

# SOCIETY matters



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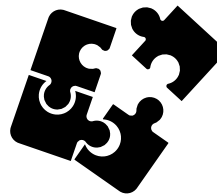
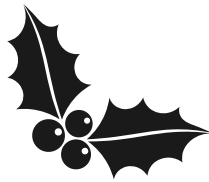
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Hello and welcome to the final 2023 edition of **Society Matters**



As we draw closer to Christmas and the New Year, it is often a time of busy-ness followed by a period of reflection. I hope this edition will help you do just that, with articles to encourage reflection as we head into 2024.

**T**he theme of this issue is mutuality; in particular, the positive impact mutuals are having on the world around them with lots of examples throughout the magazine for inspiration.

Some of these involve collaboration, such as the joint prospectus we recently published ahead of the next General Election with ABCUL, AfM, Co-ops UK and the National Liaison Group of Credit Unions. Robin Fieth, BSA CEO, touches on this and what mutuality means in practice, encouraging us to be confident about what we can add to society, while Debbie Enever, our new Head of External Affairs, goes into more detail about the prospectus.

Other examples of collaborative working to positively impact society include the BSA Green Finance Taskforce, where societies are discussing how best to support their members. A recent seminar focused on workplace savings, hosted by Capital Credit Union, which shared learning with BSA members about how to set up workplace savings schemes and how best to support vulnerable members was covered through the 'No One Left Behind' webinar series.

We also have articles on incorporating mutuality into strategy and measurement, with Peter Hunt of Mutuo explaining what the Mutual Value Measurement framework is. Andrew Haigh, the Newcastle Chief Executive, shares his society's experience of using the framework - and how it has influenced their strategy and how they measure their impact.



To add to all of this we have articles highlighting regulation and member engagement. Prioritising the raft of regulatory consultations is the topic of an article by Ruth Doubleday, Head of Prudential Regulation at the BSA, who explains how the BSA's organisational strategy influences how it responds. The Saffron shares its experience of developing its member engagement strategy, culminating in its Member Month - and the impact it has had on its membership numbers, account openings and personal recommendations.

Have a very merry Christmas and a happy New Year!  
**KATE**

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# The positive impact of mutuals

Robin Fieth, BSA Chief Executive, shares the positive impact of mutuals and what Government can do to support the sector.



By **ROBIN FIETH**,  
BSA Chief Executive



“Capitalism tends to destroy its two sources of wealth: nature and human beings” is a saying often attributed to Karl Marx. Apparently he was not that pithy, but the sentiment is close to what he did write in rather less penetrable terms.

Hearing that quote at a recent credit union conference got me wondering, “what about mutuals?” As part of its definition of mutuality, ChatGPT concludes that, in general, mutuality describes the positive, beneficial relationship between different entities or people. We often talk of mutuality as capitalism with a social purpose or social capitalism – making profits or surpluses from our businesses to reinvest in our communities and in the future of our building societies and credit unions for the benefit of current and future generations of members. Implicit in that statement is that we somehow make good profits, that fulfilling our purposes of providing safe homes for members’ savings and savings for their homes or other needs justifies our business models and strategies. In meeting the needs of members and society, not external shareholders, we are not guilty of destroying those two sources of wealth. By and large we would, I suspect, all like to think that is true.

With the next general election no more than thirteen months away, the newly published Co-operatives and Mutuals Prospectus picks up a theme that we have been talking about since Building Back Better was a short lived government campaign as the Covid pandemic started to recede. Along with our partners, we are calling for a new collaboration between co-operative and mutual businesses, government and society. Whatever the

outcome of the election, we want an incoming government to play its part by:

1. Designing an environment which supports the growth of co-operatives and mutuals;
2. Delivering an overarching legislative and regulatory framework to provide a level playing field for co-operatives and mutuals; and
3. Creating and preserving capital to support new and growing co-operatives and mutuals.

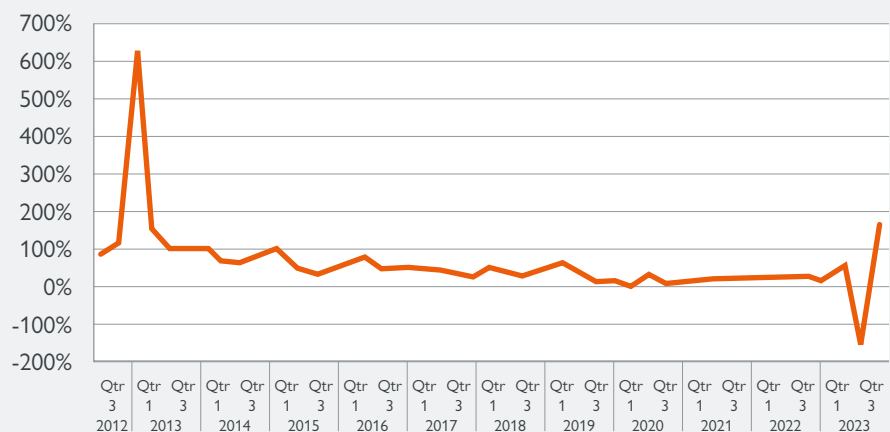
For our part, as the wider community of co-operative and mutual businesses, in return we commit to:

1. Contributing positively to strengthening UK economic resilience through our diversity of ownership model, focus on long-term steady growth and stewardship;

2. Contributing to economic growth, job creation, investment in UK businesses and property, home ownership and household financial resilience; and
3. Returning value to our members and communities today and in the future.

What do we really mean by all that? Picking out the elements that particularly relate to building societies and credit unions gives me an opportunity to share two of my current favourite charts. Looking back to the days after the 2008 financial crisis, it was building societies who led the way, even dominated, the mortgage market. Between 2012 and 2019 our share of the market grew from 20% to 23% and has held steady since then until the current period of turmoil, when we have started taking market share again:

Building society share of net mortgage lending, BoE, BSA

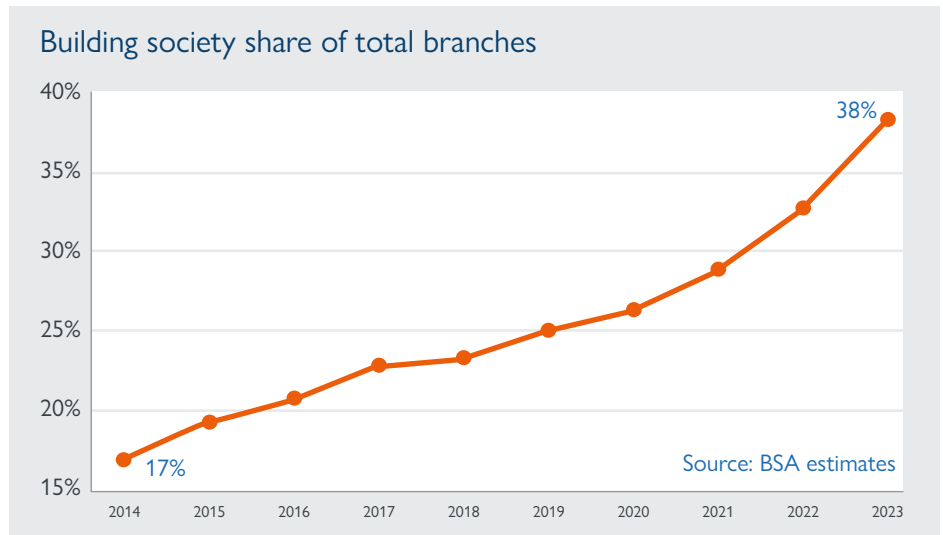




While the UK's retail banks appear intent on closing their branch networks down as fast as they can get away with, despite all the efforts of the Financial Conduct Authority, building societies and credit unions have maintained their commitment to high streets and communities up and down the country. Our sector's share of branch footprint has increased from 17% to 38% since 2014 and seems likely to continue on that trajectory:

That determination to maintain branch networks as visible and tangible commitments to our communities is not just leading to brilliant mutual innovation about the purpose of branches. More and more boards also appear to be focused on renewing the fundamental purpose of their building societies and credit unions, embedding their community activities more deeply in their strategies and thinking far more widely about what matters to their members. Some of the feedback we hear may sound surprising – from AGMs at which building society members applauded their society for making generous cost of living payments to lower paid staff last winter, to plaudits from those same members for societies who have gone out of their way to recruit school and college leavers from their most deprived communities – providing real job and career opportunities to young people most at risk of missing out.

Post pandemic, there has been quite a lot of commentary that this is the time for truly purpose driven businesses to thrive; that society is becoming increasingly tired of exploitation by large corporates overly-focused on maximising shareholder value, and too often short term shareholder value at that. In that spirit, our most recent strategy update for the BSA itself saw calls from members that we should do more to amplify the messages, good works and achievements of the sector. After years of caution post financial crisis, and a decade long campaign by the BSA for government and regulators to recognise the importance of a properly



diverse UK financial services sector with financial mutuals at its heart, it seems that the sector is getting its mojo back. No hubris, no complacency, but a steady and well found assurance that our long term, steady growth models provide a crucial underpin to the country's ambitions for economic growth, for creating a fairer society, and a more financially resilient society.

So as we come to the end of 2023 and look forward to the new year, we should do so with renewed confidence. Perhaps we should also all challenge ourselves about what more we can do to achieve and amplify our purpose, how we can go further in supporting our members and communities in ways that our shareholder owned competitors can't conceive, how we

stand out even more for all the right reasons. In essence, how we play our part in fulfilling that covenant between co-operative and mutual business, government and society.

**Next Steps**

Follow Robin on LinkedIn  
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# The Purpose of Mutual and Co-operative Business in Society



By **DEBBIE ENEVER**,  
Head of External  
Affairs at the BSA

Debbie Enever, Head of External Affairs at the BSA, shares how co-operatives and mutuals are helping tackle the big challenges in society

Anyone working within the building society, credit union, cooperative, mutual insurance or employee-ownership sectors will talk regularly about 'being mutual' 'member ownership' and 'member value', it's just part of our everyday language. But what does it mean to the outside world, and do they understand, and more importantly value, what mutuality really means.

We know that the mutual and co-operative sector makes a significant contribution to the UK economy – research suggests it's around 3.5% of UK GDP. But we also know that mutual value goes much further. Thriving co-operatives and mutuals will deliver:

- An inclusive, growing economy that benefits everyone
- Thriving communities everywhere
- Societal action on climate change and reaching net zero

Examples of this include the following, but there are plenty of others I could have included:

- Mutual businesses represent less than 1% of all businesses in the UK, but they create 1.45% of all employment
- Savers with building societies received £1.5 billion more in savings interest than they would have received from the major banks<sup>1</sup>
- More than 130,000 ordinary people have invested over £210 million, to benefit their communities through the co-operatives Community Shares programme<sup>2</sup>

In short, co-operatives and mutuals help to strengthen economic resilience, contribute to growth and increase consumer choice, whilst also delivering value to their members, rather than external shareholders. By offering a competitive alternative to shareholder-owned businesses, we are essential for the UK to build an inclusive, growing and diverse economy.

The trade bodies of co-operatives and mutuals – the Association of British Credit Unions, the Association of Financial Mutuals, Co-operatives UK and the BSA – have therefore joined forces to call on the next Government to play its part in creating a new covenant between co-operative and mutual businesses, government and society. It should be a covenant characterised by purpose-driven



businesses working for the benefit of our communities and our society.

In our joint prospectus we are asking the incoming Government to:

1. To create an environment that supports the growth of co-operatives and mutuals by fostering corporate diversity and placing them at the heart of their economic strategy
2. To deliver an overarching legislative and regulatory framework that enables mutuals and co-operatives to meet the needs of the communities they serve and compete fairly with other businesses
3. To create and preserve capital to support new and growing co-operatives and mutuals

Measurement	2022
Number of Businesses	9,113
Revenue	£87.9bn
Memberships	74 million
Employees	Over 433,000

The 25 page document outlines the benefits the co-operative and mutual sector brings to the UK, with lots of inspiring examples of the different ways we demonstrate mutuality in action.

We launched the prospectus in November and are planning a series of parliamentary events across the UK in the new year to engage with politicians from all parties. We hope these sessions will help build their understanding of the value co-operative and mutual business bring to the economy as well as garnering their support for the actions we require to maintain that value.

The prospectus and the parliamentary events are just to start of the conversation, as trade bodies we will both individually and collectively continue to engage with politicians, policymakers and the regulators to convey our messages, and we would encourage individual organisations to do the same.

One final statistic to leave you with ... the total membership of UK co-operative and mutuals is greater than the total population of the UK. I do hope you will take time to read the prospectus.

## Next Steps

Read the report at [www.bsa.org.uk/media-centre/press-releases/the-mutual-and-co-operative-sector-is-calling-on-the-next-government-to-back-business-with-purpose-b](http://www.bsa.org.uk/media-centre/press-releases/the-mutual-and-co-operative-sector-is-calling-on-the-next-government-to-back-business-with-purpose-b)

<sup>1</sup> In the 12 months to March 2023

<sup>2</sup> Since 2012

# Measuring our value



By **PETER HUNT**,  
Managing Partner,  
Mutuo

**One of the greatest challenges for co-operatives and mutuals is to be able to identify and communicate consistently the total value that they create. Being the only framework designed with co-operatives and mutuals in mind, The Mutual Value Measurement Framework allows all mutual organisations, including building societies, to do this.**

**The Framework uses six dimensions to cover the unique areas of value that mutuals generate, but they are all linked:**



**Commerciality** refers to the sustainable economic value generated through operations for current and future members.



**Shaping Markets** refers to the value created by a mutual's existence in the marketplace and how they create and maintain, or shape sustainable, competitive markets.



**Member Relations** is the value created by building and maintaining meaningful, sustainable relationships with members.



**Community Relationships** are the strong and sustainable relationships built with the broader community in which the mutual operates, including those who may not be members of the mutual.



**Ecosystem and reciprocity** refer to the organisation and other stakeholders thriving in a mutually beneficial, sustainable ecosystem.



**Mutual Mindset** underpins each dimension and refers to ethical, sustainable behaviour and consistency with co-operative and mutual values.

Mutuals from a range of industries have applied the Framework in Australia, the UK and the United States. They have used and integrated the Framework into a wide range of important business activities including, but not limited to, enhancing business strategy and communications, aligning priorities of various stakeholders, and improving member relationships.

In a world where corporations are inspired by mutual-like language and portray themselves as purpose-oriented, the Framework gives mutuals an authentic shared language when communicating their total value to members, other mutuals, and wider society.

### Next Steps

To find out more, go to [www.mutuo.coop](http://www.mutuo.coop)

# Mutual Measur

Andrew Haigh, CEO, Newcastle Building Society, shares his experience of using the Mutual Value Measurement framework.

**A**s with all things for Newcastle Building Society, our experience with the mutual value measurement (MVM) framework starts with purpose.

We're a purpose powered organisation: We "Connect our communities with a better financial future".

Purpose is at the very heart of our organisation, it is our 'why' and in many ways through the five pillars that describe our purpose, our 'how'. The nature of purpose – the reason for which an organisation or group exists - when applied at every level of a business, across its processes, its behaviours, and its decision making, can be a powerful tool for transformation.

Because mutuals exist for their members, commitment to a customer first, purpose-led, delivery and decision-making approach, with absolute clarity about what it aims to deliver for customers, can work to great effect. The model itself gives licence for purpose execution in its most authentic and impactful form, where value may be defined across a much wider spectrum than product and price alone.

Even so, getting to the point on our own purpose journey, where our strategy and our commercial deliverables could be aligned wasn't an overnight process. It took time, and requires constant reflection and reappraisal to ensure it remains current and relevant to changing member needs.

But as part of this journey, we also needed to understand how a purposeful business could not only measure its performance and impact, but also think about strategy in a way that went beyond the standard metrics of financial organisations and investor models.

# Value Measurement in Practice



By **ANDREW HAIGH**,  
CEO Newcastle Building  
Society

That journey was without doubt helped when we came across MVM.

As an early adopter of the framework, there wasn't a great deal of practice to draw from, in our industry or in our geography. We literally went around the world to see how others were using MVM, looking first to Australia, where the model was originally developed by BCCM and Monash University in Melbourne and had started to be implemented in a variety of mutual and co-operative industries.

The MVM framework considers how a mutual's activities add value under each of six dimensions and assesses the relative balance of each dimension.

It does not necessarily follow that a mutual will excel in each dimension – the result very much depends on the focus of the business and the interests of the membership community that it aims to serve. However, when the MVM process was applied to Newcastle Building Society, the framework showed we had strong evidence of value delivery across all dimensions. Taking this historic perspective on our performance and mutual value generation, we began to wonder: how could we use the framework to help us identify our future direction and opportunity too?

*“The nature of purpose – the reason for which an organisation or group exists - when applied at every level of a business, across its processes, its behaviours, and its decision making, can be a powerful tool for transformation.”*

By cross referencing our purpose and the strategic pillars that deliver it against the MVM measurement categories, we started to better define our focus. And having this focus and a hierarchy for our strategic delivery, we moved on to examine where we were already making a difference and to understand the potential scale and impact for value creation in our priority areas.

An iterative approach to refining the distinct areas of value delivery led us to develop eight themes that would define our strategic journey for the years ahead and focus our

path towards those activities and goals that would deliver a real difference for members, powering highly valued customer relationships, which in turn become the power behind the commercial success that sustains the business. That's what we call being, “Powered by Purpose”.

In that way the MVM framework has become a valuable strategic tool at the senior leadership level of the business. In addition to helping us articulate our ambition over a long-term view and helping facilitate discussions with our Board, it also provides a common language for leaders and a narrative to share our ambition with colleagues, while holding ourselves to account with members.

The process of applying MVM has provided a meaningful starting point from which we can also begin to explain the inter-connection between a whole range of metrics. Our net interest margin, our fantastic net promoter score and leading customer experience standards; the value we create from our extensive community activity. What used to sit as discrete areas now knit together as a single strategic story.

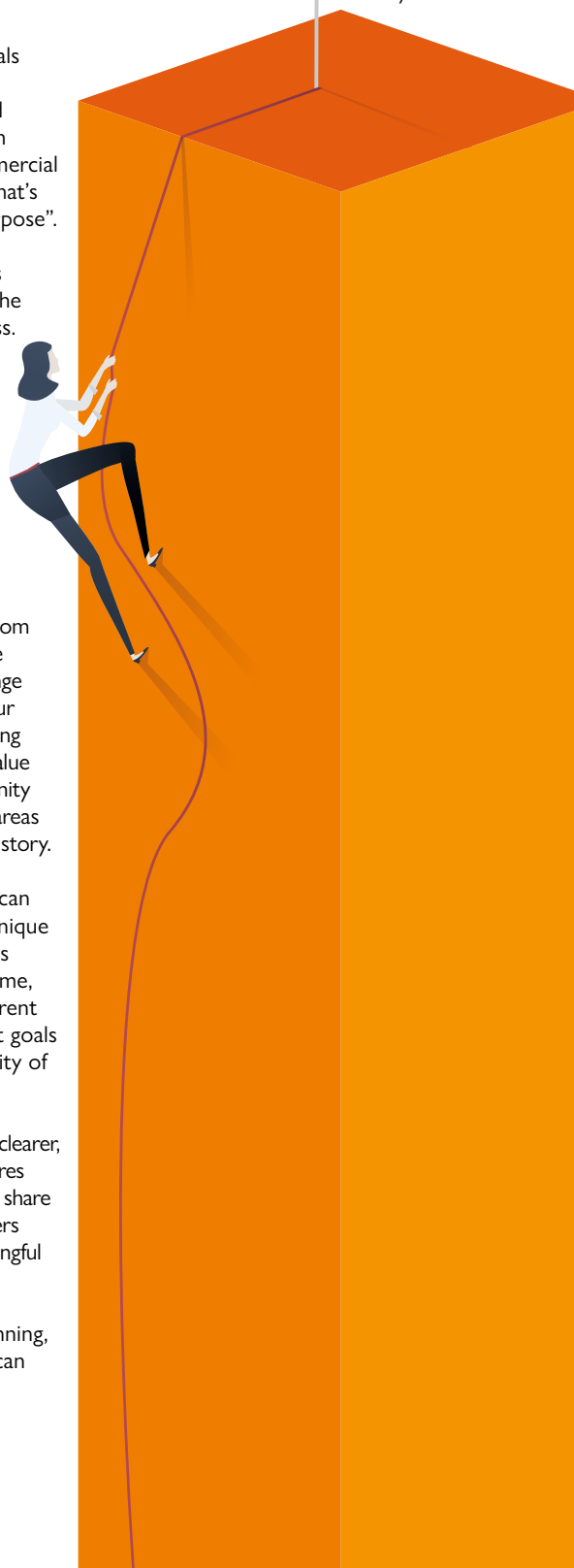
But the real value of MVM is how it can be used to create something quite unique even within the same industry. Just as no two mutual businesses are the same, so the MVM process draws out different findings and directs towards different goals dependent on the context and priority of the mutual business involved.

The MVM has guided us in establishing clearer, more explicit and more focused measures and ambitions to aim for. We intend to share progress against these with our members and wider community as a more meaningful statement of progress and success.

Our journey is really only at its beginning, but we are encouraged by where it can take us.

## Next Steps

To find out more about the Newcastle, go to [www.newcastle.co.uk](http://www.newcastle.co.uk)





By **MARCUS BUCK**,  
Head of Marketing  
Product & Insight,  
Saffron Building Society.

# How a month-long celebration made mutuality more tangible for members

Saffron Building Society's first-ever Members' Month in June 2023 provided a platform to talk about mutuality to members outside of the AGM, and demonstrate the mutual difference in lots of small but meaningful ways.

**A**t Saffron we're on a journey to evolve our mutual proposition to ensure we continue to be relevant to our key stakeholders. It's called the 'For Years To Come' plan, and a key pillar is to improve how we demonstrate the benefits of mutuality to our 100,000+ members across the country.

Of course, all mutuals care about their members and want to engage them in mutuality. The problem is, it's a slightly obscure concept to the average consumer and very hard to communicate it in a way that really interests them. That's why, since joining Saffron 18 months ago, I've focused on using consumer research to break

through the barrier and make mutuality feel fresh and exciting. We've put in place new tools to help us get closer to what they think and feel, set up a 'Members' Room' online feedback community, ran in-depth research groups and mined our customer data to sharpen our segmentation.

Some of the most interesting insights that emerged were around the sort of brands our members really love. Our older and slightly more affluent membership have high affinity with organisations that represent 'modern British' values like sustainability, responsibility and heritage: brands like John Lewis, M&S, the National Trust and English Heritage. Crucially, all these brands are not just about making a profit and they all run schemes that make their customers feel part of something special. For example, M&S has their Sparks loyalty scheme that gives members personalised offers and the occasional free treat in their foodhalls, whilst English Heritage run a Members' Week offering exclusive access to talks and events.

Once we started thinking about Saffron in comparison with other brands outside of financial services, we opened up a whole new set of ideas on how to engage and reward them for being part of a mutual. So, inspired by the various membership schemes out there, we created our own 'Members' Month' in June of this year. It was Saffron's biggest marketing campaign to date and something completely new for us.

The month centred around the theme 'going BIG on the little things', as this felt like an appropriate way to celebrate during



Martin Bayfield at the Big Tea Party



the cost of living crisis. It also allowed us to bring together a lot of smaller acts of thanks and rewards, which added up to a bigger positive experience for our members.

**So throughout June, we offered members:**

- 9% on regular savings with our Small Saver account – the only account to beat inflation at the time
- Free wills via our will writing partners at the Co-op
- A daily prize draw to win £100 - with the good news delivered personally by our contact centre staff
- Surprise & delight free chocolates to regular branch customers, sourced from a local premium chocolatier in our home town of Saffron Walden
- A vote on which regional charity to support with a special donation
- Branch roadshows attended by our Senior Managers and Non-Executive Directors so members could ask questions outside of the usual AGM format

However the flagship event for the entire month was the ‘BIG Members’ Tea Party’ – an exclusive invitation to afternoon tea at Down Hall in Essex (home of Great British Bakeoff). Members were treated to a completely free event with rugby legend Martin Bayfield as an entertaining guest speaker. There were no boring corporate talks, no sales pitches – just a lovely day out for our members to enjoy. We were blown away by the response and had to host a second event to cater for everyone who wanted to come! The feedback from members was very positive:

“Thank you for doing this – a really lovely touch that deepens our connection to the Society.” BIG Tea Party attendee

“Thank you for inviting us. It has made us have a warm family feeling about Saffron Building Society.” BIG Tea Party attendee

Altogether, it was a lot of hard work that involved everyone at Saffron. But the results – and what it represented – were outstanding. By focusing lots of events in one month, united by one theme, it created a bigger impact than spreading everything throughout the year. It gave members the opportunity to pick and mix what they got involved with, ensuring there was something for everyone to enjoy. It allowed us to talk about mutuality in a distinctive and engaging way. And crucially, it did not feel boring or corporate: it was focused on building warm human connections and had high production values.



Surprise and delight chocolates for our Members

**Highlights include:**

- 3.6 x more Members’ Month Loyalty Savers opened compared to similar accounts in previous years
- Huge uptick in website visits throughout the month of June – nearly double the highest viewed page from May
- £3,000 given away to members
- 75% of tea party attendees said the event exceeded their expectations and would make them recommend Saffron to a friend or family member
- 1,007 new members in June (up 59% on the previous month. 78.9% were national compared to local)

And perhaps most importantly, our colleagues loved the campaign; they said it made them feel closer to members and more engaged with their work. The simple joy of calling a member to tell them they’d won £100 or sitting next to them at the tea party for chat really helped demonstrate why working for a mutual feels different to a bank.

In conclusion, we’re delighted with how our first Members’ Month went: it gave us a platform to talk about mutuality to all our members outside of the AGM, and demonstrate the mutual difference in lots of small but meaningful ways. The comments we received from members really supported this: many of them said it really stood out for them as something different compared to other financial services providers. All of this came from thinking about other brands our members love, and taking inspiration from other sectors to create our own celebration of mutuality.

And yes - we’re already planning Members’ Month 2024 and have lots more surprises in store for members old and new!

**Next steps:**

Visit [saffronbs.co.uk](http://saffronbs.co.uk)

For more information contact Marcus Buck, Head of Marketing Product & Insight at [marcus.buck@saffronbs.co.uk](mailto:marcus.buck@saffronbs.co.uk)

# International Inspiration



We look around the world for examples of mutuality in action.

**While building societies and credit unions operate within the UK, there are some great examples of mutuals operating around the globe.**

## Summerland Credit Union

Summerland Credit Union has around 30,000 members and focuses on residential mortgages. As part of its wider priorities it focuses on four of the UN Sustainable Development Goals, including climate.

In 2022 the residents of South-East Queensland and the Northern Rivers region of New South Wales were facing floods of 11.5m and which ended up being 14.5m high. The scale of the damage was unprecedented with people taking refuge on their roofs. The Lismore community had no access to any cash as all the ATMs were damaged, but the Southern Cross University offered a space to the credit union for community banking.

Summerland invited five other mutuals to join them in the venture and the hub was up and running after four days. They were then approached by Norco, a dairy co-operative, for help in supporting their staff. Together the two co-operatives ensured that Norco workers (whether a member of Summerland or not) received their pay, in cash, so that they could access essential goods and services.

As John Williams, Summerland Credit Union CEO said “We’ve got to be conscious about our profitability, but we do take a long-term view. We’re not necessarily worried about what our performance looks like per se this year. We have the benefit of being a mutual. We take a long-term perspective and we’re not beholden to shareholders looking for that dividend and facing difficult shareholder meetings when you don’t make a profit through a year. Our perspective is more long-term.”

### Next steps

To find out more visit [www.sdcu.com](http://www.sdcu.com)

## The Association of Government Risk Pools

The Association of Government Risk Pools (AGRiP) represents public entity mutual insurance pools in the USA.

AGRiP members currently face two key challenges: the increasing cost of reinsurance in pools puts pressure on member fees to remain stable; and the significant turnover in personnel, experienced at all levels, with long serving staff retiring or moving on and a greater churn in elected representatives. This has meant that keeping member satisfaction high and maintaining strong and cohesive teams are major issues that arise from these challenges.

This created a renewed focus on the necessity to identify and communicate the difference that pools make and the value they provide to members, markets, and wider society. AGRiP addressed this on a sector collective basis, working with 800 directors, 120 CEOs and 350 senior staff across a range of pools. It explored the value its pools created in local communities, and is producing creative and lasting solutions to the key issues.

The coming together of these organisations to address the future of mutuality in their field could be replicated in the UK to address the issues that British co-operatives and mutuals face.

### Next steps

To find out more visit [www.agrip.org/home](http://www.agrip.org/home)

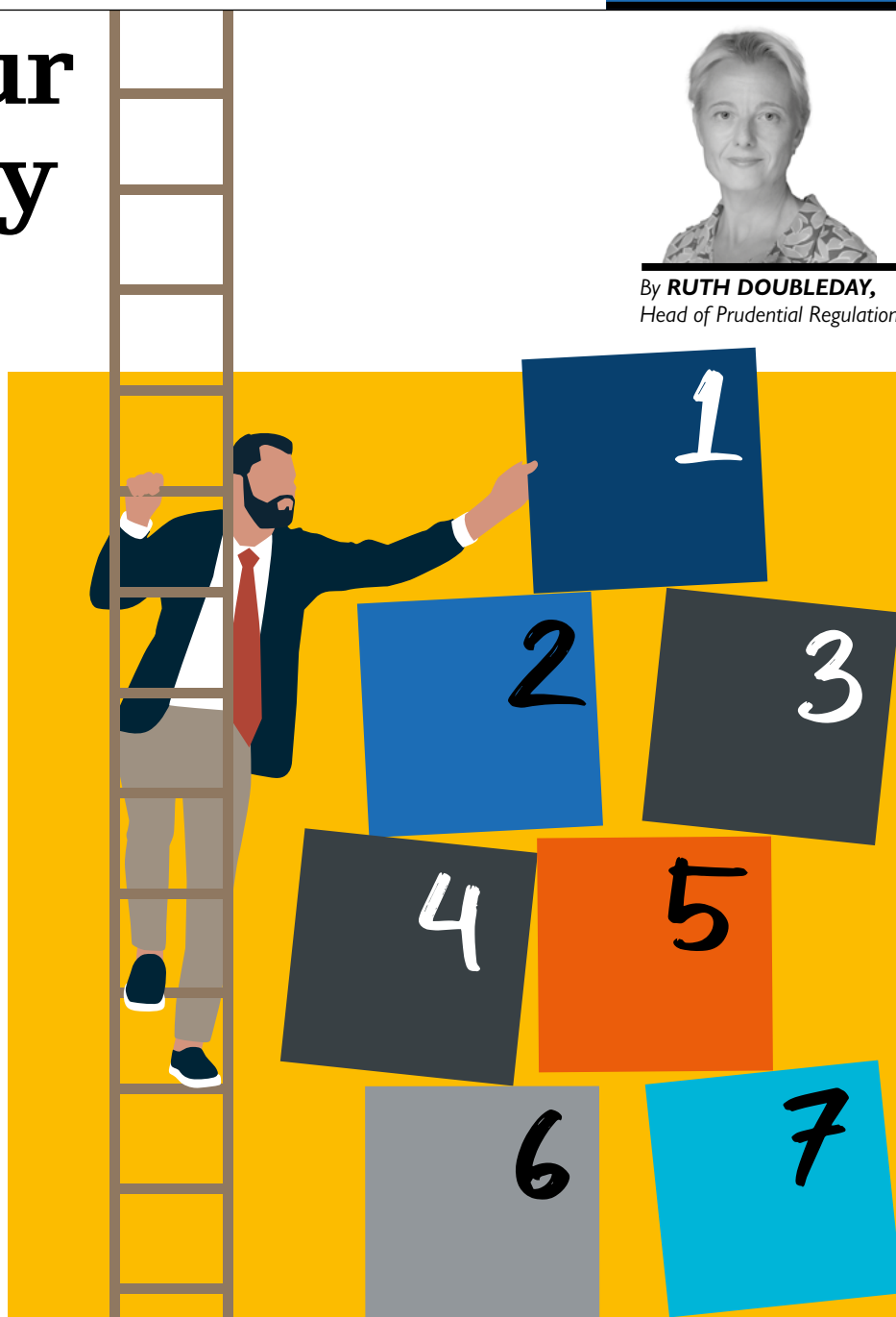
# Setting our regulatory priorities

Ruth Doubleday, Head of Prudential Regulation, explains how the BSA sets its regulatory priorities at the BSA. One of our strategic themes is 'Proportionate and Effective Regulation' – what does this actually mean in practice and how do we deliver it?

For anyone who is signed up to PRA and FCA email alerts, you'll already know that it can be hard to see the wood for the trees. Add in certain government consultations, the FRC, FOS and FSCS and you can spend all your time reading consultation documents.

At the BSA, we review almost every consultation that may affect our building society and credit union members. Sometimes you have to read a whole document just to find out whether or not it applies, but that's all part of the service. We hope that by doing this, you don't have to! We then prioritise our work. For certain consultations, we may choose not to comment, although these are rare. At the other end of the scale, we might set up a BSA working group to get lots of input from our members to include in our response.

You might think that we spend all our time reviewing and responding to CPs. That's not actually the case. By the time a CP is published, a lot of work has already gone into it by the regulators. A far better time to influence and help shape their thinking is early in the process. Sometimes we might respond to a Discussion Paper (DP) or we might share our thoughts with them proactively, before they have said anything publicly. We pick up clues on what they are thinking from subtle references in their communications, such as speeches. For example, we sent a private letter to Andrew Bailey at the Bank of England on FSCS reform in light of Silicon Valley Bank. He responded and thanked us for sharing our thinking. All of this happened before any official consultation, and we hope once they do consult they will have considered our views.



By **RUTH DOUBLEDAY**,  
Head of Prudential Regulation

## So, what are our current regulatory priorities?

For prudential policy, Basel 3.1 and Strong & Simple are the main priorities as these have the potential to increase capital requirements, and to simplify the framework. We gathered data to show the potential impact on capital ratios for a selection of societies – 18 societies took part which was excellent. Data is a very good way of supporting our case!

For credit unions, our priority is supporting the implementation of the recently revised supervisory statement. This is another example of where our support goes beyond the issue of final rules and into the implementation period.

On the conduct side, we have a number of priorities including the FCA's Consumer Duty,

Mortgage tailored guidance and Diversity & Inclusion (D&I). On the Consumer Duty and D&I, we had very early and strong engagement helping shape their approach through informal dialogue pre-publication of their discussion papers, and in our formal responses. Our regular engagement with members on both of these subjects has meant that we have been able to feedback to regulators informally as well as formally on their planned approach (and on a non-attributable basis).

We are always interested in what our members think. Do you think we are prioritising the right things or are there other regulatory areas where you would like more support from us?

## Next Steps:

Let Ruth know your thoughts on this topic on [ruth.doubleday@bsa.org.uk](mailto:ruth.doubleday@bsa.org.uk)



By **CHRIS BUSEY**, BSA  
Policy Manager

# Decarbonising housing: supporting members in the transition to Net Zero

Chris Busey, BSA Policy Manager, shares what the sector is doing to help people decarbonise their homes.

**D**espite the Prime Minister's recent relaxation of some Net Zero measures, there is an air of inevitability in the housing sector when it comes to home energy improvements. Rishi Sunak announced a delay in phasing out home fossil fuel heat sources to 2035, an exemption for roughly one-fifth of homes when that requirement does come into force, and the scrapping of proposed minimum energy efficiency standards for the private rented sector.

However, the sector continues to press on in the face of two inescapable truths:

- 1) residential housing accounts for 17% of the UK's total emissions\* and 2) our 2050 Net Zero commitment is enshrined in law. Meeting that commitment will require a herculean effort to decarbonise housing.

The Government even realises the scope of the challenge, simultaneously announcing increased grants for heat pump installations whilst walking back other requirements. The goal is clear but the path to reach it is not.

The question for building societies, then, is how best to support their members in ensuring a transition to Net Zero. As with the broader challenge of decarbonisation there is no single answer, and innovative solutions will be required from across the sector. Many of our members are already exploring ways to help. The Hinckley and Rugby is partnering with two separate vendors to pilot a one-stop shop model for home retrofits. The customer journey being developed there would guide and support members from the beginning of a project through the completion and verification

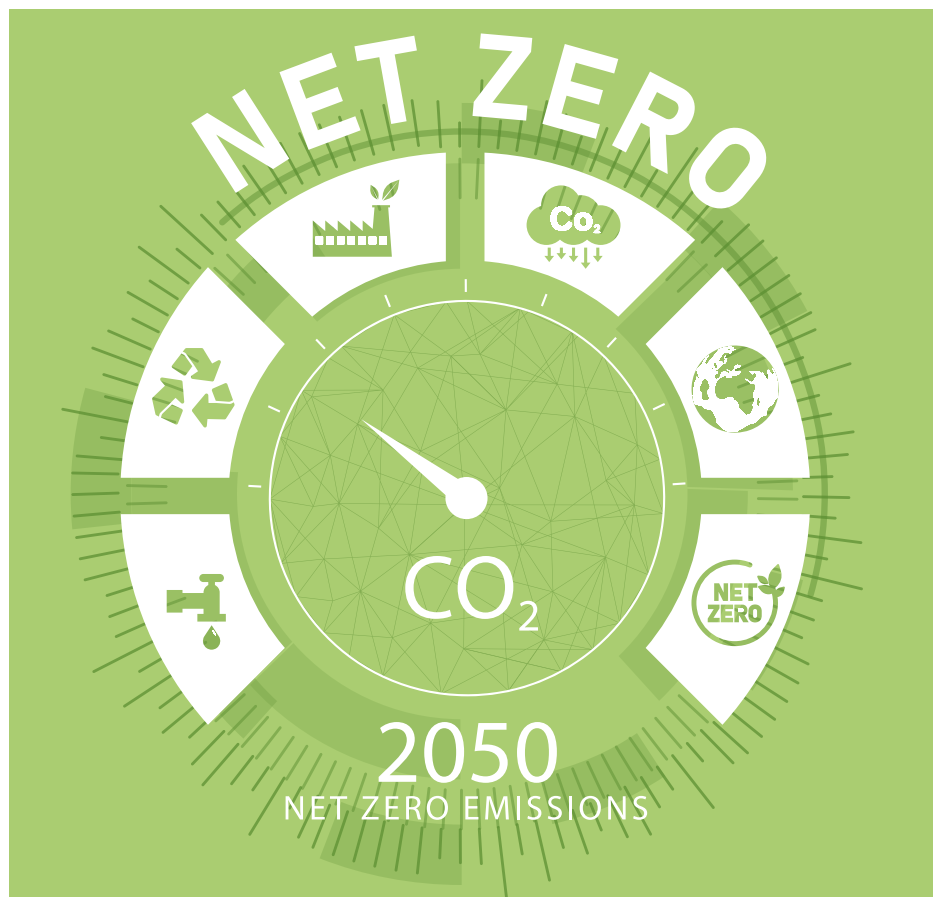
of works. The Leeds has incorporated energy efficiency into its affordability model to reflect the running-cost savings from efficient new builds. Lower energy bills translate into higher affordability and lending potential. The Skipton and the Melton are offering free EPC Plus assessments to their members along with retrofit coordination services. The Ecology has partnered with sustainable offsite modern methods of construction homebuilders and has introduced innovative green mortgages that deliver greater discounts for higher levels of efficiency. The Nationwide is testing a 0% green additional borrowing product. A number of members are providing energy savings tools and recommendations for home improvements through partnership with the Energy Saving Trust. The list goes on.

Members are also working together through the BSA Green Finance Taskforce. The group is working to drive greater take-up of green finance products and increase home retrofits by calling for a comprehensive decarbonisation strategy from Government and improving consumer awareness and engagement.

The common theme underpinning each of these efforts reflects the motivation that has animated building societies from their inception: to support their communities and members in meaningful ways. Whilst mutuals have evolved dramatically in the 250 years since the founding of the first building society, the concept of mutuality still pervades and ensures our members' commitment to their communities. The ways this commitment is manifested will continue to evolve, but it will remain important to meet the modern challenges facing communities and home owners. The inevitability of decarbonisation means that households that may already be struggling to meet rising energy prices and mortgage costs may be asked to shoulder another burden of decarbonising their homes. Building societies can play a crucial role in easing this burden and supporting members as they always have.

**Next steps:**

To get involved in the Green Finance Taskforce, contact [chris.busey@bsa.org.uk](mailto:chris.busey@bsa.org.uk)



# No One Left Behind



By **ROB THICKETT**,  
BSA Digital Policy Manager

From a possible digital pound, to apps on our phones, platforms and changes to the way we use branches, there is a risk that the rising tide of technology does not raise all boats.



**T**his series of events in 2023 provided information for building societies and credit unions through a range of presentations, Q&A panels, and interactive workshops on which groups are particularly exposed, and how technology can support different types of vulnerable customers.

While paper-based passbooks and in-branch service remained the primary means by which members engage with customers, the series of webinars considered not just how these forms of engagement could be improved, but how digital tools could overlay and augment customer engagement in the future. Topics ranged from digital inclusion to considering older customers, and from inclusive design to branch innovation.

The No One Left Behind series of events highlighted the different considerations for vulnerable customers and how this informs the design choices of members as they increasingly digitise services.

## Top tip from each of the events:

### 1) Inclusive design: Exploring concepts of inclusive design throughout product development.

**TOP TIP:** When beginning to design a product or service, bear in mind that improvements made to your offering to support vulnerabilities can positively impact all of your customer's experiences.

### 2) Digital inclusion: Making the link between digital and financial inclusion and their impact.

**TOP TIP:** Not having access to the internet, or having the right knowledge and skills to navigate it, can link to people having poorer financial health. As a natural community hub, building society branches could provide digital skills training to support their customers in accessing their banking digitally.

### 3) Older people and people living with dementia: Ensuring communications and products are appropriately offered.

**TOP TIP:** Where new technology is introduced, needs and usability need to be signposted in the design stage, with positive experiences helping to drive up adoption that will benefit older people.

### 4) Understandable communications: Discussing the accessibility of products and services for different ranges of customer financial literacy.

**TOP TIP:** Numbers do not come naturally to most humans, with 4 out of 5 adults having the numeracy skills below those expected of a 16 year old. There needs to be consideration about the presentation of numbers so that as broad a range of people can understand them, irrespective of their numerical abilities.

### 5) Supporting customers via branch technology: Considering how digitisation and automation can assist existing services.

**TOP TIP:** Digital Identity is coming, and governments across the globe are pushing and moving ever closer to enforcement and adoption, with tools available for in-branch verification, in addition to customers without mobile phones.

### 6) Branch innovation: Tackling how modern branches can better engage with new technologies and future generations.

**TOP TIP:** Passbooks are a key point of difference for building societies. If it is financially viable and the technology continues to be supported, then maximise this as a USP for the sector.

## Next steps:

The No One Left Behind event series will continue in the coming months, with joining information available on the BSA website. For the full members report with further detail on the sessions and more tips to takeaway, please head to [www.bsa.org.uk/members/policy-areas/policy-briefs/bsa-no-one-left-behind-workshops#No%20One%20Left%20Behind%20-%20Season%201%20report](http://www.bsa.org.uk/members/policy-areas/policy-briefs/bsa-no-one-left-behind-workshops#No%20One%20Left%20Behind%20-%20Season%201%20report)



# Boosting financial resilience through workplace savings



By **DARCIE SMITH**,  
BSA Savings Policy

Workplace savings are an offering growing in popularity and their benefits for employees include less problem debt; better mental health; higher productivity; and more money saved for retirement.<sup>1</sup>



**A**s part of its UK Strategy for Financial Wellbeing, MaPS noted that there are many benefits in boosting financial resilience, and that the workplace can be a critical delivery channel to improve individual's financial wellbeing. This resonates with employees too - the BSA found that 62% of survey respondents thought that employers should care about their employee's financial wellbeing.<sup>2</sup>

In November, the BSA hosted a workshop for members alongside Capital Credit Union and the Money and Pensions Service (MaPS) to delve into the research supporting workplace savings, the benefits and barriers of offering them, and on the operational processes for providers considering setting up workplace savings for their local employers.

Various providers entering the workplace, with financial education, wellbeing and salary advance service offers are growing. The provision of workplace savings schemes is an increasingly competitive market, and 34% of employers offer or plan to offer pay-as-you-earn savings scheme in the next two years.<sup>3</sup> Exciting new research from Nest Insight has gone even further and discovered the benefits of offering an opt-out service, finding in their recent new worker trial that around half (46%) of new workers save under the trial's opt out approach, and opt-out auto savers build higher balances on average compares to opt-in.<sup>4</sup>

**Marlene Shiels, CEO of Capital Credit Union, a leading provider of workplace savings for local employers, provides some insight into the why and how of this type of savings product**

## Why are workplace savings so important?

We are all aware of the statistics in the UK right now in relation to the lack of financial resilience faced by many. 17.4m people with less than £300 in savings, 20.3m people relying on benefits to make ends meet – many of whom are in work, but still don't have financial security.

Workplace savings help people to build financial security, and are a nest egg for unexpected emergencies, a way to plan for future purchases, a financial security blanket, and peace of mind.

## Workplace savings are also good for employers.

Investing in your greatest asset, by allowing and encouraging workplace savings, helps staff to build financial resilience. It also helps staff to be more productive, as research has proven that staff who are dealing with a financial crisis are less productive at work. Sick days due to financial crisis are also reduced. A win-win for staff and employers.

## Capital Credit Union has been offering payroll savings since its inception over 34 years ago.

Now working with over 85 employers, who all see the benefits of supporting their workforce by providing free access to payroll savings, the credit union also provides access to low-cost borrowing, mortgages and a range of other products.

Payroll savings must be a true partnership to have impact. It takes effort from both the employer and the financial institution. But the rewards are significant for the employee who is building financial security, the financial institution is building its membership, and the employer maintains or improves productivity.

Capital Credit Union has built its business model around payroll savings. It makes sense for the organisation on several levels; it also allows the credit union to build a robust financial inclusion agenda for those members with fewer financial choices.

## Next steps:

*If you are interested in learning more about offering workplace savings, please contact [darcie.smith@bsa.org.uk](mailto:darcie.smith@bsa.org.uk)*

1 Nest Insight, Building a nation of savers via the workplace, 2023  
 2 BSA, Boosting financial resilience and wellbeing through workplace saving, 2022.  
 3 REBA, Financial Wellbeing Research, 2023.  
 4 Nest Insight, Opt-out autosave at work, figures 4 and 6, 2023.

# Conscious Lending: The Changing Landscape of Mortgages



By **KATIE PENDER**,  
MD, Target Group

The issue of fairness and accessibility in mortgage lending has never been more relevant. While banks have been slow to raise interest rates for savers, the same cannot be said for mortgage holders, with those remortgaging in 2024 set to pay an extra £2,900 a year due to higher rates.

This additional cost per year is difficult for many to accommodate, but when you factor in vulnerable customers or those with complex needs, we start to see a worsening picture.

There are two groups in particular that spring to mind in this regard – mortgage prisoners and older mortgage holders, who might want to release equity from their properties.

There's an estimated 200,000 mortgage prisoners in the UK. While the Financial Conduct Authority (FCA) suggests that around a third of these should be able to switch, it's not certain, leaving thousands of people trapped in a home they can no longer afford, and seemingly no way out. Affordability rules prevent them from pivoting onto cheaper deals, leaving them hostage to rate rises.

While a combination of the Consumer Duty, the Mortgage Charter and Responsible Lending Rules and Guidance have helped in terms of setting out frameworks for lenders to work to, there's still the issue of no clear guidance in terms of what should be done if people can't afford their loans. Forbearance has been used as a stopgap – but we all know this is meant for short-term circumstances, not an ongoing fix.

Those who have chosen to release equity from their properties are in a similar boat – the interest they might be liable for can suddenly ratchet up, but for many drawing from their pensions, the opportunity to ask for pay rises to cover the difference is just not possible.

The evidence couldn't be clearer – the UK needs to develop better affordability assessments and stress test against market instability. This can be achieved by utilising a wide range of data sources, APIS and economic modelling.

We must look at collaborative efforts between banks, credit unions, and specialist lenders to provide more accessible refinancing options. It's also time to explore innovative financial products and services. These could include longer term

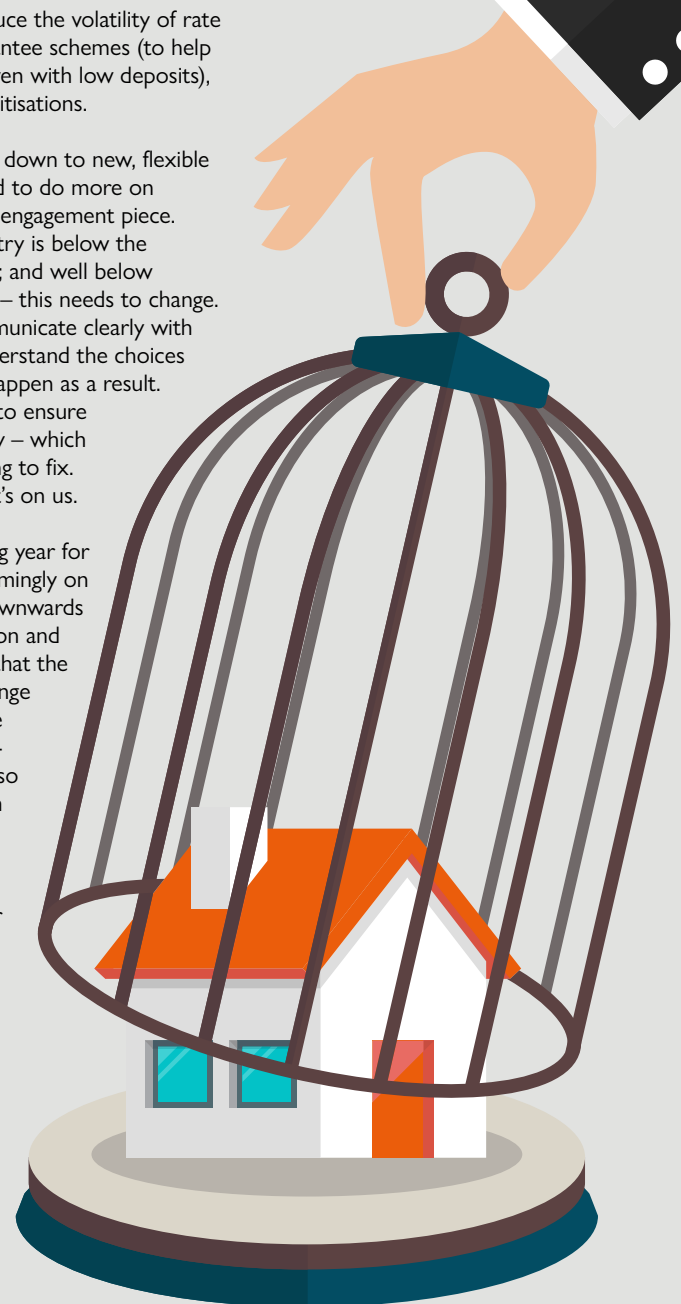
fixed mortgages, to help reduce the volatility of rate rises, extend mortgage guarantee schemes (to help drive a willingness to lend, even with low deposits), or introduce mortgage securitisations.

However, it's not completely down to new, flexible product innovation. We need to do more on the customer education and engagement piece. Financial literacy in this country is below the average for OECD countries; and well below France, Norway and Austria – this needs to change. We need to be able to communicate clearly with customers, so they truly understand the choices they make and what might happen as a result. To achieve this, we do need to ensure greater levels of transparency – which the Consumer Duty is helping to fix. However, in the meantime, it's on us.

2024 is shaping up to be a big year for the UK, with an election seemingly on the horizon and potential downwards movement in terms of inflation and interest rates. It is my hope that the industry also sees a step-change next year – working with the government to create a long-term housing strategy, but also addressing pain points – such as mortgage prisoners or vulnerable customers – to help ensure lending practices are reformed and a more fair and accessible market is put in situ.

## Next steps:

See how Target are revolutionising the mortgage industry  
Mortgage Originations  
Software | Mortgage Hub  
([targetgroup.com](https://targetgroup.com))





# **Building Societies**

## **Annual Conference**

**MANCHESTER  
8&9 MAY 2024**

We look forward to welcoming all of our members, associates, colleagues and guests to next year's Building Societies Annual Conference.

The conference will be held at Manchester Central Convention Centre on 8&9 May 2024, with the conference dinner taking place on 9 May at Manchester Cathedral.

For full details and to register your place visit the conference website.

[www.bsaconference.org](http://www.bsaconference.org)