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No 8 Summer 2008

Society Matters

from the Building Societies Association

LOST ACCOUNTS
POLICY SPECIAL

FEATURING HANLEY, NATIONWIDE AND NORWICH AND PETERBOROUGH BUILDING SOCIETIES

MARTYN JONES MP
ON THE UNCLAIMED ASSETS SCHEME

LORETTA MINGHELLA, FSCS,
ON DEPOSITOR PROTECTION

FIVE MINUTES WITH...
JOHN GOODFELLOW, BSA CHAIRMAN

EDITORIAL

from the Building Societies Association

WELCOME TO THE SUMMER EDITION OF *SOCIETY MATTERS*, THE BSA'S QUARTERLY MAGAZINE.

"BUILDING SOCIETIES HAVE BEEN MAKING INCREASED EFFORTS IN THE LAST YEAR TO TRACK DOWN SAVERS WHO HAVE LOST TOUCH WITH THEM"

I hate losing things, but I seem to do so on a regular basis. House keys, mobile phone, umbrella – you name it, I've lost it. One thing I have managed to keep track of is my savings accounts. It's hard to imagine 'losing' a savings account, but it happens. With Government plans to give this lost money to good causes in 2009, we turn our attention to lost accounts.

Building societies have been making increased efforts in the last year to track down savers who have lost touch with them – be it that they have moved house and not passed on their new address, or simply forgotten an account they had as a child. Our policy special takes a look at what societies have been doing to trace lost account holders ahead of the Unclaimed Assets Scheme. The Hanley tell us about a particular success they have had in reuniting a local charity with £10,000, whilst the Nationwide and Norwich and Peterborough give us a view of the steps they have been taking in their reunification efforts.

The BSA give a overview to the background and current work being done on lost accounts, including the legislation presently in the Commons. Martyn Jones MP, who has been campaigning on this issue for a number of years, argues that the Unclaimed Assets Scheme should in fact be compulsory for building societies and banks.

Loretta Minghella of the FSCS looks at the key issues surrounding depositor protection post Northern Rock, whilst the Chairman of Beverley Building Society focuses on strategic planning in the era of the credit crunch.

We hear from the new BSA Chairman and Chief Executive of Skipton Building Society, John Goodfellow, who believes we will see a much greater link between savings and mortgages in the future, with more of an emphasis on saving a deposit before taking a mortgage.

Enjoy your read!

Rachel Le Brocq
Society Matters Editor

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DEPOSITOR PROTECTION
– THE KEY ISSUES

BY LORETTA MINGHELLA, CHIEF EXECUTIVE, FINANCIAL SERVICES COMPENSATION SCHEME

CAST YOUR MIND BACK TO THIS TIME LAST YEAR AND THE IDEA OF A BANK RUN IN BRITAIN WOULD PROBABLY HAVE SEEMED RATHER FANCIFUL. SINCE THE RUN ON NORTHERN ROCK, HOWEVER, WE'VE ALL HAD TO ACKNOWLEDGE THAT, WHILST STILL UNLIKELY, THE FAILURE OF A DEPOSIT–TAKER IS NOT IMPOSSIBLE.

Clearly, we have to learn what lessons we can from what happened last year, and to ensure that TV coverage of the kind we saw last autumn, with queues outside Northern Rock branches, recedes into the distant memory.

Strengthening the framework

Since September, a debate has been going on about financial stability and depositor protection, and the Tripartite authorities (the Treasury, the FSA and the Bank of England) have been consulting on a package of possible reforms. The BSA, other trade associations, building societies, banks and others have been considering the best way to address these issues. FSCS has been working closely with the Tripartite authorities throughout, and sees the debate as critical to strengthening the framework underpinning consumer confidence in the industry.

The lessons of the past several months range from a deeper understanding of the fragility of consumer confidence, to the gaps which exist in the current framework of UK compensation. The levels of the protection on offer at the time of the run have since been strengthened by the FSA, and FSCS can now pay compensation of up to £35,000 of a retail customer's deposits with an authorised deposit–taking firm if that firm fails. But the statutory framework is complex and simply doesn't allow FSCS to pay out as quickly as people would like.

Faster pay–outs

The package of proposals in the consultation document has major implications for the industry and consumers alike. We believe it is important to consider the package as a whole. There are a range of propositions each designed to help deliver speed of payout. These range from requiring insolvency practitioners to co–operate with FSCS as a priority if payout is needed, through to removing as many exclusions as possible from the list of those entitled to compensation, which would reduce considerably the amount of time FSCS would have to spend in deciding which claims to uphold.

THE LESSONS OF THE PAST SEVERAL MONTHS RANGE FROM A DEEPER UNDERSTANDING OF THE FRAGILITY OF CONSUMER CONFIDENCE, TO THE GAPS WHICH EXIST IN THE CURRENT FRAMEWORK OF UK COMPENSATION

The consultation document contains the proposition that compensation should be paid within seven days of a deposit–taker failing. Whilst FSCS has done that for credit union customers, it would be much more challenging for a bigger deposit–taker. Really speedy payout will only be possible if a comprehensive package of reforms to the statutory framework has been implemented in full.

Consumer confidence

Whilst that is daunting, it is also essential. We need consumers to have confidence in the financial services industry as a whole. We need to make sure that there isn't a sense that some institutions are too big to fail and others are too small to matter. I believe the building societies movement has a huge interest in a strong outcome to the debate and I look forward to a continued dialogue with the BSA on the complex issues which we all have to resolve.

THE CONSUMER CRUNCH?

BY ELEANOR GILL, CHIEF EXECUTIVE OF THE CONSUMER COUNCIL FOR NORTHERN IRELAND

THE COMMITMENT IN THE NEW BANKING CODE TO CONTACT CUSTOMERS WHO LOOK LIKE THEY ARE GETTING INTO FINANCIAL DIFFICULTIES AND TO TREATING CUSTOMERS FAIRLY COULDN'T BE MORE IMPORTANT OR COME AT A MORE IMPORTANT TIME FOR CONSUMERS IN NORTHERN IRELAND.

Consumers are facing into the "perfect storm" of soaring costs for our food, petrol, energy and mortgage repayments hitting many who cannot afford them and do not have the safety net of savings. More and more people have to make very difficult decisions about their money – put simply; we are witnessing a consumer crunch.

Vulnerable consumers

Rising costs affects consumers throughout the UK but people in Northern Ireland are particularly vulnerable to any economic crisis. The average income is lower in Northern Ireland than in the rest of the UK and there is a higher dependency on benefit. Consumers here are bottom of the UK league when it comes to financial know–how. The statistics speak for themselves:

- A third of people believe they are only one month away from hardship if anything unexpected should happen
- Half have no insurance for loss of income or property
- One in four adults in Northern Ireland have numeracy and literacy problems.

Increased costs

The Consumer Council estimates that consumers in Northern Ireland will now have to find an extra £30 to £40 more per week than they did this time last year just to pay for life's essentials. With half our households earning £300 or less per week, the devastating and immediate impact of the rising cost of living is clear. Hard choices are being made between food, heat and light as household bills continue to rise way above any increase in household incomes. At a time like this every penny counts.

Better financial capability

Northern Ireland also needs to focus on increasing financial literacy and capability. The Northern Ireland Financial Capability Partnership, set up and chaired by the Consumer Council, draws together all the groups involved in helping people become more confident about money matters. The Partnership brings together the government, banks, building societies, credit unions, community and voluntary organisations, education and others to ensure that there is a strategic and co–ordinated effort to help consumers get to grips with this very important issue. The Financial Services Authority provides much–needed research, input and resources to help us to create financially 'savvy' consumers.

The building societies, banks and credit unions have shown willing to help financially vulnerable consumers and the commitments in the Banking Code couldn't be more upfront. The Consumer Council welcomes the new Code and, in particular, the new promises from the financial industry to:

- Not close, or threaten to close, the account of a customer just because they have made a valid complaint
- Lend responsibly
- Be pro–active in identifying customers in financial difficulties and directing them to sources of free money advice.

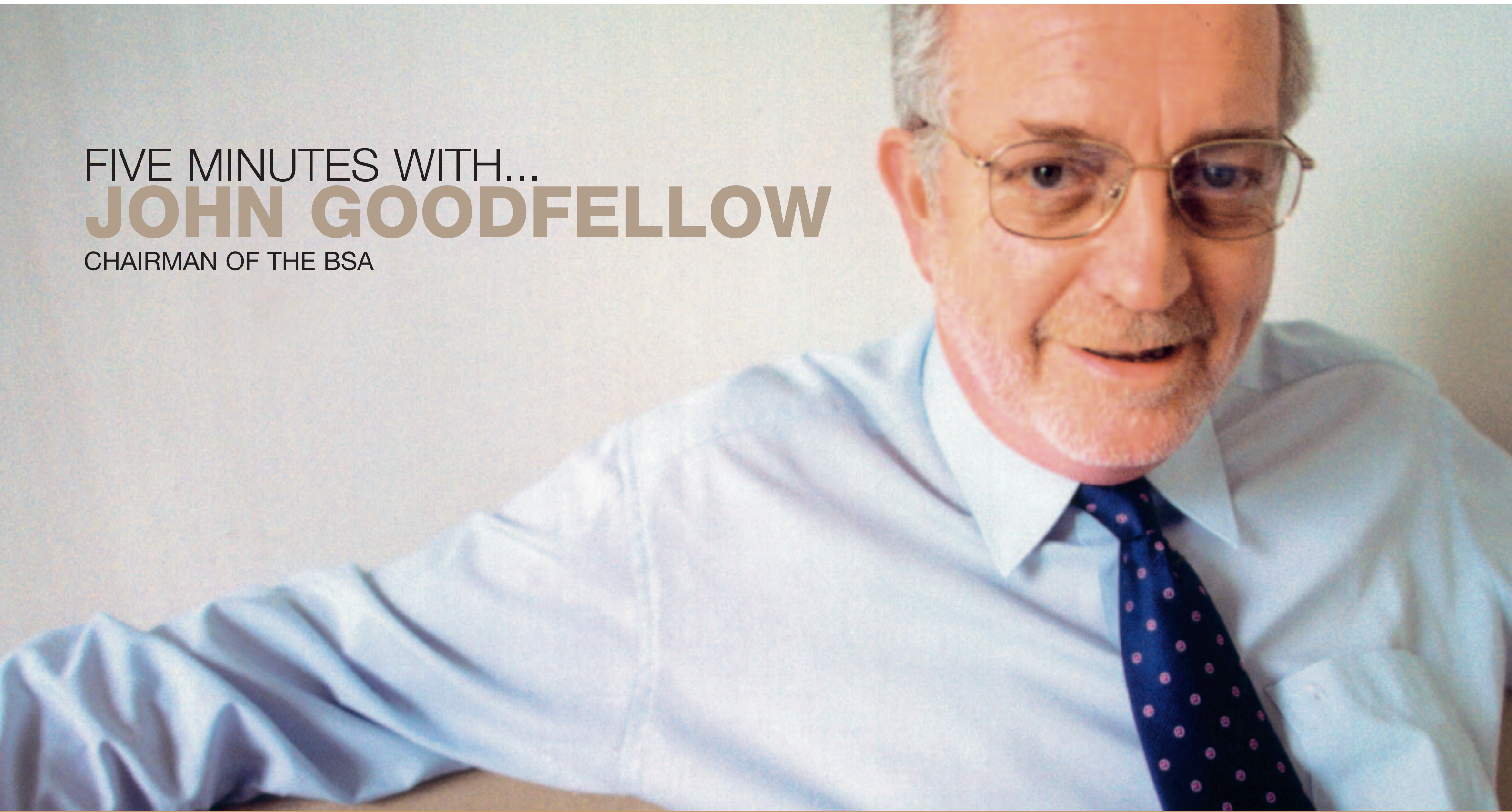
The challenge for all of us – the Consumer Council, the Financial Capability Partnership, the Banking Code Sponsors and the financial institutions – is to work together over the next three years to make these commitments real to consumers.

We believe that the Banking Code is one of the financial industry's best kept secrets and we urge building societies and banks to fly the flag for the new Banking Code.

FIVE MINUTES WITH...

JOHN GOODFELLOW

CHAIRMAN OF THE BSA



John Goodfellow, CEO of Skipton Building Society and Chairman of the BSA for 2008/09

John became Chief Executive and Director of Skipton Building Society in 1991. He was educated in Scotland and has spent his entire career working in building societies, specialising in data processing and the use of technology to improve efficiency.

Currently sitting in my in tray is – generally there's nothing, as I'm an expert delegator but today there's a lease for new a office in Leeds, an Ofsted report on Skipton High School of which I am Chair of the Board of Governors and a business plan.

The most important financial lesson I have learnt is from Dickens' Mr Micawber: *"Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."*

I think building societies do well at helping people achieve their ambitions as they go through life.

But they could be better at ensuring people know which institutions are building societies and which are not.

If I could change one thing in my time as Chairman of the BSA it would be for all the societies to adopt a common strap–line to demonstrate our unity and shared ideals, which really follows on from the last response.

The main developments in the mortgage market over the next five years will be greater emphasis on Equity Release as a solution to the pensions crisis. We are moving from lending to people who want to buy to lending to people who do not want to sell. I also think we'll see an exponential growth in outsourcing.

And in savings a much greater link between savings and mortgages, with a much greater emphasis on saving a deposit before taking a mortgage. Product–wise I would envisage a "family" account which rewards the pooled assets of a family.

My inspiration has been – well I have had at least three bosses who have been great but the fact is I just enjoy what I do and always have.

I am at my best when I'm faced with a problem.

But am at my worst when I've got nothing to do.

The thing I most enjoy about my job is unoriginal! But it is meeting people.

And I least enjoy wading through endless regulatory papers.

The thing I worry about most is when I can next have a cigarette!

I am currently reading *A history of Yorkshire: county of the broad acres*, by David Hey.

My first record was *In the hall of the mountain king*, by B. Bumble and the Stingers (1962).

STRATEGIC PLANNING IN THE CREDIT CRUNCH

BY STUART YOUNG, CHAIRMAN OF BEVERLEY BUILDING SOCIETY

SOME COMMENTATORS HAVE SUGGESTED THAT SMALLER BUILDING SOCIETIES HAVE BEEN MORE ADVERSELY AFFECTED BY THE TURMOIL CAUSED BY THE CREDIT CRUNCH THAN LARGER INSTITUTIONS.

This is simply incorrect. 2008 is the year when customers will see the true value of dealing with a mutual building society and particularly the smaller societies, like the Beverley, which has continued to exercise prudence in both its savings and mortgage products over many years.

At our AGM in April, I pointed to the healthy position that the society was in, having no wholesale funding, whilst the queues were forming outside the Northern Rock bank. Far from the stories that smaller societies will struggle, I can also point to an exceptional beginning to the year.

Liquidity

The board recognised that liquidity was an increasingly important issue and because of the way in which our liquidity instruments were held we were able to quickly convert this into shorter term funds to safeguard against any unforeseen events. We also reviewed the levels of mortgage lending, but with nervousness amongst consumers and lenders alike, the demand for mortgages subsided and levels have continued to fall into the first quarter of 2008.

A MUTUAL SOCIETY COULD, AND SHOULD, ABSORB THE COST OF ATTRACTING RETAIL FUNDS, LIQUIDITY AND CUSTOMER CONFIDENCE BEING MUCH MORE IMPORTANT THAN PROFITABILITY

IN PURSUIT OF THIS BUSINESS WE WILL NOT LOSE SIGHT OF OUR OWN PRINCIPLES, OF NOT OVER EXTENDING THE BORROWER, OR EXPOSING THE SOCIETY TO UNDUE RISK

The clamour for liquidity has meant that both banks and building societies are seeking to attract retail funds by increasing rates, but we took the view that this was the time when a mutual society could, and should, absorb the cost of attracting retail funds, liquidity and customer confidence being much more important than profitability.

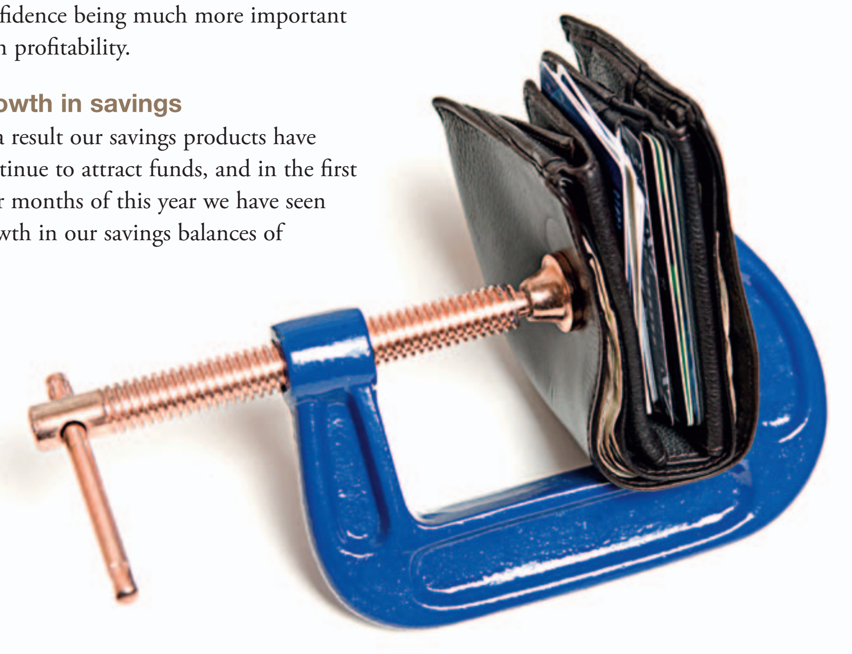
Growth in savings

As a result our savings products have continue to attract funds, and in the first four months of this year we have seen growth in our savings balances of over 7% compared with 2.5% over the same period in 2007. These funds have been attracted from a more diverse customer base and the introduction of new products towards the end of 2007 is now bearing fruit.

Lending expectations

Mortgage lending has attracted much media comment and the society's Board has reduced its own lending expectations for 2008, but we continue to be active in support of the local market and beyond, in seeking quality business. In pursuit of this business we will not lose sight of our own principles, of not over extending the borrower, or exposing the society to undue risk.

In the last three years we have not lent more than 80% of the value of a property and whilst there still may be problems ahead, the Beverley and many other smaller societies, who have exercised caution in the past, will be strongly placed for the future.



NORTHERN ROCK – UNFAIR COMPETITION?

BY ADRIAN COLES, BSA DIRECTOR–GENERAL

THE COMPETITIVE IMPACT OF NORTHERN ROCK BANK'S ACTIVITIES HAS BEEN A SUBJECT OF PARTICULAR CONCERN TO BUILDING SOCIETIES IN RECENT MONTHS. IN THIS ARTICLE WE EXAMINE THE STEPS THE BSA BELIEVES SHOULD NOW BE TAKEN TO ENSURE THAT THE NATIONALISED BANK DOES NOT UNFAIRLY COMPETE WITH INSTITUTIONS THAT DID NOT RUN A "RECKLESS BUSINESS MODEL" (IN THE WORDS OF THE TREASURY SELECT COMMITTEE), DID NOT FAIL, AND DID NOT NEED RESCUING.

A privileged position

First it must be recognised that Northern Rock holds a privileged position in the UK savings market compared to other financial service institutions because deposits held with it are guaranteed by the UK Government.

The BSA called for some time for Northern Rock to publish its plans for the future; however, it was only on 31 March 2008 that Northern Rock published its summary business plan and the associated commitments. It appears that Northern Rock attracted a substantial inflow before it was bound by the commitments it made in its plan. Northern Rock has made four substantial commitments:

- Make no explicit reference to the Government guarantee in marketing literature
- Limit its share of retail deposit balances to no more than 1.5% in the UK
- Limit its share of new mortgage origination to no more than 2.5% in any calendar year
- Not rank in the top three in any one of the defined Moneyfacts retail deposit categories for the remainder of 2008.

THE EXTENT OF THE DISTORTION TO COMPETITION BECAME CLEAR ON 12 MAY, WHEN NORTHERN ROCK ISSUED A TRADING STATEMENT FOR THE FIRST QUARTER OF 2008, STATING THAT IT HAD GROWN ITS SAVING BALANCES TO £12.8 BILLION FROM £10.5 BILLION AT THE END OF 2007

Continued concern

We stated at the time that the business plan was a step in the right direction, but we remained concerned about how the plan would be implemented in practice and the potential distortions to competition.

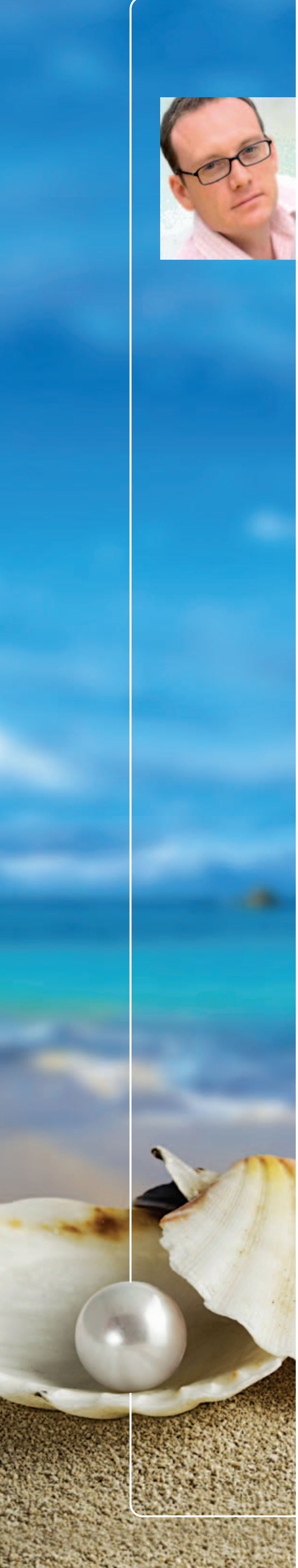
The extent of the distortion to competition became clear on 12 May, when Northern Rock issued a trading statement for the first quarter of 2008, stating that it had grown its saving balances to £12.8 billion from £10.5 billion at the end of 2007. This represents an increase in balances of £2.3 billion, or 22%, in the three month period prior to the publication of its summary business plan and the associated commitments. To put this balance growth in context, the increase in total UK saving balances in the three months to the end of the first quarter of 2008 was 3.5%.

European Commission

The BSA anticipates that shortly the European Commission will invite comments on the business plan as part of its investigation into possible unfair state aid. The BSA is likely to make the following key points –

- The commitment that Northern Rock's products will stay out of the top three in the Moneyfacts tables should be extended for the duration of public ownership.
- Moneyfacts should be commissioned to publish monthly rankings of all Northern Rock products for the duration of national ownership.
- An upper limit on the yearly increase in savings balances should be imposed, as well as the existing limit on the share of outstanding saving balances.
- The European Commission should scrutinise Northern Rock's adherence to its business plan, and in particular any changes made to the commitments and principles.
- Northern Rock's regular publications should include details of the distribution of savings by channel, justification of why the Government saving guarantee is still needed, performance against the plan including the repayment of the Bank of England loans, and arrears and possessions performance.

i For more information on Northern Rock competition issues contact **Adrian Coles** at **adrian.coles@bsa.org.uk**



LOOKING FOR LOST SAVERS

BY MATTHEW CARTER, DIVISIONAL DIRECTOR FOR SAVINGS,
NATIONWIDE BUILDING SOCIETY

AS THE COUNTRY'S SECOND LARGEST SAVINGS PROVIDER WE DO EVERYTHING WE CAN TO ENCOURAGE PEOPLE TO SAVE AND MAKE THE MOST OF THE MONEY THEY HAVE.

Most people know it is important to save and almost everyone wishes they could save a little more than they do. However, from time to time, in this busy modern world, people lose track of exactly what they have, so the industry has an important role to play in helping to reunite people with their lost accounts.

Taking action

Nationwide has already mailed over 25,000 members with dormant accounts – those with accounts unused for 15 years or more with a balance of at least £100 – since October 2007. Already, nearly half of those customers contacted by our mailing have been reunited with their funds, and to date a total of £9.5 million has been returned. Furthermore, we have recently been working with the search agent, Experian, to help us to trace members who hold a dormant account with the society but with whom contact has been lost.

We have also made available an online form whereby lost accounts can be traced easily and 8,000 claims have been made to Nationwide via www.mylostaccount.org.uk – a website jointly operated by the BSA, BBA and NS&I.

Successes

At Nationwide, we have seen some real successes with people being reunited with money they just didn't know they had. However, for every account which finds its owner, there are plenty more which can't be traced. Money used for charity work can still be reclaimed – but not using it at all in the meantime would mean that these good causes would lose out which is why we have worked with the industry and the Treasury to ensure the scheme is workable and makes a positive impact on those that need the help the most.

Supporting good causes

At Nationwide, we have a long–history of supporting the communities in which we operate and last year pledged to donate at least 1% of pre–tax profit in 2008 in community, charitable and environmental activities as part of the PerCent Standard. Additionally, the Nationwide Foundation (a registered charity set up and funded by the society) has approved grants totalling over £22 million to over 2,300 charities since 1997.

PEOPLE LOSE TRACK OF EXACTLY WHAT THEY HAVE, SO THE INDUSTRY HAS AN IMPORTANT ROLE TO PLAY IN HELPING TO REUNITE PEOPLE WITH THEIR LOST ACCOUNTS

NATIONWIDE HAS ALREADY MAILED OVER 25,000 MEMBERS WITH DORMANT ACCOUNTS… ALREADY, NEARLY HALF OF THOSE CUSTOMERS CONTACTED BY OUR MAILING HAVE BEEN REUNITED WITH THEIR FUNDS

Nationwide customers who would like to reactivate a dormant account can do so by visiting their local branch with their passbook or card or, if these are lost, proof of identity. People who believe they may have a dormant account with the society can visit www.nationwide.co.uk and submit an online claim form requesting account records to be searched or by visiting www.mylostaccount.org.uk.

A LOST ACCOUNT FOR A LOCAL CHARITY

BY CHRIS HASSALL, GROUP SECRETARY,
HANLEY ECONOMIC BUILDING SOCIETY

HANLEY ECONOMIC BUILDING SOCIETY, LIKE MOST SOCIETIES I AM SURE, IS ENGAGED IN A SPECIAL CAMPAIGN FOR 2008 TO LOCATE AND CONTACT THE HOLDERS OF LOST AND DORMANT ACCOUNTS BEFORE THE INTRODUCTION NEXT YEAR OF THE GOVERNMENT'S UNCLAIMED ASSETS SCHEME WHICH WILL TAKE UP SUCH FUNDS.

dDeaflinks, a local charity, receiving its lost account cheque from Hanley Economic Building Society

We have started by identifying accounts where we believe we hold current contact details, but where the member has not used the account for some time, and we have been highly delighted with the results. For example, one member readily produced their passbook for updating, the last entry being 1956. We have also looked at larger balance accounts and deployed staff to go back through records and try and find links that may help us to contact their owners.

A real success

One case that has given us great satisfaction is an account we identified as being opened in the early 1990s by a "Mr H" as Chairman of a local Deaf School.

Initially, the Deaf School appeared not to exist, however, we were able to identify Mr H from other accounts he had held with us and noted that he had passed away in 1999. Through a number of enquiries, including a now retired member of our staff whom we knew had known Mr H and various charity workers, we were able to identify that the Deaf School had been re–named as 'dDeaflinks' and was still active locally.

A £10,000 surprise

You can only imagine the jubilation at dDeaflinks when we contacted them and informed them we held an account for them with a balance of nearly £10,000 in it.

ONE MEMBER READILY PRODUCED THEIR PASSBOOK FOR UPDATING, THE LAST ENTRY BEING 1956

They had no idea that such an account had ever been set up, but some of their older members and their records did confirm the benevolent nature of Mr H.

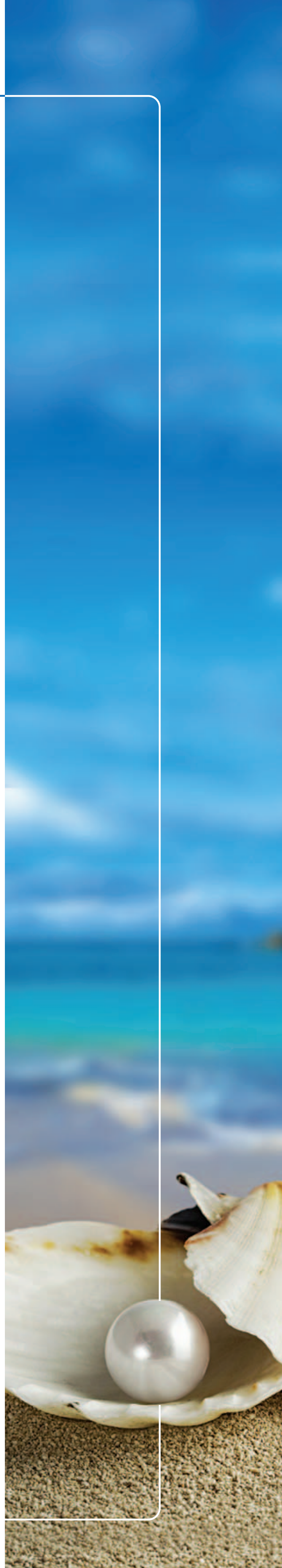
It was therefore with great pleasure that I was invited along to a meeting of the members of dDeaflinks Staffordshire and to present to their manager, Hazel Williams, their account which Hanley Economic had rounded up give to a balance of £10,000.

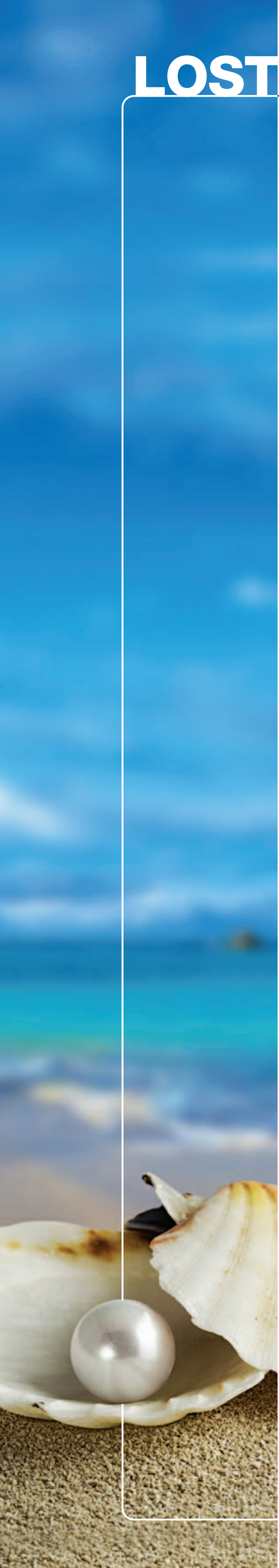
Hazel was thrilled about being re–united with the money and in an interview with the local press said "Like all charities we are struggling for funding, and this money means we can continue to offer much needed services to our members".

Worth the effort

It is often a very time consuming and difficult task going back through old records to try and identify the owners of lost and dormant accounts, so success stories like this where such funds can make a huge difference to a deserving charity are both rewarding and motivating.

As an added bonus, our local newspaper 'The Sentinel' ran an article on the dDeaflinks' account and also advised its readers to check out old accounts that may have with us, so maybe this story will lead to more lost and dormant accounts being re–united with their owners.





REUNITED AND IT FEELS SO GOOD...

BY RACHEL LE BROCQ, BSA PRESS AND PUBLIC AFFAIRS MANAGER

MOST PEOPLE LOSE A FEW POUNDS NOW AND THEN, BUT WHILST FOR MANY OF US IT'S DIFFICULT TO IMAGINE SIMPLY LOSING TOUCH WITH A SAVINGS ACCOUNT, IT DOES HAPPEN.

In the building society sector, the BSA estimates around £150 million is currently 'lost' or unclaimed across around 1.1 million accounts. People move house and forget to inform their building society of their new address, childhood accounts become forgotten or people pass away and their heirs may not be aware of the existence of such accounts – hence accounts become lost.

How this money could, and should, be used has been in the spotlight for a number of years and the BSA has been working closely with HM Treasury and the British Bankers' Association (BBA) to establish a voluntary scheme so genuinely lost money can be given to good causes. Currently, legislation to enable the transfer of money is in the House of Commons and the Unclaimed Assets Scheme – whereby money is transferred to the Big lottery fund for distribution to charitable causes – should be up and running in the first half of 2009.

This article takes a look at the background to this issue and the work being done by the BSA and societies on lost accounts.

Background

2001

The BSA sets up its free lost account tracing scheme for consumers

2004 Budget

The Chancellor first includes lost accounts in his budget speech, stating, "Where assets and owners cannot be reunited, it is also right that the assets be reinvested in society"

2005 Pre–Budget Report

The Chancellor announces formal plans to give dormant account monies over to improve youth services and promote financial capability and inclusion

2007

HM Treasury consults on the Unclaimed Assets Scheme and the distribution of funds

The Treasury Select Committee recommends the scheme should be compulsory – this is rejected by Government

Enabling legislation is introduced in Parliament

2008

The BSA, BBA and NS&I launch www.mylostaccount.org.uk A free online tracing service that allows customers to trace building society, bank and NS&I accounts in one go

2009

The Unclaimed Assets Scheme to be launched

The policy agenda around lost accounts has slowly gathered pace since 2004, when the Chancellor first mooted his view that money in lost accounts should be reinvested in society, as long as the original owners' entitlements to reclaim were preserved. He also asked the industry to increase its efforts to reunite lost account holders with their money.

More formal plans were announced in the 2005 Pre–Budget Report, where the Chancellor named his chosen charitable causes as youth services, financial education and exclusion. The Conservative Party have in the past called for the money to be used to compensate failed pension schemes and the Commission on Unclaimed Assets has requested the money be used to help set up the Social Investment Bank – it looks as though the latter will benefit to some degree from the Unclaimed Assets Scheme.

Where are we now?

At the time of writing, the Dormant Bank and Building Society Accounts Bill is awaiting its Second Reading in the Commons after completing its initial stages in the Lords.

The key elements of the Bill include:

- The scheme being voluntary
- A 15 year definition of dormancy
- Safeguarding customers' rights to their money
- Retaining membership rights for building society members
- Distribution via the Big Lottery Fund through a central reclaim fund
- Special arrangements for smaller, locally–based financial institutions.

The legislation will underpin the Unclaimed Assets Scheme, due to come into force in the first half of 2009. It will not compel building societies and banks to take part; but will enable them to do so whilst protecting the rights of the individual to reclaim their money at any point in the future. The BSA is encouraging all societies to sign–up to the scheme once it is up and running.

In the first instance, money in lost accounts will be transferred to a reclaim fund responsible for retaining a sum of money to hold against future reclaim before transferring the balance to the Big Lottery Fund. Most building societies will be able to give funds directly to charities of their choice through special arrangements for small societies.

Although not spelt out in the Bill, the Banking Code will provide a self–regulatory framework that will govern the relationship between the customer and their building society/bank under the new scheme. Relations between banks/building societies and the reclaim fund will be governed by agency agreements.

Under the legislation, an account is classed as lost or dormant if there has been no customer initiated activity for 15 years or more.

Reunification

In 2008, building societies have been increasing their efforts to track down lost savers. How societies have been doing this may differ from society to society, but a common step includes writing to those members whose accounts fall into the lost account definition at their last known address – except where they have received a 'gone away' response – to ask them to make contact. Other actions include articles in member magazines and newsletters, press work with the local and national media and employing tracing agencies to find lost account holders. Societies have also been writing to their members to tell them about the Unclaimed Assets Scheme.

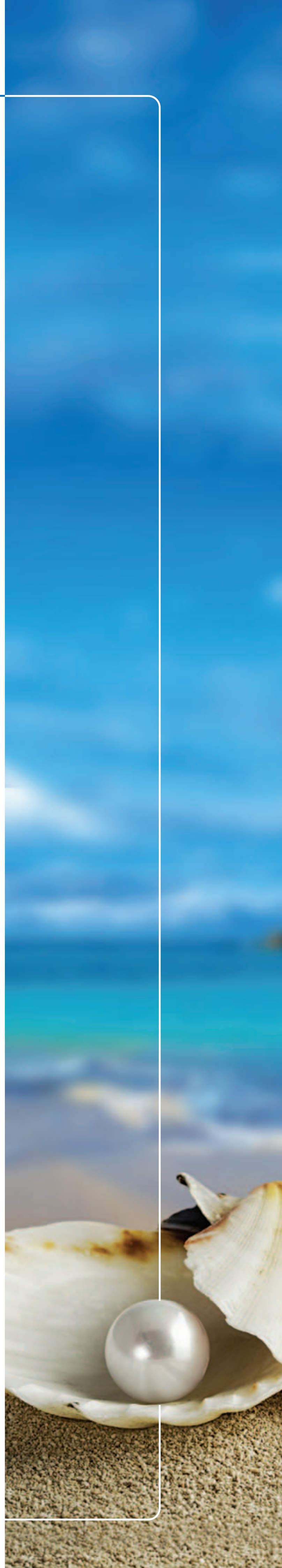
mylostaccount.org.uk

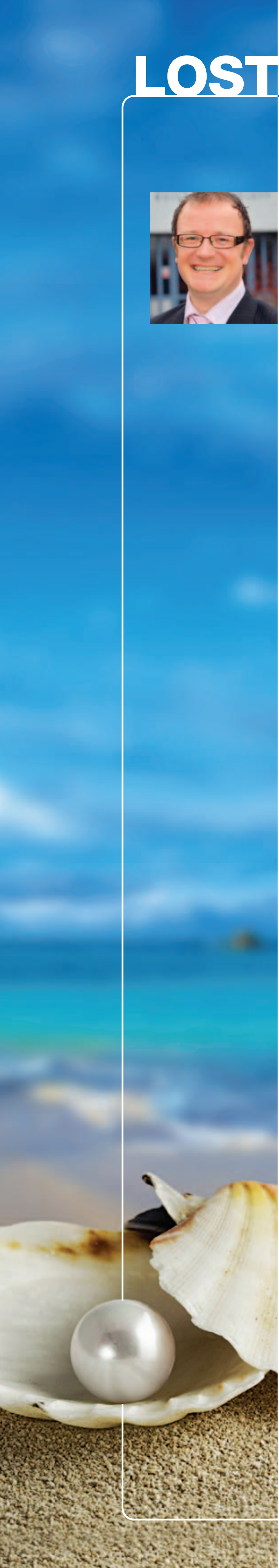
In January this year, the BSA, BBA and NS&I launched a free, 'one–stop–shop' website for tracing building society, bank and NS&I accounts – www.mylostaccount.org.uk. The launch proved incredibly successful in raising the profile of our tracing schemes and in the three months since, the website has received over 110,000 individual claims, of which just over 16,500 are for building society accounts. This compares to 7,000 claims under the previous BSA scheme in the whole of 2007.

A final thought

Building societies take tracing lost account holders very seriously. In the six months to 31 March 2008, the BSA estimates about £20 million has been reunited with members in the sector – in around 35,000 accounts. Work will continue to ensure as many members as possible find their accounts prior to the Unclaimed Assets Scheme launch; this way we can be sure that only genuinely lost money is given to charity, rather than merely dormant accounts where the owner knows perfectly well where their money is.

i For more information on lost accounts, contact **Brian Morris**, BSA Head of Savings Policy, at **brian.morris@bsa.org.uk**





LOST ACCOUNTS – N&P'S STORY SO FAR

BY DAVID PRESLAND, BANKING OPERATIONS MANAGER,
NORWICH AND PETERBOROUGH BUILDING SOCIETY

SEEKING OUT ACCOUNT HOLDERS WHO HAVE "FORGOTTEN" ABOUT THEIR SAVINGS IS A MAJOR FOCUS FOR NORWICH AND PETERBOROUGH BUILDING SOCIETY.

Whilst the society has always regularly taken action to review dormant accounts held, it has increased this activity in preparation for the Unclaimed Assets Scheme due to be introduced in 2009.

Reviewing accounts

Although the period of dormancy defined within the scheme is 15 years, N&P is reviewing all accounts that have not been used for some time and where customer contact has been lost – typically, this is due to the customer moving address and not notifying the society.

In comparison with other financial institutions, N&P's share of "dormant" or "lost" account holders is relatively small. The society has identified around 3,000 accounts, holding a total of £3.4 million, which have not been touched in the past 15 years.

A sifting process has begun to identify if any of those 3,000 account holders have other active accounts with the society. Initial investigations revealed that N&P holds valid addresses for the majority of these funds, with £48,000 held in accounts where a customer's address is not known.

The process to find "lost" account holders relies heavily upon manpower and technology – but already it is reaping rewards.

STAFF WERE RECENTLY PLEASED TO REUNITE AN ELDERLY WOMAN WHO HAD SIMPLY FORGOTTEN SHE HAD £13,000 IN A SAVINGS ACCOUNT. SHE IS NOW A FULLY–FLEDGED MEMBER AGAIN.

Reaping rewards for members

The society's Banking Services staff were recently pleased to reunite an elderly woman who had simply forgotten she had £13,000 in a savings account. Naturally, the woman was thrilled to come by her fortune and was so impressed that the society had made contact with her, that she is now a fully–fledged member again.

Customers reunited with their "forgotten" savings so far have praised the society for taking the initiative to actively look for them and the majority have continued their relationship with N&P.

Tracing

N&P uses a number of tools to help trace "gone–away" customers, including third party tracing agents. In addition, earlier this year N&P worked with local media to send a message to customers on the importance of keeping in contact. At that time N&P also told its customers about the campaign to reunite customers with their dormant accounts.

This information is on the society's website, www.npbs.co.uk

Good communications

N&P is planning a communication to dormant account holders where addresses are known. The design of this communication is still being worked on with the aim of making it simple for account holders to re–register their "positive action" with the society.

With a carefully–worded communication, we would expect a high response rate for customers contacting the society.

If the society handles this carefully, and uses all the search tools available, I am confident we can reunite 95% of dormant account customers with their money. I am reviewing our progress on a quarterly basis to make sure we keep on top of the situation. It will be a lengthy process, but one that will have a positive outcome for many customers.

If N&P decides to take part in the Unclaimed Assets Scheme, under new rules, if, after every search option has been exhausted, a customer still cannot be located, N&P has to close the account and donate the balance to a local charity. However, there is still the possibility that a customer could surface to reclaim their cash years after the account was closed. If they do, the society will still repay the balance left in the account at the time of closure, with interest.

N&P is now considering which locally–based charities would benefit from such a policy.

A VOLUNTARY PROBLEM

BY MARTYN JONES MP

FROM THE THEN CHANCELLOR'S PRE–BUDGET REPORT IN 2005, THROUGHOUT THE INDEPENDENT COMMISSION ON UNCLAIMED ASSETS, TO THE DORMANT BANK AND BUILDING SOCIETY ACCOUNTS BILL – THE PROGRESS OF THE LEGISLATION REGARDING DORMANT ASSETS HAS ACHIEVED A GREAT DEAL. HOWEVER THE BILL'S INSISTENCE ON A VOLUNTARY CONTRIBUTION SCHEME OF DORMANT ASSETS TO A CENTRAL RECLAIM FUND IS STILL RAISING QUESTIONS IN ALL QUARTERS.

The orthodox problem

Many fear that a voluntary scheme will not result in any legal compulsion for banks or building societies to participate. They could simply ignore the Reclaim Fund. The Commons Treasury Committee alluded to such a fear stating, 'banks and building societies will be under no obligation to participate'. Such a fear is perhaps overplayed as many institutions cooperated throughout the consultations; indeed many firms have been proactive in dealing with dormant bank accounts, for example Nationwide Building Society, which has declared its total of dormant funds and led a campaign to reunite consumers with their money.

The real problem

The real problem with a voluntary scheme lies not with whether a contribution will be made at all; but instead the extent of any contribution made. The voluntary scheme may well provide a disreputable institution a chance to distribute a more limited amount of its dormant funds whilst claiming the kudos for contributing in full. This could occur by skewing definitions of dormancy, not declaring full dormant funds or simply by not donating all the dormant funds that meet the definition.

THE REAL PROBLEM WITH A VOLUNTARY SCHEME LIES NOT WITH WHETHER A CONTRIBUTION WILL BE MADE AT ALL; BUT INSTEAD THE EXTENT OF ANY CONTRIBUTION MADE

Finding a solution

In the Government's response to the Eleventh Report of the Treasury Select Committee, little support was expressed for utilising a mandatory system at this late stage in the legislative procedure. In this reply laudable focus was placed upon avoiding burdensome regulation. However three further proposals should be taken seriously, which would amend the voluntary mechanism.

I suggested a clause creating a reserve secondary power to institute a mandatory scheme should the voluntary scheme be insufficient in an Early Day Motion last year. This provision would serve as a deterrent to would–be rule–breakers and remind all financial institutions of their obligation to comply with not just the letter of the law but the spirit of the legislation.

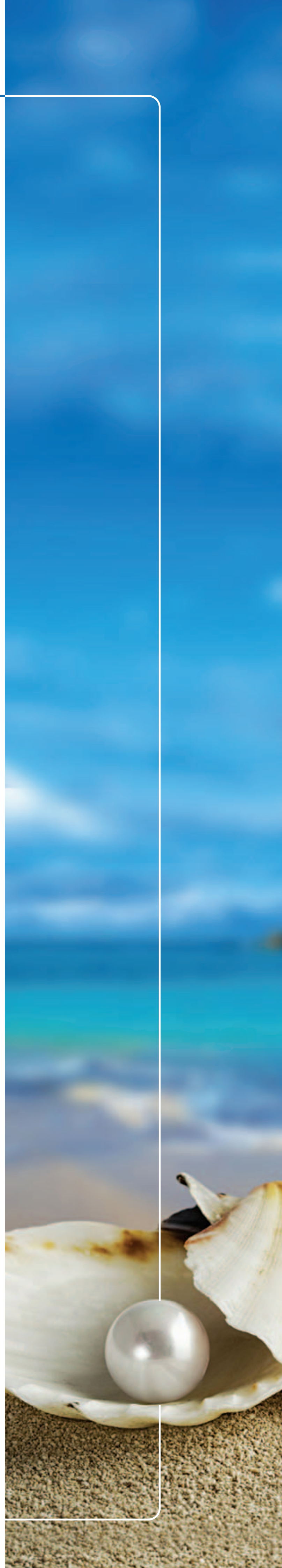
Greater provision of information regarding contributions would allow the voluntary system to function more freely; allowing customers to punish those institutions not utilising dormant funds accurately. If institutions were forced to provide a total of dormant funds held and the amount contributed, it would be clear who was participating and in what quantities.

Finally, a tight use of language within any forthcoming agency agreements between the Reclaim Fund and any participating institution would lessen the ability of institutions to bend the rules. The language could be constructed on an 'all–or–nothing basis' (ruling out partial contribution) and it should leave little discretion to institutions for defining dormancy.

Conclusions

The voluntary scheme, as it stands, remains open to abuse. This could disadvantage the social objectives of the Reclaim Fund or honest financial institutions unwilling to bend the rules. Both parliamentarians and the building society and banking lobbies have an interest in tightening this legislation to ensure fairness. It is a scheme which must be made as water–tight as possible; otherwise the anticipated voluntary scheme may leave us volunteering ourselves for problems in the future.

Martyn Jones MP is the Labour Member of Parliament for Clwyd South



NEW SAVERS MEET THEIR MATCH
– THE LAUNCH OF THE SAVING GATEWAY

BY ANDREW GALL, BSA BUSINESS ECONOMIST

FOLLOWING THE COMPLETION OF TWO TRIALS, THE GOVERNMENT HAS ANNOUNCED THAT THE SAVING GATEWAY WILL BE LAUNCHED IN 2010 TO TRY TO INTRODUCE NEW SAVERS TO THE MAINSTREAM FINANCIAL WORLD.

What is the Saving Gateway?

The Saving Gateway is a cash saving scheme for those on lower incomes. The Government provides an incentive to save by paying a "matching" contribution for every pound saved into the scheme. This aims to develop the savings habit in people who wouldn't normally save, and increase their exposure to financial service providers to make them more capable financially.

The Treasury has conducted two trials in recent years that have informed the provisional design of the scheme. In the 2008 Budget, the Chancellor of the Exchequer announced that the scheme will be launched nationally with the first accounts available in 2010.

Who is eligible?

Under the Treasury's plans eligibility would be limited to those in receipt of certain benefits or tax credits. The Treasury estimate that this would be around eight million individuals. The BSA is concerned that limiting the target market too tightly might make it more difficult for providers to viably offer the product.

The intention is that people would be allowed one account in their lifetime. A voucher or unique reference number would be sent to enable individuals to prove their eligibility to the account provider.

How might the Saving Gateway work in practice?

Based on the HM Treasury consultation document, the likely design is as follows:

- Eligible individuals will be in receipt of certain benefits or tax credits
- Each month, £25 can be deposited that will earn a match
- Accounts will run for two years, meaning a maximum matchable balance of £600
- When the account matures, the Government will pay a match based on the highest balance achieved over the two years
- The match rate may be 50p for every pound saved, meaning a maximum possible match of £300
- Accounts pay interest but this does not count toward the match
- Savers can make withdrawals at any time, but will not earn any extra match until they have passed their previous highest balance.
- At maturity the accounts roll over to a standard saving account, possibly an ISA

Recruiting participants

The scheme is trying to get people who don't save to do so. The group being targeted is therefore likely to find mainstream financial service providers unfamiliar and have low levels of financial understanding. This will probably mean they need a lot of support and advice, and make them particularly hard to recruit into the scheme.

Providers of Saving Gateway accounts and the Government would have a role to play in increasing the awareness of the scheme and encouraging participation. The Treasury has also proposed using third sector organisations such as credit unions, social housing providers and the Citizens Advice Bureau to provide information and support to try to increase the reach of the scheme. Many building societies already have working relationships with third sector organisations such as housing associations, but using or extending these links needs to be balanced against the aim of developing financial capability by increasing the interaction between potential savers and financial service providers.

Operating a national scheme

The Treasury is currently consulting on how to run the Saving Gateway scheme nationally. The BSA will be responding to this consultation. The overriding principle in the development of the scheme must be simplicity. This will not only help the target group to understand the scheme, but it will also make it more likely that financial service providers, such as building societies, will be able to make a business case for offering Saving Gateway accounts.

i For more information on the Saving Gateway contact **Andrew Gall**, BSA Business Economist, at **andrew.gall@bsa.org.uk**

CHANGING MORTGAGE RANGES

BY NEIL JOHNSON, BSA PR AND POLICY MANAGER

ONE OF THE CHARACTERISTICS OF THE CREDIT CRUNCH HAS BEEN HOW BOTH BUILDING SOCIETIES AND BANKS HAVE BEEN FORCED TO CHANGE THEIR MORTGAGE PRODUCT RANGES, OFTEN AT VERY SHORT NOTICE, TO REACT TO SUDDEN INCREASES IN DEMAND FOR THEIR MORTGAGES.

Contrary to some reports, the funding of mortgages is not the problem for societies, it is their desire to maintain their service standard levels as demand has increased.

Funding

Because of the unique way that building societies are funded, they have not been affected by the credit crunch to such an extent as competitor sectors have. Under the Building Societies Act 1986, societies must obtain at least 50% of their funding from retail deposits – in fact the sector average is 70% from retail sources and therefore 30% from wholesale. Since August 2007, societies have been experiencing record savings inflows – this March was the highest March figure on record at £1.3 billion.

CONTRARY TO SOME REPORTS, THE FUNDING OF MORTGAGES IS NOT THE PROBLEM FOR SOCIETIES, IT IS THEIR DESIRE TO MAINTAIN THEIR SERVICE STANDARD LEVELS AS DEMAND HAS INCREASED.

Wholesale markets

The effective closure of the wholesale markets has therefore not had the dire consequences for societies as it has had for the banks.

What it has done, however, is drastically reduce the number of mortgage products available. For the wholesale funded lenders, funding has been difficult to come by, and they have been faced with no choice but to restrict the amount of lending that they do.

Mortgage withdrawals

This withdrawal of many lenders and products, often at very short notice, has caused problems for some societies – especially some of the smaller societies who have found their mortgage products shooting up the best buy tables inadvertently. What was a mid–priced mortgage suddenly finds itself in the top three or maybe even right at the top. With so few mortgages available, these societies have found that they are suddenly deluged with applicants.

As a consequence, some societies have had little choice but to withdraw their products or alternatively impose restrictions on them that would help to stifle this demand, such as offering only a standard variable rate product for a time, or lending only to local customers. They are doing this not because they have run out of money – societies are very well funded as a consequence of the rapid increase in savings in building societies – but simply because they are unable to cope with the large amounts of applications that they are receiving.

Customer service has always been a key differentiator between societies and other financial institutions, so many societies have been careful to manage increased demand to ensure that it doesn't impinge upon customer service.

i For more information on mortgages contact **Neil Johnson**, BSA PR and Policy Manager, at **neil.johnson@bsa.org.uk**

TRAINING COURSES, SEMINARS AND NETWORKING EVENTS FROM THE BSA

Liquidity Risk
1 July 2008, Midlands

Correctly assessing liquidity risk is crucial to the ongoing viability of all building societies. This seminar will help societies understand the current environment and sets out ways they can ensure their liquidity meets business and regulatory needs.
(Open to members and associate members only)

High–level Legal and Regulatory Briefing
4 September 2008, London

This seminar deals with key developments, challenges and strategic opportunities for building societies arising from the legal and regulatory environment. It will be of particular interest to compliance officers, lawyers, secretaries, business development executives and non–executives.

Mortgage Lending
25 September 2008, Nottingham

This seminar looks at the commercial issues and challenges that are currently facing building societies in the mortgage market. It will provide delegates with a greater understanding of the rapidly changing marketplace and strategies for ensuring their society is best placed to meet the challenges ahead.

Audit & Accounting Update
2 October 2008, Nottingham

In a highly specialist and regulated sector it is important for firms and auditors to keep up to date. Regulatory, auditing and accounting requirements are constantly changing and this seminar provides a summary of the key implications of such changes for building societies with presentations from specialists with extensive regulatory, financial sector and building society experience.

Developing Leadership Talent
7 October 2008, Midlands

This seminar looks at key strategies for developing leadership talent: how to attract bright, right talent; how to determine you are selecting and recruiting the best talent available; growing and developing your people; and how to hold onto your investments.

Fast Start: An Introduction to Building Societies
9 October, London

This popular seminar provides recently recruited staff and graduate trainees with an intensive introduction to building societies. The event brings together a team of experts, which would be difficult to assemble on an in–house basis (especially for a small number of new personnel) to offer a series of papers that will challenge the intellect and provide a memorable introduction to the industry.

BSA Annual Lecture
16 October, London

This evening event, combining a topical business presentation with informal drinks and canapés, is a networking opportunity for building society executives, representatives from regulators, government, trade associations, the media and others with an interest in the sector. The speaker will be Paul Lewis, presenter of BBC Radio 4's Money Box.

Seminar for Chairmen of Audit Committees
4 November, London

This seminar updates chairmen of audit committees on their key duties and responsibilities, and provides practical advice on how they should fulfil their responsibilities. It also provides an opportunity for delegates to discuss increasing regulatory pressures with their counterparts during structured breakout sessions.
(Open to members only)

BSA Annual Lunch
13 November, London

An annual networking event for members and associates of the association, who will be joined by guests from government, regulators, industry bodies, the media and other organisations that work closely with the sector. The principle speaker will be Rt Hon. Caroline Flint MP, Minister for Housing.

i **The latest information – direct to your inbox**
Join our mailing list to receive the latest event information, news and updates – delivered direct to your inbox every two months. **Contact christie.sharp@bsa.org.uk** or **register online at www.bsa.org.uk/events**

MUTUAL ONE

Mutual One was founded in 1997 and is now owned by nine building societies – Barnsley, Darlington, Earl Shilton, Hinckley & Rugby, Loughborough, Market Harborough, The Mansfield, Skipton and Tipton & Coseley.

Operating from offices in Leicester and Skipton, Mutual One provides a range of business–to–business services to the mutual sector, including audit, compliance, insurances, IT, training, seminars and conferences and mortgage asset origination and distribution.

The principal aim of Mutual One is simply to 'enhance the competitiveness of mutuals', be it by lowering costs, improving efficiency or assisting distribution.

Clients currently include building societies, friendly societies, mutual insurers and co–ops.

Examples of how Mutual One can help include:

Audit

Mutual One can provide a full outsource internal audit facility or specialist audit covering areas such as Treasury and IT. Ad hoc 'themed reviews' are also increasingly popular, with all audits being a risk–based approach and conducted by professional qualified staff. A flexible proportionate approach is adopted throughout the process, thereby providing independent assurance to an Audit committee.

Compliance

Mutual One's Compliance service is principally web–based, and offers a range of template documentation including Compliance, Board, MCOB and ICOB manuals, savings, residential and commercial mortgage terms & conditions etc. These manuals – all available on–line to subscribers – are complemented by complaint handling, business continuity, financial promotions and TCF checklists. The Mutual One website is home to a 'regulatory update' section, updated weekly to keep anyone abreast of new announcements from regulatory bodies and relevant trade associations.

Insurances

By acting collectively, 15 societies have lowered the cost of premiums for corporate insurances; put simply, the more who participate in the collective the lower the premiums!

Details of all the services offered by Mutual One are shown on our website **www.mutual–one.co.uk**, including a podcast feed on the latest news from Mutual One and the mutual sector.

i For more information or an informal discussion on Mutual One's services contact **Philip Dearing**, Managing Director on **07861 290624** or **philip.dearing@mutual–one.co.uk** or **Andrew Gold**, Chief Operating officer on **07730 718205** or **andrew.gold@mutual–one.co.uk**

THE **WRIGLESWORTH** CONSULTANCY

The Wriglesworth Consultancy is one of London's most dynamic and creative PR businesses. The consultancy has won numerous awards for its PR campaigns including the CIPR award for best Financial and Investor Relations twice.

The Wriglesworth Consultancy was established in 1998 and has expanded rapidly over the past 10 years, now working for more than sixty clients under the leadership of its founder, John Wriglesworth. John has a wealth of experience in the building society sector, having been a building society analyst with UBS in the late eighties, followed by his role at the then building society, Bradford & Bingley, as Director of Strategy & Communications.

The Wriglesworth team of almost 35 staff has a wide range of complementary backgrounds covering business, financial, legal, journalism and PR (agency and in–house). The team's expertise spans financial, corporate, consumer, business to business and broadcast PR, across a wide range of sectors; financial services, business and professional services, and the property and house building sectors.

In addition to being the incumbent PR agency for the BSA, Wriglesworth is retained by many building societies including; Nationwide Specialist Lending, Leeds, Newcastle and Stroud & Swindon, as well as for three separate briefs for the Skipton group of subsidiaries. Over the last year Wriglesworth has also worked on projects and launches for a number of others including Norwich and Peterborough, Coventry and Yorkshire building societies.

The Wriglesworth Consultancy, now in its 10th year, has recently moved offices to cope with its expansion and can now be found in the heart of the City in our new offices in Pemberton Row.

i For more information contact **Lee Blackwell**, Account Director, on **020 7427 1413** or **l.blackwell@wriglesworth.com** or visit **www.wriglesworth.com**

MUTUAL VISION TECHNOLOGIES

MVT epitomises the mutual ethos that has been synonymous with building societies for over 150 years. 100% owned by its building society customers, MVT is driven by what matters most to them, either as a group or individually.

In 2001, MVT set strategic goals, the attainment of which would see a new model for the supply of and charges for software supply, development and support. MVT and its customers have, together, achieved the primary goal: a lean, efficient and financially self–sufficient IT company.

Such a position has made possible the attainment of our second strategic target: the introduction of equitable and open pricing policies for our ProVision core system. Gone are the antiquated system user license fees, software development charges and, for new customers, implementation and data conversion costs. Removing the shackles of prohibitive pricing ensures that MVT customers can compete with the biggest market players.

And what of technology? The fact that we employ the latest Oracle, Java, Microsoft and Sun Microsystems technologies in our products will mean very little to most. However, taking under five minutes to run day–end processing provides a practical illustration of the power of such technologies. Extremely stable software allows MVT to concentrate the bulk of its resources on R&D, working with our customers and business partners to develop fresh, innovative and cost–effective solutions for this most demanding of business markets.

Such is the relationship between MVT and its customer base, that we feel part of the building society industry, not just a service supplier. Our reason for being and our shared values and ethos are compelling; that's why almost 30% of the industry now works with MVT.

i For more information please contact **Steve Blinston** on **+44 (0)1625 441001** or **sblinston@mv–tech.co.uk**.
In five minutes, receive a quote for core system conversion, implementation and annual maintenance

WINCOR NIXDORF – BANKING SOLUTIONS FOR BUILDING SOCIETIES

Wincor Nixdorf is probably best known for its banking technologies – ATMs, intelligent deposit systems, branch teller assist units and information terminals, as well as the supporting software and services.

We have solutions designed specifically for and used by small and large building societies. Wincor Nixdorf understands that the commercial and social conditions facing mutual societies have distinctive characteristics, and provides tailored services and technology to meet these needs. These tailored solutions have been created using our existing experience of working with building societies which include Darlington and Britannia.

Wincor Nixdorf offers new ways to enhance service to members while introducing new processes and more efficient workflows at branches and head office. Gained through working with both financial and retail customers, Wincor Nixdorf provides the expertise that helps strengthen branch networks as a sales channel, and develop complementary self–service devices.

The Wincor Nixdorf solutions include advanced software that improves availability, using automation to ensure higher uptime for ATM and other devices, which allows more staff to be deployed in customer service roles.

Wincor Nixdorf offers complete solutions that comprise hardware, software and associated services – all tailored to enhancing customer service and optimising branch office processes. Wincor Nixdorf helps streamline procedures, reduce administration costs and introduce new services easily and quickly.

To complete the introduction of new technologies, Wincor Nixdorf offers comprehensive professional services, to help with change management, training, implementation and ongoing support – leaving you free to serve customers and build your society.

i For more information please contact **Richard Grimmer** on **07917 530804** or **richard.grimmer@wincor–nixdorf.com**

MetLife

Putting customers' needs at the heart of business partnerships

MetLife is a life and general insurer specialising in underwriting, administering and marketing personal protection and wealth management products that meet customers' lifestyle needs. Compelling propositions are distributed through partnerships with building societies and other lending providers.

Strength and heritage

The UK business is a subsidiary of MetLife Inc. Formed in Manhattan in 1868, MetLife has grown to be the 4th largest insurance group in the world by market value. Over 70m people worldwide are served through a range of investment, banking and insurance products. The largest life insurer in the United States since 1991, insurance and investment products are sold through direct, institutional and sponsored channels. With mutual status until 2000, the Company's continual commitment to urban renewal projects, community financing and the security of its policyholders still proves to be good business. This year, MetLife was recognised as the 'best managed US insurance company' by Forbes.

Customer needs the heart of marketing

MetLife believe the most effective partnerships are built around the needs of customers. Sitting behind the partner's brand, a range of traditional and new protection and investment products designed to meet customers' evolving lifestyle needs include;

- Life and critical illness
- Creditor and income protection
- Accident and health
- Lifetime annuities and investment bonds
- Self invested pension plans and trustee investment plans.

Products are designed to provide financial freedom and are sold through the most appropriate distribution channel for the customer.

Partnership operating model

MetLife writes and manages insurance business for partners across the European, Middle East and Indian regions. Customers of MetLife's business partners are served by operating models that incorporate product underwriting, fund management, branch network support, direct marketing, administration, premium collection and claims functions. The success of all MetLife's partnerships is built on driving value to partners through optimising the value from their customers.

i To find out how MetLife could work with you, please contact **Steve Morris** on **0118 9001019** or **steve.morris@uk.metlife.com**

LONDON & EUROPEAN

L&E COVER GROUND QUICKLY

The Bank of England's warning that Britain faces two years of economic pain and could sink into recession has ended any speculation about the state of the UK economy. Building societies are facing probably the toughest economic environment for decades: the focus now is on risk rather than growth or market share.

Three major risk categories are rising exponentially in the current climate: repossessions, mortgage fraud and solicitor negligence.

Repossessions continue to rise and with 25% of all UK property transactions having a title defect which could make a property unsalable, the risk to a building society of not being able to recoup its investment in full is significant. Title insurance offers an effective risk management tool as it covers losses against existing and historical title problems: not taking protection against the possibility of title defects could put a society's assets at risk.

There is also growing evidence that fraud and forgery by a borrower or solicitor, and solicitor negligence are increasing. Few realise, however, that title insurance also covers these major risk categories enabling a building society to not only mitigate these risks but also provide an added layer of security to their assets.

Title insurance also acts as a risk assignment tool as building societies move to comply with Basel II capital adequacy rules. Adding a further layer of security to riskier tranches of business through the application of title insurance can assist in reducing the level of capital that must be set aside, allowing a building society to maximise its efficiency of capital utilisation – thus generating greater returns in terms of performance.

Building societies are in unparalleled territory in terms of risk and liquidity challenges. Title insurance offers an increasingly attractive proposition in helping them manage their risk exposure more effectively both now and in the future.

i For more information please contact **Christian Bearman,** Director on **020 7929 7650** or **cbearman@europeantitle.com**