers responded that they didn't know, as did 17% of bank customers. This may be because these customers did not envisage getting into financial difficulties, so it was not an issue they had considered. For example, a third of building

### IF YOU WERE TO GET INTO FINANCIAL DIFFICULTIES WOULD YOUR PROVIDER BE SUPPORTIVE?





society customers in the highest socio-economic group (and who therefore might be expected to have greater savings that they could fall back upon) responded “don’t know”, compared to less than a quarter in the lower socio-economic groups.

If the results are adjusted to remove those that responded ‘don’t know’ then 64% of building society customers agree that their provider would be supportive, and 16% disagree. For the banks, 56% of customers agree, and 29% disagree.

This is important because if people think that they are unlikely to get a supportive response from their lender, they are unlikely to approach them even if they think they are going to get into financial difficulties. Lenders are able to do much more to help people sort out their finances and stay in their homes if borrowers contact them as soon as possible when they realise they might face repayment problems. The fact that the proportion of mortgage customers who think that their bank would not be supportive is almost double the proportion among building society customers could indicate that banks are not getting this message across very successfully, or that bank customers simply do not believe they will receive a sympathetic response from their lender.

Furthermore, it is likely that the way in which customers are dealt with in times of personal difficulty can have a profound effect on their subsequent opinion of an institution, and therefore, their sense of loyalty to it. As the economy enters a recession, this may become relevant for a significant number of households, altering the relationship they have with their mortgage provider.



## Recommendation

Recommending the service of a financial provider is a strong indication of a customer satisfaction, because people are staking their reputation when they advocate their provider to a friend or family.

Two thirds of both bank and building society customers agreed that they would recommend their services to a friend or family member. However, 22% of bank customers disagreed, compared to just 13% of building society customers.

While building society service is superior to banks on the majority of the other dimensions covered in this report, the proportion of customers that would recommend both types of institution is almost the same. The results were also similar for the banks and building societies in the 2007 survey.

Recommending a financial service provider may be too strong a reaction for some people who are not that passionate about the service that they receive, especially if it satisfies their needs without any major failings. Satisfaction is likely to be a necessary precondition for recommendation, but satisfaction itself is not sufficient for somebody to recommend their provider. Other research shows that where satisfaction is high, advocacy is greater, and customers who are extremely dissatisfied with the service they receive are much more likely to advise others not to use that provider<sup>7</sup>.

### WOULD YOU RECOMMEND THE SERVICE PROVIDED BY YOUR PROVIDER TO FRIENDS OR FAMILY



<sup>7</sup> Gfk NOP Seminar: The seven ages of finance, Slide 7, 2007  
[http://www.gfknop.com/imperia/md/content/gfk\\_nop/eventspage/sevenages/presentation5.pdf](http://www.gfknop.com/imperia/md/content/gfk_nop/eventspage/sevenages/presentation5.pdf)



## Conclusion

The results shown in this report substantiate those found in 2007 - that, according to their customers, building societies provide superior service to that provided by banks.

Consumers do not need to put up with poor service and uncompetitive rates at their bank. This is because building societies are different. With a building society, they get better value for money, are treated more fairly, get more trustworthy advice, their savings are secure and should they get into difficulty they will receive a supportive response.

If consumers are failing to switch away from providers that serve them badly because they perceive other financial service institutions to offer similarly poor levels of service, then the opinions of the building society customers surveyed for this report should help to challenge this belief.

The superior performance of building societies seems largely to be attributable to mutual ownership, and operating for the benefit of their customers rather than shareholders. Whether or not mutuality itself matters to savers and borrowers, the effect of this organisational structure on the service and products that customers are offered is overwhelmingly positive. Consumers should be aware of the advantages of saving with or borrowing from a building society rather than a bank when choosing between financial services providers.

“ The best argument for mutuality is blindingly simple – a building society is owned by its savers and borrowers so its sole purpose is to serve them. That goal is not complicated by a conflicting need to satisfy the square mile. ”

Observer 8 June 2008

The satisfaction questions were asked via GfK NOP's Financial Research Survey which interviews approximately 5,000 individuals aged 16 or over each month across Great Britain. The six statements were posted in GfK NOP's omnibus survey where the questions were asked face to face to 2,073 adults aged 16 or over, between 16 and 21 October 2008. In all this research, respondents were asked to identify with which brands they had savings or a mortgage. The researchers then allocated the responses to the appropriate type of institution to avoid any confusion about which are banks and which are building societies.



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ISBN: 978-1-869839-83-3