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Building Societies Association

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SOCIETY matters

Savings for life

What does it really mean?

contents

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Hello and welcome to the autumn edition of Society Matters

One of the BSA's 150th anniversary themes – and the theme of this edition – is '*Savings for life*', so it should come as little surprise that our sector is focused on savings innovation.

But what does 'savings for life' actually mean? How does it translate into the everyday practices of building societies, and into wider society?

It's official: our nation's saving habits leave a lot to be desired. A new Toynbee Hall report, supported by the BSA, highlights this. But all is not lost – the report also suggests that gradually changing behaviours towards saving is key to solving the issue, helping people to become more financially resilient in a gradual and long-term way (P6-7).

Thankfully, the mutual sector clocked this some time ago, and has been quietly innovating and helping members to save for many years. Whether little and often, taking care of large sums, saving for a house, a rainy day, or saving with a conscience – our sector offers it all.

That's why Glasgow Credit Union has offered its Employer Partner Scheme for 30 years(P8); why YBS is helping people on the path to financial resilience in order to protect their mental wellbeing (P9); and it's why we were inundated with responses from our members when we asked them to share examples of their savings innovation (P10-11 showcases some of them).

In today's low interest rate environment, savings providers need to offer benefits that extend beyond 'bang for your buck'. It's no longer that simple. Ecology Building Society invests their members' savings into ecological and socially sound projects. Their green credentials strike a chord with its membership, who largely choose Ecology for their eco values.

Meanwhile, Buckinghamshire's Saturday Savers Club encourages children to save by running a 'loyalty card' scheme – each time they deposit into their savings account they earn a stamp, which mount up to prizes. 'Normalising' saving at a young age sets youngsters on the path to a brighter, financially resilient future. There truly is something for everyone at a building society (P10-11).

I really hope that you enjoy this edition. Saving is not the sexiest of topics, but it is an important one! Here's to looking after the pennies....

See you at Christmas for the winter edition,

AMY McCLUSKEY
Society Matters Editor

What shall I be curious about today?

The first half of 2019 has been a tough one. Mounting economic and political uncertainty here in the UK and around the world, a hugely competitive mortgage market, a heavy regulatory agenda, new technologies abounding.

By **ROBIN FIETH**, BSA Chief Executive

The temptation is to hunker down, focus on the short term, make each month's numbers. But it's interesting that Sam Woods at the BSA Conference in May spoke about the crowds of PRA staff cramming into the room to engage in horizon scanning, looking upwards and ahead to what might be coming and thinking about how best to anticipate, prepare and respond.

Horizon scanning is not the preserve of regulators, or trade bodies for that matter. It is one of the crucial components on the agenda of every successful board. Asking ourselves the question, "what shall I be curious about today" has long struck me as one way to keep our heads up. Listening to and reading about what other people are curious about helps broaden our horizons further, especially when we reach outside financial services.

One of the best questions I have heard this year came up at one of our recent NED Dinners. "When considering technology strategy around the board table, what is the optimum pace of change?" What a cracker! We have spent a lot of time in the past few years talking about the exponential pace of technology development, the consequence of Moore's Law continuing the trend of doubling computer processing power every eighteen months. The huge challenge of not knowing where we are on this exponential curve, whether and when it is going to top out, what the fourth industrial revolution is going to look like over the next five, ten and fifteen years. How we are going to navigate our mutual, inter-generational businesses through. What is the optimal pace of change? What is the optimal course through this potentially stormy sea? What stays broadly the same and what changes beyond all recognition?

And technology of course is only one of the themes to occupy the board's attention. Beyond pure systems, what will be the impact on the operation of the mortgage and savings markets? My favourite – how do we keep humanity at the heart of all this? As customer owned mutuals, where is the member relationship? What does it count for? How do we develop and use the mutual model as a source of real competitive advantage?

How much board time do we devote to sharing, discussing and debating the things we are curious about? How good are we at having these sorts of conversations? Does it all feel a bit awkward, esoteric, blue sky? Is there a reluctance, however slight, to open up to our executive and non-executive colleagues? Do we stay in our comfort zones? Dare I say it, do we fall back on the regulatory agenda and short term commercial performance as familiar territory and good technical stuff?

Five years ago, we started out on the BSA's theme of *excellent and distinctive governance in building societies and financial mutuals*. We wanted to explore critical governance themes with members to understand what makes for a truly successful mutual board. You could say that this was partly defensive, coming out of the financial crisis when boards of all sorts had been found wanting – in a number of cases resulting in massive state bail-outs here and overseas. Many of us will remember John Sutherland, then at the PRA, giving compelling presentations about how the common thread of banking failure, going back to Overend and Gurney, were failures in governance. Whether the failures were about restraining or tempering a dominant chief executive, whether about managing conflicts of interest and self-interest, whether about understanding the risks the organisation was taking on, the outcome was the same. His words still ring in my ears from a Local & Regional Conference in 2015 or 2016: "at the end of the day, it doesn't, matter how much capital you have got. If you are poorly governed, you will fail!"

> ***"When considering technology strategy around the board table, what is the optimum pace of change?***

The first thing we should say about governance journeys is that they never end. There is no moment when we can think there is no further room for improvement, there is nothing we could do better. And that is before we face up to the ever changing world in which we live and work. I am quite often struck by how many businesses and other organisations stick rigidly to the same agenda and the same board calendar year in and year out. More do now seem to be introducing some variety. Post 2008, many Chairs and CEOs lamented to me that by the time they had got through all the regulatory stuff, there was no board time left for anything else. Moving the agenda around from meeting to meeting seemed rather radical, but worked for some. Having sat through a number of meetings where the first forty-five minutes or longer were spent picking over the minutes of the previous meeting, I have long been a fan of having the minutes as the last item on the agenda – and consciously devoting the start of each meeting, when energy levels are highest, to the items of most importance on that day's agenda. On occasion, that might even mean altering the order of business on the day when something has changed since the agenda was finalised and the papers dispatched.

More than that, though, is how the tone of each meeting is set from the beginning. So much is down to the Chair and the relationship between the CEO and the board. One Chair I was privileged to work with would take ten minutes at the start of each meeting to ask everyone to talk about how they were feeling that day and what they were looking forward to discussing. He would similarly allow ten minutes at the end to gather reflections there and then on how each person felt the meeting had gone, their highlights, whether there were discussions that did not quite hit the mark, and whether there were still loose ends to be followed up. In essence, starting the meeting with what are you each curious about today? And ending with has your curiosity been satisfied?

As we return from our summer holidays this year, how are we all going to approach our round of board, committee and other meetings? What refreshed energy and vigour are we going to bring to help ensure that each occasion is an excellent experience? Where is our curiosity going to land? And how is it going to help us navigate the ever changing waters ahead?

Next steps:

You can follow Robin on Twitter ***@bsaceo***

Go to work on a nest egg?

An introduction to the '*savings for life*' special

By **BRIAN MORRIS**, BSA Head of Savings Policy

Who said nostalgia ain't what it used to be? This edition of Society Matters gives a lie to that, with analyses of the lyrics of crooners Frank Sinatra and Perry Como, as well as harking back to the 1980s and the birth of Glasgow Credit Union.

This year, of course, we've been looking even further back, in celebrating the formation of the BSA 150 years ago. Promoting saving and thrift has been central to building societies' raison d'être throughout this period and is reflected in a key theme of our anniversary celebrations, *Savings for Life*.

However, we are certainly not looking backwards as we embark on new initiatives on this theme. The BSA is firmly facing forward with our new savings task force, aimed at getting more people to save. The problem of people in the UK not saving or not saving enough is well documented. The Money and Pensions Service (MaPS) has been in the forefront of analysing the problem and seeking solutions. MaPS research shows:

- 10.7 million (21%) adults rarely or never save.[1]
- 11.5 million (22%) adults have less than £100 in savings.
- 12.4 million adults would not be able to pay (or would borrow) when faced with an unexpected £300 bill.
- 9 million people have problems with debt, but only 1 in 3 seek help.
- 46% of all people in problem debt are experiencing a mental health problem[2].
- People with a mental health problem are 3.5 times more likely to be in problem debt than other people.
- 24 million adults are not confident about managing their money

And it is not only those on lower incomes that are affected: 20% of the working age adults with less than £100 in savings have a household income of £30,000 or more.

An article by my colleague, Andrew Gall in this edition draws on insights from research by Toynbee Hall on behalf of the BSA. Their research shows that factors other than income and age, such as behaviours and attitudes, are important to determining whether or not people save.

One of the results was that 67% said that they thought they could save £10 a month

more and would be confident in their ability to achieve this. Just 7% said that they didn't think they were able to save £10 a month. The rest said that while they could save £10 a month, they were less confident that they would actually do this. Reasons for the lack of confidence were mainly to do with going back on their good intentions rather than, say, product design or complexity. The unconfident savers also tended to agree that they felt a sense of missing out when they resisted desires to spend money.

Toynbee Hall recommend savers start small, recognising that an individual has multiple and potentially competing motivations for saving, and using community links and social marketing to encourage saving behaviour.

Our savings task force is building on such research in looking for ways to help more people to save. Our focus will be on those 7.5 million people currently in work who have no savings. We are confident BSA members can make a real difference in this space and we are working on plans to be launched in the new year.

> *"20% of the working age adults with less than £100 in savings have a household income of £30,000 or more."*

Back to nostalgia, I'm old enough to remember the "go to work on an egg" advertising campaign in the 1960s. Perhaps we should be updating this for 2020s to "go to work on a nest egg"?

Next steps:

Keep up with the latest from the BSA at ***bsa.org.uk***

1. https://masassets.blob.core.windows.net/fincap-cms/files/000/000/386/original/UK-financial-capability-levels-UK-poverty-statistics-research.pdf
2. https://www.moneyandmentalhealth.org/wp-content/uploads/2019/03/debt-and-mental-health-policy-note.pdf

Easy savings

By *ANDREW GALL, , BSA Chief Economist*

Saving doesn't have to be a way of life, but it shouldn't get in the way of life either.

Frank Sinatra

The singer Perry Como once advised people to "Catch a falling star and put it in your pocket, save it for a rainy day". Later in the song, he explains that such thrift helps you to both avoid your troubles multiplying and also to seize opportunities – all benefits flowing from "a pocketful of starlight".

Cardigan-clad Perry clearly understood the value of having savings. Contrast this to his easy-listening contemporary, Frank Sinatra. We all know Frank did things his way, having a song called "It's only money" and joining his fellow high-living lounge-lizard, Dean Martin, to sing "Money burning a hole in my pocket".

When we think of Frank Sinatra we picture him in a sharp suit, crowding round a bar-room table among the glitz of the Las Vegas casinos. He seemed to be having lots of fun. Meanwhile wholesome Perry Como was launching his own range of sports-casualwear.

The two singers' contrasting lifestyles highlight one of the challenges of stimulating people to start saving: saving money isn't generally as much fun as spending it, so it's going to be challenging if we are trying to persuade lots of people to swap the cocktails for cardigans.

My Way

However, by trying to work with how different people behave, new research shows there may be ways to make inroads on the quarter of people who don't currently put any money away, and to help others who are currently saving to increase the amount they are putting aside.

A new report by Toynbee Hall looks beyond factors such as age and income to the vital role played by attitudes and behaviours in affecting whether someone is a saver, and what might in turn influence these. For people without savings, their choices might be more affected by taking into account their current behaviour and potential motivations, rather than, say, paying more interest on a savings account.

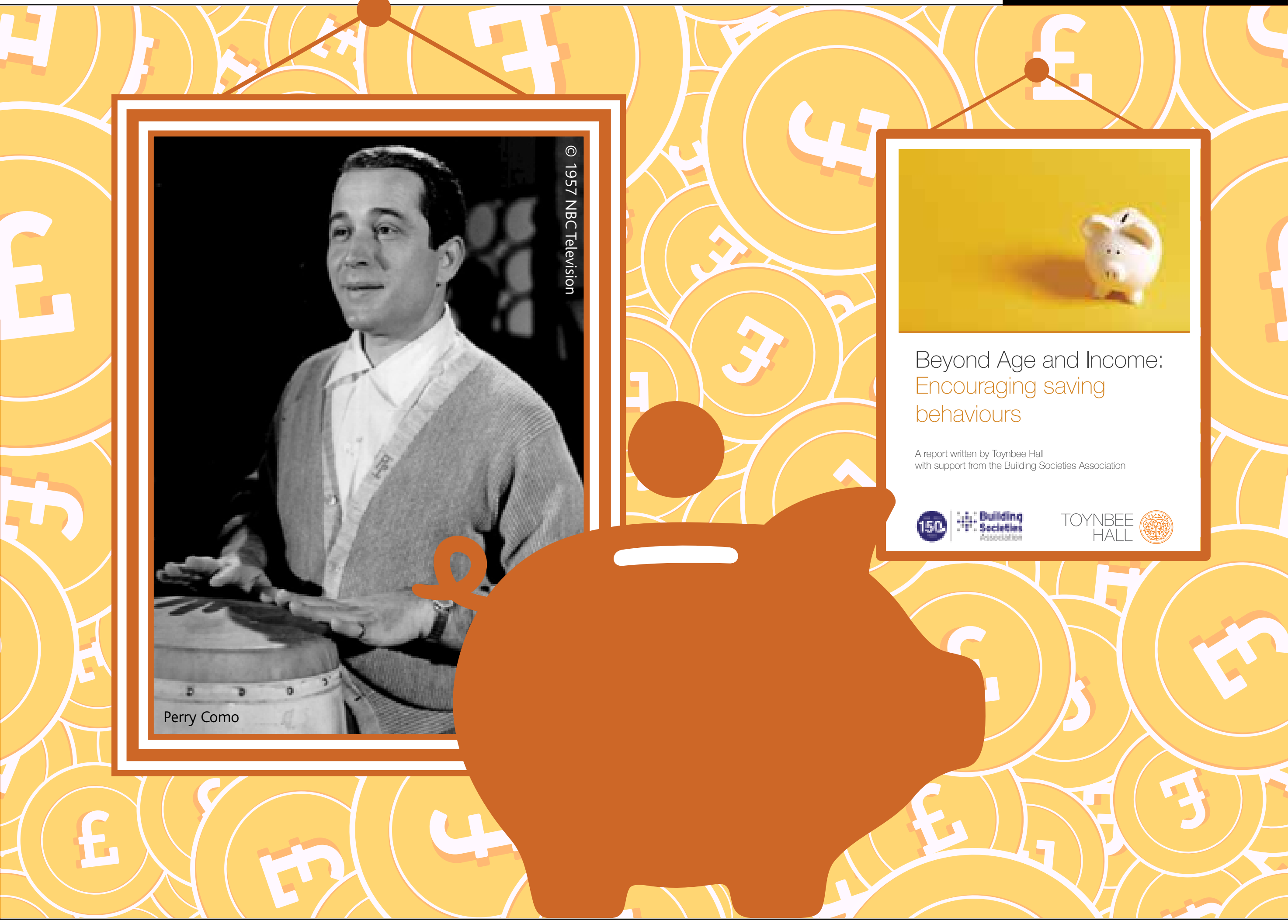
Toynbee Hall's analysis found that those on low incomes had saved similar proportions of their income to those on higher incomes, demonstrating the resilience of many people who are on lower incomes. Instead, identifying with certain saving behaviours gave a better indication that somebody had a greater proportion of their income in savings.

The most commonly reported reason for people to save was for unexpected emergencies or events. A recent report from the Money and Pensions Service highlights how a stock of savings can help to support an individual's financial capability, resilience and wellbeing, and how providers can support budgeting and saving behaviours that bring this about.

"saving money isn't generally as much fun as spending it, so it's going to be challenging if we are trying to persuade lots of people to swap the cocktails for cardigans."

Building on their previous research into saving as a behaviour rather than just a pot of money, Toynbee Hall found that savers typically have multiple concurrent saving goals, which may reinforce or conflict with each other, and recommend that providers should recognise these multiple motivations when trying to support new savers.

Toynbee Hall find that two thirds of people are confident they could save £10 a month more than they currently do. Starting to save a small amount regularly can help to develop a habit, and in a way that a new saver might not really notice the reduction in spending money.



Perry Como

Of course, some people simply don't have enough income to be able to save. More broadly, not everybody can or should be expected to become someone who saves just for the love of saving. But another barrier identified in the research are behavioural factors that mean people who do feel able to save don't follow through on their own good intentions.

A survey that formed part of the Toynbee Hall research showed that non-savers were more likely to say that they experienced temptations to spend money, but they were also more likely to acknowledge that they lacked the self-control to resist any such temptations. They also said that they were more likely to feel like they were missing out if they resisted temptations to spend. So how might these behavioural challenges be addressed?

Even Frank Sinatra had his more wistful, introspective moments, such as when he ruminated on his "Three coins in the fountain", wondering if any would bring him luck in the future. The economist Thomas Schelling wrote about using these moments, when an individual's more forward thinking persona – the future version of themselves - is at the forefront of their mind, to get the individual to act in their own long-term best interests. For example, they might commit themselves to act a certain way at a later date that is difficult to reverse on the spur of the moment, when their living-in-the-moment or present self is in charge of their thinking.

Taking away the problem of a lack of self-control could therefore be helpful. This was the motivation for Save More Tomorrow, an adaptation of contributory pension schemes in America first trialled almost 20 years ago that became a poster child for the effective application of nudges and behavioural economics. It entails people committing in advance to save into their pension out of future salary increases, as they wouldn't miss the extra pay if it never makes it to their wallet, so they wouldn't then be tempted to spend it. Likewise, Toynbee Hall recommend that people should be encouraged to pay themselves first once they get paid. This is the aim of a new campaign by Nationwide Building Society to make Payday = Saveday.

That's Life

The research also recommends that savings products and initiatives need to reflect the multiple motivations for saving and people's different approaches, with some making explicit, conscious decisions for whom specific savings goals could be motivating, and others saving almost without thinking, for whom minimal interventions would be most suitable.

Spending might often be more exciting than saving, but there may also be ways to make saving more stimulating than it often is by using games and helping young people to start saving. Principality has developed a Learner Earner savings account designed to help children and their families learn about saving together and reward savings goals.

Supporting savers has always been a core part of building societies' purpose. The building society sector will take the findings from this and other research on board as it explores what societies and credit unions can do individually and collectively to help to get people saving.

There are estimated to be over 11.5 million people with less than £100 in savings. It isn't necessary that they all become avid savers but they could be encouraged to start to regularly save small amounts, helping them to both take life's blows and travel each and every highway, by doing it their way.

Next steps:

You can read the full Toynbee Hall savings report in the Publications section at ***bsa.org.uk***

Changing the way people think about saving – by not having to think about it at all

Glasgow Credit Union's innovative Employer Partner scheme is disrupting the traditional savings narrative.

By ***PAUL RYTEL****, Business Development Executive, Glasgow Credit Union*

At a time when most families are feeling the pinch of rising energy and food prices, it's getting increasingly harder to encourage members to save regularly. After bills have been paid, shopping bought and living expenses accounted for, there's often nothing left to go into the savings pot at the end of the month.

But what if the savings pot was the first thing that got added to, every payday, before all the other expenses took their share?

This is exactly what our Employer Partner scheme makes it possible for employees to do.

We work with over 100 employers throughout Glasgow to offer their employees access to our products directly via salary contribution. This scheme effectively removes the barriers to saving by providing a mechanism that lets employees save directly from their wages, every time they're paid.

> ***"We're celebrating our 30th anniversary this year and have been offering payroll deduction right from day one, so we've refined the process down to a fine art. "***

We're celebrating our 30th anniversary this year and have been offering payroll deduction right from day one, so we've refined the process down to a fine art. Members join and choose how much they want to save each payday (anything between £5 and £1,000 per month). Once their account is set-up, their chosen savings amount is automatically transferred into their credit union account, before they receive their salary. In no time at all, the member gets used to living off their revised net pay and their savings start to build-up.

Members can change the amount they save and make withdrawals easily over the phone or online. We're also working on an app that will make all transactions with us even easier.

We carry out regular site visits to our Employer Partners to speak to new staff about joining and to touch base with existing members, and there's one statement we hear from members more than any other: 'It's so easy, I don't even realise I'm saving!'

Over 14,000 people save with us this way and the employers we work with range from companies employing less than 10 staff, to some of the largest employers in the city, such as Glasgow City Council.

The scheme benefits not just the employee, but also the employer – providing them with a free service to boost their employee benefits package, while potentially reducing the risk of absenteeism due to stress caused by personal finance worries.

Lorraine Gray, Group Operations Director of Pursuit Marketing, which is one of our Employer Partners explains:

"The partnership offers our staff access to a great range of financial services including savings, loans and mortgages. For us, it's a no-brainer solution to help and support the financial health of our staff. The seamless payroll repayments make it easy for staff to save and build a buffer for any unexpected expenses."

Our list of Employer Partners is growing every month as more and more businesses are recognising the need to support the wellbeing of their staff.

The scheme works well for all employees, but is especially beneficial for young members of staff, such as apprentices who can start a life-long savings journey with their very first pay packet.

By putting savings ahead of the spending process we've changed the way people think about saving – because they don't need to think about it at all.

Next steps:

For more information visit ***glasgowcu.com/about/employer-partners/***

Lack of financial resilience impacts your wealth – and it can also affect your health

*By **MIKE REGNIER**, Chief Executive of Yorkshire Building Society and BSA Chairman*

It's pretty obvious that saving is good for your finances – self-evidently, being able to access cash when you need it is one of the first steps to budgeting, managing money and building wealth.

Perhaps more surprising is the growing evidence to suggest that financial resilience can also impact our health and well-being.

A national issue

Low financial resilience has become a national issue. A quarter of the UK's working population - 7.5 million people – have no savings at all. One in three people have less than £500 in savings, whilst seven out of 10 save less than £100 a month.

A third of households regularly run out of money before payday. As a nation, we're amongst the worst at saving in Europe, with households putting away just 4.5% of their disposable incomes and comparing unfavourably with the likes of Luxembourg and Sweden who save 22% and 17.6% respectively.

There's clear evidence that low financial resilience can have an impact on mental health. Research shows that money worries are very common - two in five working people say they're worried about their finances, and people say they worry about their bank balances more their relationships, their career or even their health.

Those with money worries are almost five times more likely to suffer from depression, almost nine times more likely to have sleepless nights and almost four times more likely to suffer from panic attacks.

How can businesses step in?

For businesses, money worries can reduce workers' effectiveness, which naturally has an impact on productivity levels.

Employers have a duty of care to their people, and I believe that extends to protecting their financial wellbeing. That's why we've embraced that responsibility and are open about the challenges: research among our own colleagues last year showed that 12% have no savings at all and 7% were kept up at night due to financial worries.

> *"people say they worry about their bank balances more their relationships, their career or even their health."*

Although that's lower than the national average, it still represents a significant proportion of our workforce. We want to address this so we've introduced a financial well-being programme, and worked alongside Salary Finance to introduce a new direct-from-salary savings option to give our colleagues a new way of putting money away. The scheme enables staff to put away a set amount of their salary into a savings account each payday. Because it is deducted before the salary ever hits their current account, staff are saving almost without realising. Saving becomes easier, and a habit is forged as they naturally get used to managing their finances without having to think about saving.

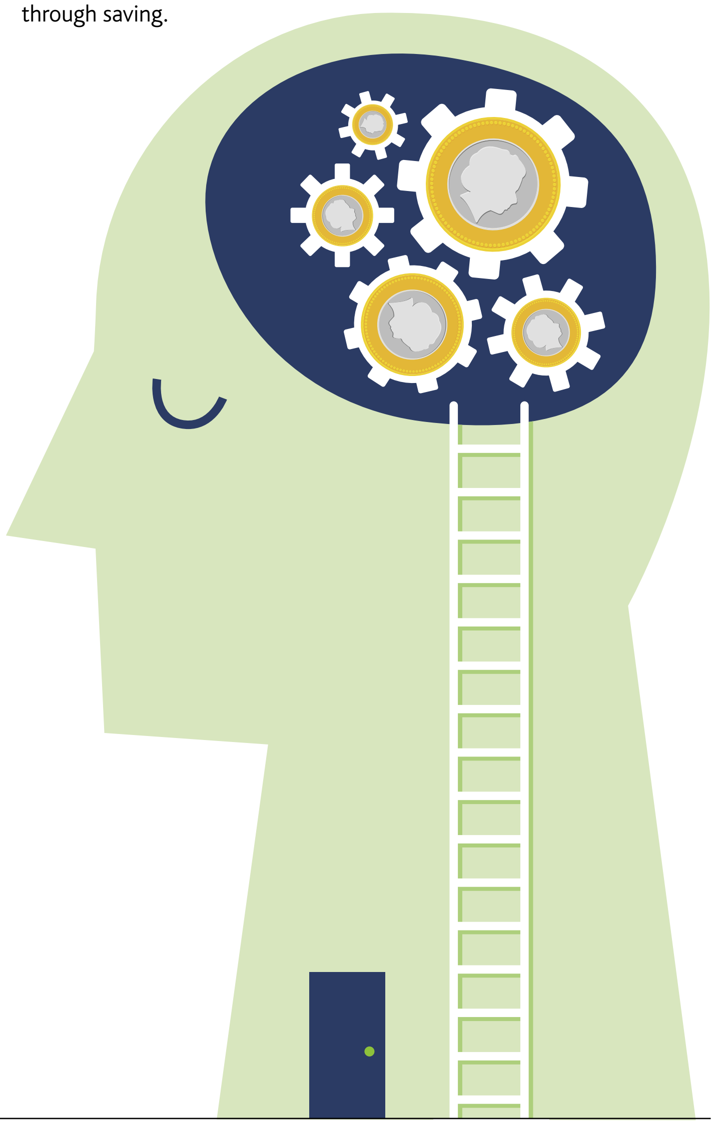
We've won awards in recognition of this work and now we're encouraging other employers to take the opportunity to make a difference. I am also delighted that the BSA has established a Savings Taskforce, which I am chairing, to ensure that getting people to save is more of a priority for the industry as a whole.

We will also be taking steps in the coming months to make sure that employers outside financial services are aware of the issues surrounding saving and how they can help their people to improve their personal financial resilience through saving.

We're committed to getting the UK saving and Yorkshire Building Society has set a target: get 1.8m to save over the next five years. We want other businesses everywhere to help us establish saving as a good habit making people healthier, more productive and more resilient.

Next steps:

*For more information please visit **ybs.co.uk***



A sector that's serious about saving

Given that savings are at the heart of our sector, it is little wonder that building societies offer a multitude of innovative savings initiatives.

Here we explore some examples of how our sector helps to promote healthy savings habits across the board.

This includes encouraging healthy savings habits amongst younger savers, as well as providing unique accounts that enable members' savings to make a difference to their local communities, or in wider-ranging issues close to their hearts.

Melton Mowbray Building Society

Five years ago we formed a unique partnership with our local Wildlife Trusts to raise funds to protect wildlife, encourage enjoyment of the natural world and increase awareness of the Trusts. We have initiated a number of activities to support the partnership, including providing Wild Ones packs for children who open a Young Savers Account. The packs contain a pocket wildlife guide, wildflower seeds, notebook and more to encourage young people to enjoy wildlife and get into the habit of saving. We are also offering customers a discounted Family Membership of a number of local Wildlife Trusts.

The partnership has continued to evolve and last year we launched a Wildlife Fund to provide opportunities for school children to learn outside and broaden their knowledge and understanding of wildlife. We invited local primary schools to apply for a share of the Fund and thirteen local primary schools have received grants to create or improve wildlife learning areas or take part in a Forest School.

The Wildlife Fund is also a natural extension to our financial education programme that delivers an ongoing school bank service to local primary schools and financial education to local secondary schools.

Buckinghamshire Building Society

We realised early that encouraging young children into savings habits needs to be fun!

With this in mind we launched our Saturday Savers Club. Any child under the age of 16 can join. Each child is given a savings card, and every time they visit the branch to deposit their pocket, birthday or odd job money they are given a sticker. When 10 stickers have been collected the child is rewarded with a 'club gift' and they are given their next card.

This recognition programme is not limited to a Saturday and we have various gifts available the more times they save, (however small the amount) including pens, pencils, rulers, bubbles and our Piggy bank, "Mr Banks".

In addition, our Saturday Savers stall has been to many local community events to promote the "Saving Early" message.

Sam Canning, Savings Team Leader comments: "We wanted to make the experience of coming to the branch enjoyable and fun. We believe that by setting savings goals early on in a child's life we can help to financially educate children."

Coventry Building Society

When it comes to saving for life, we think it's vital to encourage saving as early as possible. Our Money Management programme does just that, making a real difference in our local communities.

Over the past two years we've delivered money management sessions to 460 children, ranging from Reception to Year 6, in primary schools in Coventry led by our own employees. The sessions are designed to help children think about the importance of money, how to budget and saving for the future. Feedback indicates that it's made a real difference in not only increasing financial literacy for pupils, but also raising their aspirations for the future.

We're also expanding the programme into five secondary schools for the next academic year. The programme will follow the same format, but will reflect the different needs of older pupils, looking at topics like why we need money, how to save, the financial implications of work and how to interpret a payslip.

We also incorporate financial literacy into our community activity, including fraud awareness sessions through to activities on budgeting or saving for school or community groups who visit our head offices.

Ecology Building Society

The pressure on the financial services sector to develop sustainable economies and empower people to build better futures is mounting. For Ecology Building Society, environmental and social sustainability have been the driving force behind our operations since we opened our doors in 1981.

And our ethos is clearly striking a chord with ethically motivated savers: 30-year-old electrochemist and electric vehicle battery engineer, Dr Euan McTurk, comments:

"I chose to save with Ecology after losing patience with my old bank, which closed multiple branches near me and heavily invested my savings in coal projects. This prompted me to find a savings provider that would invest my savings in a responsible and positive manner.

"Ecology invests in people who have the ambition to build efficient, modern houses that are fit for today. There is nothing controversial about supporting the building of homes that are well insulated, highly efficient and cheap to run... I'm delighted that my savings are enabling this."

For savers like Euan, both the ethos of Ecology combined with the reciprocity built into the building society model are attractive. It goes beyond saving: it is saving with a purpose that is close to people's hearts. This is a space that we will continue to support and innovate in.

Dudley Building Society

For over 160 years, we have served the needs of different generations, encouraging people to save with a range of tailored products that complement lifestyle choices. We champion creative ways of saving, and we provide further savings options for our loyal members.

Considering the introduction of the Personal Savings Allowance (PSA), that some commentators suggested would be the end of ISAs, savers are still determined to make their money work hard for them. We recently saw the most successful ISA season in the Society's history proving there is still plenty of demand for this part of the savings market.

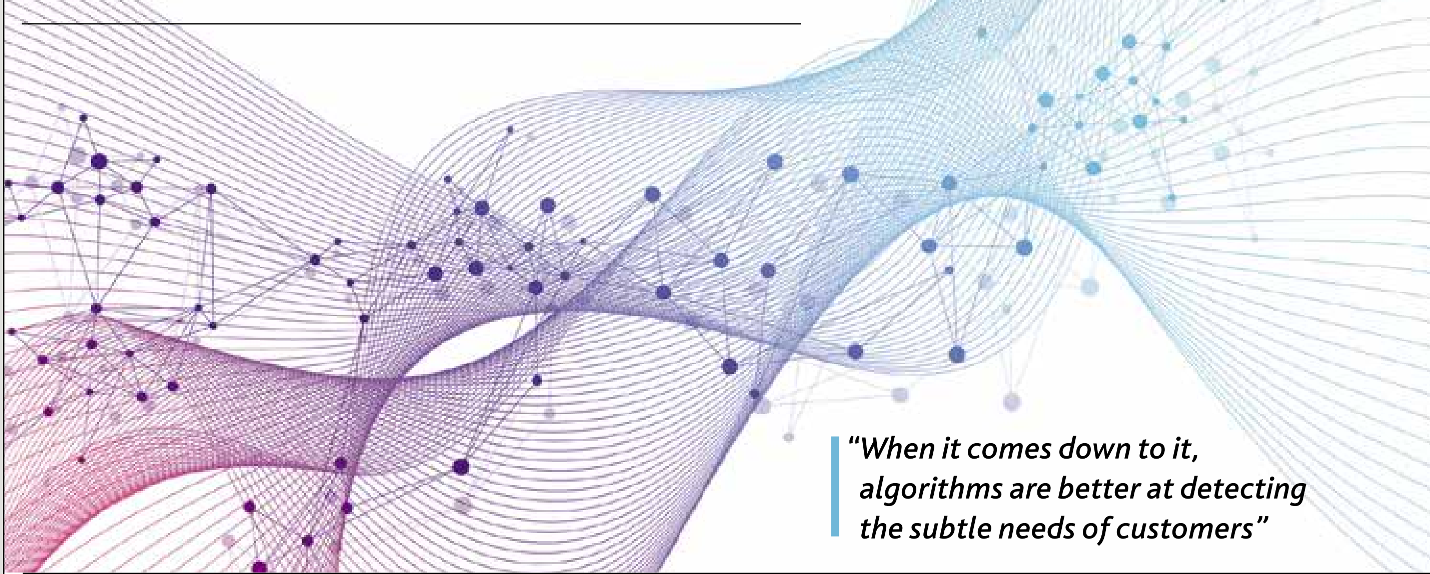
By picking up the British Bank Award for Customer Service Champion, we believe there is still a longstanding need for a quality, personalised service. Time and time again, we are praised for our human approach – being able to speak to friendly, knowledgeable staff who genuinely care about our members.

As a Society, we are working hard to invest in digital modernisation to ensure we remain relevant and innovative for many years to come.

Algorithms will help consumers take control of their finances

By ***GUNNAR RAFN****,*
senior consultant,
Festina Finance

The UK has been slow to innovate when it comes to using technology to improve the wealth and financial health of their customers.



"When it comes down to it, algorithms are better at detecting the subtle needs of customers"

Many services and apps that have developed over the last 10 years, as mobile banking has grown, have focused on basic money management and fast payments, rather than providing meaningful insight into the financial position of customers.

These digital banking apps cannot even start to understand the complex reality of customers and their families, and there has been a clear disparity in terms of what institutions can provide and consumers need.

The customer and technological challenge

Research shows many Brits continue to struggle to put anything aside for a rainy day – a study from Global Finance and Research found that just under a third of people in the UK have less than £1,500 in the bank, and 15% of people have no savings at all.

With people putting so little aside, it's no wonder that money worries also come out as the number one cause of stress in many consumer surveys, beating concerns about work, relationships or even health.

When you consider some of the underlying causes of stress – being under pressure or not having control over the outcome of a situation – it underlines why helping people understand their financial situation and build up their savings is so important. But assessing someone's financial situation to work out whether they should take out a tracker mortgage or the right mix of savings products is extremely hard to do digitally.

Crunching the numbers

In addition to understanding the customer's situation, you need many different data sources that historically have not been easily accessible. It is complex and difficult to work all that out properly in digital models.

A simple question like "What are the best savings products for me?" requires a lot of knowledge about the customer that the financial advisor does either not have or needs a long time to gather manually.

Today these computations can be automated with the right data sources and technology. Open Banking in the UK is helping to provide data that can make these calculations, and the recent recommendation that this is widened to Open Finance is good news.

But data alone does not provide any special insight. You need the means to bring all that information together to get an accurate understanding of the customer, and artificial intelligence (AI) is providing that.

Using AI to understand customers

AI provides the ability to understand the attitudes and aspirations of customers, rather than just the data. A combination of adaptive questioning and data helps to ensure organisations really understand their customers' needs.

This type of 'soft advice' is what you will also get from a competent human advisor. People rarely know how to explicitly rate their risk tolerance, so the challenge is to infer it by asking concrete, relatable questions and to build a model from that.

By combining AI with human advisors, you can calibrate customers' risk tolerance more effectively. When it comes down to it, algorithms are better at detecting the subtle needs of customers, such as their actual risk tolerance, compared to traditional expert systems, which mainly gauge the hard financial numbers.

We believe AI is the future of finance and ultimately it will have a positive impact on the financial situation of UK consumers.

Next steps:

Festina Finance will be talking about the application and ethics of AI at the BSA's Digital Mutual Conference on 10 October in London.

Investing to stay ahead of expectations

If we want to stay relevant for our members in an increasingly digital world, we need to continue to evolve to help them do business with us on their terms. However, we need to move forward by being true to ourselves – as a major advocate of branches and the value of human service.

*By **RUSSELL FISHER**, Head of Ventures, Nationwide Building Society*

Working with the Fintechs making waves

Expectations of good digital services in financial services are being set by peoples' experiences in other sectors. If we want to keep up, we can't just be the best in our industry, we need to work with those at the cutting edge of technology: the fintech start-ups. To tap into this talent, Nationwide last year launched a £50 million venture fund that has seen the Society partner with such organisations to collaborate on new ways of working. These investments enable the Society to be at the forefront of helping create innovative products and services that benefit our members both now and, in the future, allowing us to deliver our ambitious technology strategy. Again, this needs to work in tandem with our unwavering support of traditional customer channels, such as branches, that our members value so highly. In this way, digital is an excellent enabler that enhances our human service without supplanting it. While we need to accept there will be digital natives, we also need to recognise the value of someone being able to sort out an issue in branch.

Using digital to help customers save

Savings and mortgages are core to what a building society does, so it is no surprise many of the first investments made are in start-ups that help people manage their money or support the housing market. One of the first investments made was in Moneyhub, a financial management platform that uses Open Banking to allow users to get a full picture of their financial situation by consolidating accounts from multiple sources and providers in one place.

> *"digital is an excellent enabler that enhances our human service without supplanting it."*

Most people don't have all their financial products with just one provider, so it's not easy to get a full picture of our finances. The Moneyhub platform uses Artificial Intelligence (AI) with behavioural science to deliver personalised, actionable insights giving people more control over their money. This is particularly beneficial to those who want to save but feel they can't afford to do so. It provides a reality check of where money goes and where savings could be made.

The convenience of digital with the service customers expect

Technology is redefining members' service expectations, and the Society is investing to stay ahead of the curve.

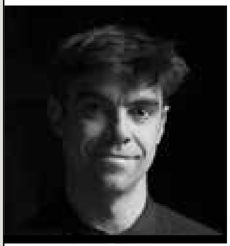
Other partnerships announced so far include:

- **acasa** – a 'property tech' company that takes the hassle out of managing bills in shared accommodation.
- **Hazy** – a data anonymisation platform that uses AI to keep data safe.
- **Scaled Insight** – a company that uses behavioural AI to analyse speech to communicate in language that is most accessible for the user.
- **Ordo** – a request to pay service that helps people pay bills on their terms

These investments ensure Nationwide remains at the forefront of innovation and places it in as strong a place as possible to drive better customer outcomes, by identifying new capabilities and technologies, to ensure we stay relevant to our members. If we don't, they will take their money to someone who does. However, we firmly believe that while digital can provide convenience, it is the people who work for the Society that provide the service that people expect, particularly in times of trouble or when they need advice. Having both elements will help us succeed.

Next steps:

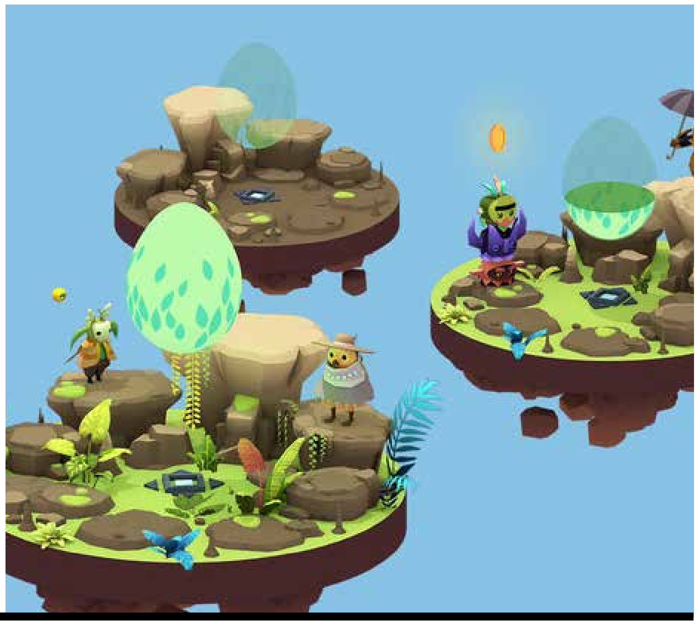
Nationwide will be talking about the future of Open Banking and how mutuals could start to see value from it at the BSA's Digital Mutual Conference in London on 10 October.



What if a game world could get people addicted to saving?

By **MARK WARRICK**, *Chief Design Officer, Thought Machine*

About eight years ago, I made a statement along the lines of, "Let's get people addicted to saving – there is no better addiction than saving money!". At the time, I was told to be careful about saying "addicted", and I get it. The definition of that word is 'a strong desire or need for something', and it brings to mind powerful emotions about being unable to stop doing a particular thing.



Well, many years down the line, I am now using an alpha version of a game-like savings app we've developed called Nestlings that features virtual characters who tuck away money for me every day and I have to admit I am close to being hooked.

Saving has parallels with gaming

It is not easy saving money and it's usually something that causes a fair amount of stress. I have been convinced for a long time that saving money – as well as many other aspects of digital banking – could actually be made fun by drawing inspiration and harnessing technology from other genres, like gaming, music, fashion and art. Why not have a game world on your phone based on your financial transactions in the real world? Why not create a bunch of compelling critters who keep trying to save money for you and who get sad if you refuse their help? If it takes the pain and admin out of having to watch your spending and put money aside manually, it must be worth doing.

Levelling up as the money grows

I have been using the Nestlings app for the last six weeks and it links to a pre-paid debit card which I use for my general spending. The app characters pop up based on my behaviour or from events occurring in the real world. I discovered a character called Shroomo very early on, who offered to round up my purchases, while a beautiful Nestling called Lumin materialised when there was a full moon, offering to tuck £2.00 away for me. After a while, I had a team of five active Nestlings characters all competing to save money for me in different ways. None of them took too much, as I always had the option to say no. Within one week, I had progressed through two levels of the 'game' and my nest egg had £15 inside it. Not bad for doing hardly anything besides letting them get on with it!

> *"Why not have a game world on your phone based on your financial transactions in the real world?."*

A new way to manage finances

Am I the only one who wants to save in this way? I don't think so – I work with people who are equally excited about being "different in the realm", not to mention the fact that 718 strangers have already signed up to the waiting list for Nestlings. A challenger digital bank in the UK wants to provide this experience for its customers and by doing so will engage with a vast community when it does. In our increasingly cashless world, people of all ages want clever ways to handle money and save with zero effort. Revolut has a round-up savings feature in its app that lets you 'accelerate' the change on every transaction by up to ten times. This simple game-like mechanism is joyous, and shows how fun it can be to challenge yourself to do the most mundane of things – to save.

Next steps:

See Mark Warrick talk about ***"Making savings tangible in a cashless society"*** *at the BSA's Digital Mutual Conference in London on 10 October.*

Protecting your members, help them plan for the future

In our ageing population, illnesses such as dementia and Alzheimer's are becoming increasingly common. And while many people think it won't happen to them, it's better to be prepared for the future by putting a Lasting Power of Attorney (LPA) in place now, before it's too late. By planning for the future, your members can not only protect themselves, but also ease the potential burden on their a loved ones in the future.

*By **JAMES ANTONIOU**, Head of Wills & Senior Solicitor, Coop Legal Services*

3 good reasons for your members to take action

- They can choose the appropriate person or people to make important decisions for them
- They can make things easier for their relatives should anything happen to them in the future
- Decisions are more likely to be made in the individual's best interests (Source: www.gov.uk/power-of-attorney)

Planning for the future

If you know someone with dementia or Alzheimer's, you'll know how devastating these illnesses can be – not only for the individual, but also for their family members.

Of course none of us think that it's going to happen to us and hopefully your members will never suffer an illness such as dementia or Alzheimer's, but isn't it better to be prepared, just in case?

> *"Seeing as no one knows what's round the corner, you should encourage your members to make plans before it's too late."*

So is there something we can do to help your members have the peace of mind their affairs will be looked after when the time comes? Many people assume that there's nothing they can do to plan or would presume that their partner or children will automatically take over responsibility for their affairs if they are no longer able to manage.

However, it doesn't quite work like that because their loved ones won't automatically have the legal authority to deal with their affairs. Therefore they'd need to apply to the Court of Protection for a Deputyship, a process that can be both expensive and long-winded.

To prevent loved ones having to apply for a Deputyship Order from the Court, it's possible instead to make a Lasting Power of Attorney. This is a legal document that gives a nominated person the legal authority to make decisions on the individual's behalf.

When to make a Lasting Power of Attorney?

The crucial thing about a Lasting Power of Attorney is that it must be made it before mental capacity is lost. This means it is essential for members to put it in place before an illness such as dementia and Alzheimer's progresses to the stage where they no longer understand the nature and effect of a Lasting Power of Attorney.

Seeing as no one knows what's round the corner, you should encourage your members to make plans before it's too late. If they do lose mental capacity, they will no longer be able to make a Lasting Power of Attorney. The only option for their loved one's would be to apply for a Deputyship order from the Court, making the situation even more stressful at an already difficult time.

It's important to know that a Lasting Power of Attorney doesn't necessarily come into effect immediately. Members can have one in place, ready to be used and if they do lose mental capacity. If this never happens, their Lasting Power of Attorney will never be needed.

Next steps:

For more articles by James please visit ***bit.ly/2knr7sY***

Dates for your diary

The BSA events programme is regularly updated –
Full listings at **bsa.org.uk/events**

Register to attend any of the below events at **bsa.org.uk/events**

BSA Digital Mutual Conference 2019

10 October 2019, London

The BSA's third Digital Mutual Conference brings together building societies, credit unions and financial service providers to focus on key areas of technology, digitisation and fintechs. The event focuses on the application and ethics of artificial intelligence, digital identity in practice and what the future looks like for frictionless customer onboarding. It will also tackle the current and future possibilities of regulation technology, where Open Banking is heading and how mortgage distribution could be revolutionised by digitisation and Open Banking.

There are a number of sponsorship and exhibition opportunities at the event. To find out more please email conference@bsa.org.uk

Cost:
£350 VAT exempt – BSA Members/Associates
£450 VAT exempt – non-members
bsa.org.uk/digitalmutual2019

Operational resilience

15 October 2019, London

While we await feedback from the Bank of England, PRA and FCA on their joint 2018 discussion paper on operational resilience, firms cannot afford to sit on their hands and must start implementing changes now.

This full-day seminar aims to help firms prepare by covering the roles and responsibilities of senior management, outsourcing, helping firms identify and set key tolerance levels for disruption, understand the Regulators' approach and look at other's experiences of embedding a culture of operational resilience.

Cost:
BSA Members/Associates only:
£350 per delegate (VAT exempt)
bsa.org.uk/resilience

Understanding fintech

18 & 19 October 2019, London

Fintech is impacting all aspects of how firms operate, from product, marketing, distribution to compliance, governance and leadership.

This two-day course, in partnership with IFF Training, provides building societies and credit unions with a comprehensive understanding of what fintech is, why it has developed and how it is shaping the future winners and losers in financial services.

This course will appeal to anyone who wants to understand the key technology trends in financial services shaping the future course of the market, from senior teams and non-executive directors to operational heads and product leaders.

Cost:
Members/Associates only: £895 VAT exempt
bsa.org.uk/fintech

Conduct risk and compliance in modern financial services

22 October 2019, Leeds

In financial services, the related functions of compliance and conduct risk are still relatively new. Over the last decade, legal and regulatory requirements on, and expectations of, financial services firms have reached very high levels.

The senior managers' regime focuses on individual accountability and the FCA is increasing its investigations. Good culture and effective senior management are fundamentals, but strong conduct risk and compliance functions are also key to the success of firms and the well-being of their customers. Handled properly, they are not barriers to good business but major drivers of it.

This seminar, in conjunction with Addleshaw Goddard LLP, drills down into risk and compliance functions and examines their practical place in the modern regulatory and risk environments.

Cost:
Members/Associates only: £350 (VAT exempt)
bsa.org.uk/conduct

Annual meet-up for mortgage practitioners

24 October 2019, London

Our next meet-up for mortgage practitioners will explore the areas of 'niche' lending tipped to become mainstream. In a challenging housing market, with transactions stalling and the end of Help to Buy on the horizon, our experts will discuss the future avenues for growth.

Other sessions will include a presentation from the FCA on the outcomes of the Mortgages Market Study, particularly the modified affordability and advice standards. There will also be a discussion on 'green mortgages' and how these might work in practice.

Cost:
£350 (VAT exempt) - BSA Members/Associates
£450 (VAT exempt) - non-members
bsa.org.uk/meetup

Vulnerable adults

21 November 2019, London

Looking after customers who are in vulnerable circumstances and need some extra help to run their finances continues to be a high profile issue for financial services. The highlight of this year's seminar is the presentation by the Lending Standards Board of results from the BSA Vulnerability Review. Other topics include the FCA's new guidance for firms on fair treatment of vulnerable customers, sessions on supporting customers with mental health challenges and victims of economic abuse as well as perspectives from other sectors.

Cost:
Delegates attending at: £175 (VAT exempt)
bsa.org.uk/v-adults