

BSA Chairman's speech – Annual Lunch 17 November 2017

Embargoed until 14:00 17 November 2016

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My Lords, ladies and gentlemen. I am delighted see so many of you with us at this BSA Annual Lunch.

2016 may well go down in history as the year when the Pollsters got it spectacularly wrong, AGAIN and people, in the UK and the US, voted for change.

In future I will be taking more notice of the prophecies of Bart and Marge Simpson who predicted that Donald Trump would become US President 16 years ago. They did get his colour wrong, but only slightly.

Across Europe we still have multiple elections to come both at the tail end of this year and well into next. Who knows what the governments of Italy, France, the Netherlands and Germany will look like this time next year.

At its simplest, change can be taken as negative and frightening or something that brings with it some exciting opportunities – to a large degree we have a choice about the approach we take to it.

Just now we are in uncharted territory in relation to Brexit. I was a 'Remainer', but refuse to be 'Remoaner' – although I do question what we are doing to the English language!

Instead, I have decided to look for the positives.

Both as Chief Executive of the Bath Building Society and Chairman of the BSA I will be working to realise the opportunities that leaving the European Union can and should bring consumers and our economy.

One big win for consumers, once we have left the EU and the dust has settled, would be the creation of a genuinely vibrant, competitive and diverse retail financial services industry which serves them well.

An industry made up of multiple providers of different types with clear values that set the tone for how they do business.

Who between them meet the financial needs of all.

And with choice driven by the ability of consumers to make informed decisions based on how they are treated and the motivations of their provider.

Having a more proportionate and appropriate legislative and regulatory framework, rather than a one size fits all EU Single Rulebook, will go a long way to firms delivering what UK consumers deserve, and give them headroom to innovate and explore new markets.

This isn't a new call, but if we want a good Brexit it must be a catalyst for beneficial change for consumers.

I know that Brexit is a marathon not a sprint, but it is vital that during the immensely complex negotiations our Government keeps the flexibility that will allow positive legislative and regulatory change to happen once we have left.

It is also crucial that the Great Repeal Bill does have the effect of saving ALL current EU legislation as we leave – not just some of it. We can't afford legislative chaos. Businesses, including ours, need regulatory and legislative certainty, followed later by a sensible consumer-focused review.

After the brief maelstrom that followed the Referendum result, I was particularly struck by the first speech that Theresa May made as Prime Minister, standing outside Downing Street.

It was clearly addressed to everyone, but perhaps especially to those who felt excluded from the benefits of economic recovery, those who are simply getting by rather than getting ahead. She said "we will make Britain a country that works not for a privileged few, but for every one of us."

Something about that speech reminded me of WHAT building societies, are here for. And WHO we are here for.

We are here to make life better for everyday working people.

We do that by being approachable and human, putting people first and, as we've always said by providing 'a home for their money and money for their home'.

As Building Societies we're not here for shareholders, we're not here for the benefit of the City or the speculators. We're not here for regulators. We're here for ordinary people. Our customers and members.

And as Nationwide makes clear in its new adverts we are about 'building society'. I love the ads the more I see them and I think they touch on what it's like to live, work and dream in the 21st century.

I also love the fact that this is the first time in a decade that the words 'building society' have been in prime time TV adverts!

As Graham Beale stepped down as Nationwide Chief Executive earlier this year, I had the pleasure of his company for dinner.

I asked him if, on leaving the Nationwide, he had a message for the building society sector. His simple message was "be brave", by which I think he meant "be braver".

Over recent months I have reflected on this thought.

To reassure the regulators in the room, there is no need to bolt the doors, I am sure Graham was seeking more ambition from the sector, not suggesting any kind of recklessness.

Ambition in the sense of us envisioning a future in which building societies grow to take a larger share of the savings and mortgage markets, take the lead rather than meekly follow and be prepared to be different and proud of it.

We are different and yes, we're proud of it.

We are living proof that firms which operate under a different set of values, different incentives and different goals can compete and win, at the same time as treating their customers differently.

As well as benefiting the British public, this diversity has also helped enhance the resilience of the system to cope with a great shock like the global financial crisis in the last decade.

When so many financial institutions hibernated to preserve capital and find new lines of funding, we were in a position to support the economy by keeping lending, with steady and stable funding sources.

It was good to see the value of diversity, of firms not just products, and customer-owned 'mutuals' specifically recognised in the Bank of England and Financial Services Act.

This government supported legislation puts a greater responsibility on the regulators to promote diversity – and the language of proportionality IS starting to change.

Beyond this, 2016 has been a fascinating year for the Building Society movement, with some great examples of being brave.

A year ago we launched our initiative on lending to older borrowers.

Judging from the attention it got in the media and elsewhere, then and since, our actions clearly touched a nerve. It's a growing need for real people.

As a result of this work most older borrowers can now find what they need somewhere in our sector.

Altogether, 32 building societies today have an age limit of 80 or above. Or have no age limit at all, underwriting each application individually and on its merits.

We will shortly be announcing another positive development from last year's interim report.

This work is one example of building societies providing leadership in an area of real social importance.

We aim to do what we can ourselves, but also to be a catalyst for change, bringing others along with us. In the end most things are a team effort.

Today, we are launching another BSA report, this time on modern methods of housing construction. The report offers ideas and recommendations in another crucial area of need for the UK – the housing crisis.

The problem is well understood, we simply aren't and currently can't build enough homes to meet demand from a growing and changing population.

We need to build at least 250,000 homes a year just to keep pace and this just isn't happening. The last time when private developers got anywhere near this level was in 1988.

So, how can we help?

There's not a lot that Building Societies can contribute to the problems of land and the planning process. But we think we can make a difference by focusing on the opportunities that new materials and technologies offer to improve the volume and speed of house building.

We are talking about greater use of methods collectively called Modern Methods of Construction. This may not be a phrase that trips off the tongue but it does describe what's in the proverbial tin. What can we do to make new methods such as offsite construction take-off and start to make a real difference to housing supply and perhaps over the longer term, affordability.

It is, after all, technology that has been proven already to work in places like Japan, where offsite construction accounts for 160,000 new homes a year and in Germany where 20% of new homes are built this way.

These homes are absolutely not like the insubstantial and sometimes leaky post war prefabs.

Instead they are robust, practical, architecturally interesting and have a low-energy footprint – saving the homeowner money on their energy bills.

We have an ambition to see at least some of the many forms of modern construction collectively go mainstream.

Homes could then be constructed more quickly and potentially more cheaply, without skimping on quality.

But there are some barriers which we need to knock down first – and we need the Government's help to do this, as in the UK this kind of construction is a relatively unknown quantity.

Yes, some lending already happens in this space, but it tends to very limited and by exception.

What we need to do is take this kind of lending mainstream. And to do that there are some questions that need answering.

Questions like:

Will these homes stand the test of time?

What sort of resale value will they have?

Will they still be mortgageable at the end of the term?

How maintainable are they?

What happens after the 10-year warranty period is up?

Are they insurable?

BUT, despite all these questions this kind of building technology has massive potential.

Given our existing expertise in the self-build market it makes sense for building societies to take the lead and we are.

For those of you who don't know, 22 out of the 24 lenders who operate in the self and custom-build market are building societies.

I think that speaks volumes about the willingness of this sector to sensibly embrace things that are out of the ordinary. Long may that continue.

The recommendations in the report are designed to unblock the current log jam.

With willingness on all sides and some support from the Government, I genuinely believe it can be done.

A few years ahead it would be great if houses built using Modern Methods of Construction were considered to be as familiar and conventional as homes built using brick, block and tile are today.

Because I am a forward looking kind of guy, I spend a fair bit of my time thinking about the future and yes there are clearly many challenges ahead.

But I'm here to tell you that Building Societies are up for it. We bring an open mind, a desire to look for opportunities, an ethos of working in the public interest and a willingness to be brave!

That is more than enough from me so I would now like to welcome to the podium, Gavin Barwell, MP for Croydon Central and, Minister of State for Housing, Planning and Minister for London.

Gavin