

# PRA Occasional Consultation Paper CP22/23

BSA Response

*Draft – please send comments by  
Thursday 9<sup>th</sup> November 2023*

November 2023

## Introduction

The Building Societies Association (BSA) represents all 42 building societies, as well as 7 larger credit unions. Building societies serve almost 26 million consumers across the UK and have total assets of over £500 billion. Together with their subsidiaries, they have helped over 3.6 million families and individuals to buy a home with mortgages totalling over £370 billion, representing 23% of total mortgage balances outstanding in the UK. They are also helping over 23 million people build their financial resilience, holding over £362 billion of retail savings, accounting for 19% of all cash savings in the UK. Building societies account for 41% of all cash ISA balances. With all of their headquarters outside London, building societies employ more than 51,500 full and part-time staff. In addition to digital services, they operate approximately 1,300 branches, holding a rising share of financial services branches in local communities.

The BSA has reviewed the proposed minor amendments to the PRA rules to facilitate the electronic transfer of compensation under the Financial Services Compensation Scheme (FSCS), and to amend the Senior Managers and Certification Regime (SM&CR) forms C and D related to the Financial Conduct Authority's (FCA) new consumer duty rules. The BSA welcomes these amendments and appreciates the sharing of draft amendments to the PRA Rules. We would like to explore some of the proposals in some further detail.

We do not believe any of the proposals in this consultation paper are likely to impact persons who share protected characteristics under the Equality Act 2010.

## BSA Response

Firstly, on the amendments to the payment options for FSCS compensation, the BSA welcomes the move to make compensation available to depositors quickly and does not see any additional costs for building societies and credit unions. We see these amendments as supporting greater accessibility to compensation, reducing the amount of time and potential issues that could arise from longer than necessary payment. Although we still feel that the seven working day deadline to make the compensation available could still be viewed as a long period of waiting for depositors when firms have one working day to send the relevant data and information to the FSCS, we welcome this reduction from ten working days. We strongly encourage that once a depositor has accessed the electronic portal, the compensation is accessible and transferred to the depositor's chosen account at the earliest opportunity to further reduce any delays. Overall, we believe the modernisation of the payment system will bolster confidence in the FSCS, as well as smooth and reduce panic that can spring up in cases of firm failure.

Although not included in this consultation, we would like to voice our opposition to pre-funding the FSCS, which would require a significant capital commitment from firms on top of increased capital requirements already required under the implementation of Basel 3.1 instead of being better utilised contributing to the wider economy. We would encourage the revisiting of the current risk-based funding model, which could be improved and made more risk sensitive. In terms of the FSCS limit, the BSA broadly supports an increase in the compensation limited to reflect inflation, perhaps to £100k. We believe this level would continue to underpin depositor confidence, but we feel that a larger increase such as aligning with the US limit of \$250k (£200k) would risk being seen to favour high net worth individuals rather than everyday savers. We do see an argument for different, higher deposit limits for small and medium-sized enterprises (SMEs) for their working capital, and we suggest the PRA and the Bank of England consider a levy structure to align with deposit profiles of institutions, with a separate deposit class or sub-class for SME deposits with a different deposit limit if suitable.

On the proposed minor amendments to the SM&CR, we welcome the addition of a new row to the tables in question in Forms C and D to allow firms to notify the PRA and the FCA of breaches of the Consumer Duty. This addition will strengthen the links to the Consumer Duty and will streamline the process for notifying breaches of the Consumer Duty.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £477 billion, and account for 23% of the UK mortgage market and 18% of the UK savings market.