

A Manifesto for Financial Mutuals

The Building Societies Association and the Association of Financial Mutuals present a Manifesto for Financial Mutuals to help the next government to deliver:

- A fair deal for consumers
- A level playing field for financial mutuals
- A rational approach by regulators to capital
- A joined-up approach to coordinating policies in support of mutuals and housing

This requires the parties to

- Make it easier to run and set up mutuals by removing the restrictive barriers to raising capital
- Recognise the value of mutuals and stop the spread of heavy-handed regulation that favours large plcs
- Ensure that the regulators are carrying out their competition function in a way that fosters greater market diversity
- Recognise the importance of mutuals and joined-up policy on housing

It is widely recognised that a more diverse financial services sector will deliver a better deal for consumers and a more sustainable system.

Yet policy-makers and regulators appear to be fixated on a one size fits all approach, based on the plc model. Consumers in Britain's diverse communities need different models of finance, saving, lending and insurance. The mutual organisations that can supply these services come in all shapes and sizes. The common thread is that they all exist to create value for their members and customers. Unlike the plcs they are not subject to the short-term whim of shareholders, and they therefore have a broader, longer-term approach that served them well through the financial crisis.

This manifesto sets out what we think government and the regulators need to do to restore the balance in financial services between plcs and mutuals, and why this is good for us all.

1. A fair deal for consumers

The next government must work with mutuals to help them continue to deliver:

- better prices and service standards for members and customers
- a diverse supply of financial products for housing, savings and insurance
- local ownership and management of financial companies, more responsive to the needs and circumstances of local customers and businesses
- support for small and mid-sized builders through mortgage finance

We want the next government and political parties to work with the financial mutuals sector to foster diversity in financial services and promote mutuals.

If political parties adopt the policies we outline in this Manifesto consumers will get a much better deal from a more responsive and sustainable financial services sector.

2. A level playing field for financial mutuals

The next government must create a new regulatory and policy environment which:

- ensures market diversity is embedded in policy making, rather than added on as an afterthought
- enables a vibrant mutual sector to underpin Britain's economic competitiveness and financial stability
- prevents an unbalanced market dominated by banks and plc insurers, that leads to poorer outcomes for consumers and for society

A new government must legislate to create a statutory duty for regulators to foster diversity, including an annual report to Parliament on the effectiveness of competition in financial services and the actions they have taken to promote mutuals.

3. A rational approach to capital

The next government must work with regulators on a new approach to capital which:

- avoids penalising businesses that represent a low risk to their objectives
- stops gold-plating & front running EU legislative proposals
- allows mutuals to raise capital in new ways

Government should support new approaches to mutuals raising capital, including appropriate retail distribution of capital instruments, appropriate implementation of leverage ratios, and establishing the legal framework to support deferred shares for mutual insurers.

4. Joined-up government

The next government must:

- empower the Cabinet Office to co-ordinate Government policies to support mutuals
- appoint a Housing Minister at full Cabinet rank

Government needs to ensure its actions and policy-making decisions regarding mutuals are effectively co-ordinated across departments. There also needs to be a Cabinet Minister for Housing to co-ordinate Government initiatives and actions across the broad range of issues which affect housing policy, including planning, construction and housing finance.

Contact details

Havard Hughes, Head of Public Affairs, MRM
020 3326 9900 Mobile:07989 345 820
havard.hughes@mrm-london.com
<https://twitter.com/TweetsizedMRM>

René Kinzett, Public Affairs Manager, BSA
Mob 07746 199753
rene.kinzett@bsa.org.uk
<https://twitter.com/BSABuildingSocs>