A Comparison of UK Banks and Building Societies Service Quality: Evidence from Google Review Data

Alessio Bongiovanni, Joshua Cave, Danilo V. Mascia

University of Leeds

Abstract

This report develops the first comprehensive branch-level measure of service quality for the UK retail banking sector using Google review data collected from 4,438 branches and more than 159,000 customer reviews covering the period 2009-2025. The analysis compares service quality across 65 banks and building societies and examines its relationship with key banking outcomes. We find that building societies consistently outperform commercial banks on customer-rated service quality, with higher average ratings across institutions, regions, and time. The Google review-based measure is validated against FCA complaints data, showing that institutions with higher service ratings receive fewer complaints. We also find that stronger service quality is associated with greater deposit and lending growth, highlighting the economic value of customer experience. Finally, areas with a greater presence of building society branches exhibit higher service quality among competing banks, suggesting positive competitive spillovers.

1. Introduction

The quality of service delivered at the retail branch level is a fundamental, yet underexplored, dimension of competition in the UK banking sector. While policymakers, regulators, and academics have long examined how banks compete on price, market structure, and financial performance, considerably less attention has been paid to how financial institutions differ in the quality of service they provide to customers at the point of contact. This gap is consequential: branch-level service quality shapes public trust in financial institutions, influences deposit and lending behaviour, affects financial stability, and has distributional consequences for local communities that depend on physical branch access.

The institutional composition of the UK banking market, in which mutual building societies coexist with shareholder-owned commercial banks, makes this question particularly important. Building societies are mutual organisations owned by their depositing and borrowing members, rather than external shareholders. This ownership form generates fundamentally different incentive structures from those of investor-owned commercial banks. Rather than maximising shareholder returns, building societies are oriented towards the long-term welfare of their membership base and the communities they serve (Casu and Gall, 2016; Fonteyne, 2007). A large international literature on cooperative and mutual banking has documented that these structural differences translate into more stable earnings (Hesse and Cihak, 2007), higher loan-to-asset ratios, lower exposure to derivatives, and more resilient performance through financial crises (Becchetti, Ciciretti, and Paolantonio, 2016). A separate strand of the literature has shown that cooperative banks are associated with measurably better local economic outcomes (e.g., more income growth, employment, and new firm formation), than conventional commercial banks (Coccorese and Shaffer, 2021). Yet despite this body of evidence on the broader performance and

local economic role of mutual institutions, there is no systematic empirical evidence on whether these structural advantages extend to the quality of service delivered at the branch level.

This research project addresses that gap by constructing the first comprehensive, real-time measure of branch-level service quality for the UK banking sector, drawing on data from the Google Maps Cloud API. Using a sample of 65 institutions,[1] 4,438 branches, and over 159,000 Google reviews collected between January 2009 and August 2025, we develop a continuous, time-varying, and geographically granular measure of customer-perceived service quality. This measure enables systematic comparisons of service quality across institutional types and local market geographies, and allows us to estimate the relationship between service quality and core banking activities.

Our analysis is also motivated by three interconnected policy concerns. First, the FCA's Consumer Duty regulation, which came into force in 2023, requires firms to demonstrate the quality of outcomes delivered to retail customers. A credible, real-time, branch-level measure of service quality is of direct value to regulators seeking to monitor compliance at a granular level. Second, measuring service quality has historically been difficult: existing survey-based approaches (e.g., the Ipsos personal banking rankings) offer institution-level snapshots but lack the branch-level granularity and temporal frequency required to study how quality varies within institutions across regions and over time. By exploiting the scale and geographic specificity of online review data, this project provides a more granular and more timely measure than existing alternatives. Third, the relationship between bank service quality and financial intermediation outcomes (*inter alia*, deposit growth and lending growth) has received little direct empirical attention. Prior work shows that poor service quality triggers deposit outflows (Jou et al., 2025),

[1] In this report, we use the terms "institutions" and "firms" interchangeably to refer to banks and building societies.

but the positive counterpart (i.e., whether high service quality systematically attracts and retains deposits) has not been tested using branch-level data for an entire national banking system.

Our main findings can be summarised as follows. We first document that building societies consistently outperform commercial banks on service quality across the entire 2016–2025 period, with building societies clustering at the top of the service quality distribution while commercial banks occupy the lower end. This gap is visible in both institutional and geographical cross-sections. We then validate the Google review-based measure against FCA complaint data, establishing that higher-rated institutions receive significantly fewer customer complaints per 1,000 accounts. Finally, we provide evidence that service quality has measurable consequences for core banking activities: institutions with a higher share of branches with service quality above the median in their local markets experience stronger deposit and lending growth, and local areas with a greater share of building society branches are characterised by competing bank branches with higher average service quality, suggesting a positive externality from the mutual sector on the broader competitive environment.

The remainder of this report is structured as follows. Section 2 reviews the relevant literature. Section 3 describes the data and the construction of the service quality measure. Section 4 presents the main empirical findings. Section 5 concludes with policy implications and directions for future research.

2. Literature Review

2.1 Service Quality as a Strategic Competitive Tool

A growing body of research has examined service quality as a strategic competitive dimension in banking, distinct from price-based competition. Dick (2006) shows that

improvements in service quality, particularly through branch network expansion, are associated with higher operating costs and service fees, as depositors are especially sensitive to non-price attributes such as branch convenience and accessibility. Building on this, Dick (2007) finds that dominant banks invest heavily in service quality as an endogenous sunk cost, erecting barriers to entry and enabling institutions that invest in quality to sustain large market shares. Berger and Mester (2003) demonstrate that quality expenditures tend to raise revenues by more than the associated costs, enabling banks to maximise profits by preserving or expanding market share. Ho (2012) shows that non-price attributes such as branch networks and service quality significantly influence depositor demand, with consumers exhibiting a measurable willingness to pay for these features. Taken together, these studies establish that service quality is not merely a reputational amenity but a strategic asset with direct implications for competitive position and balance sheet performance, which is a conclusion strongly supported by our own results.

The competitive dynamics of service quality are further shaped by how customers respond to rivals' quality choices. Buell, Campbell, and Frei (2016) show that when service quality competition intensifies, high-quality incumbents face higher defection rates, especially among their most profitable customers, reflecting a sorting of consumers based on sensitivity to quality versus price. This finding has direct relevance to our spillover analysis: if building societies consistently deliver higher service quality, their presence in a local market creates competitive pressure that disciplines commercial banks to raise their own standards to retain customers. Moreover, Shi, Nguyen, and Wang (2023) document that banks facing short-run earnings pressure reduce service quality by cutting staffing and training expenses, generating more customer complaints. This earnings-quality trade-off is structurally less likely in building societies, which face no quarterly earnings expectations from external shareholders.

Recent work exploiting complaint data from the U.S. Consumer Financial Protection Bureau (CFPB) establishes additional channels through which service quality influences financial intermediation. Hayes, Jiang, and Pan (2021) show that complaint disclosures discipline banks into reducing fees and improving service quality, particularly in low-trust communities. Fuster, Plosser, and Vickery (2021) find that CFPB oversight improves mortgage servicing quality alongside a tightening of risky credit supply. Dou, Hung, She, and Wang (2024) show that disclosure of severe complaints allows rival institutions to identify service weaknesses and expand into affected markets. Jou et al. (2025) demonstrate that service quality complaints trigger uninsured deposit outflows, raising funding costs. Bertsch, Hull, Qi, and Zhang (2020) find that poor service quality drives depositors to substitute away from traditional banks toward online lending platforms. Together, this literature frames our empirical contributions: we establish the mirror image of these findings, showing that high branch service quality attracts and retains deposits and lending, and that the presence of high-quality mutual institutions disciplines the standards of the entire local banking market.

2.2 Measuring Service Quality: From Surveys to Online Reviews

The measurement of service quality has a long tradition in marketing and management research. The SERVQUAL framework (Parasuraman, Zeithaml, and Berry, 1988) conceptualises service quality along five dimensions—tangibles, reliability, responsiveness, assurance, and empathy—and has been applied extensively in retail banking (*inter alia*, Avkiran, 1994). In the finance and economics literature, advertising expenditure (Belo, Lin, and Vitorino, 2014) and brand perception indices (Dou, Ji, Reibstein, and Wu, 2021) have been used as measures of firm-level intangible assets (such as brand capital and customer capital), while the CFPB complaint

literature reviewed above adds regulatory disclosures as a further source of service quality signals. All of these approaches share a common limitation: they are either aggregated to the institution level, available only at low frequency, or reflect a narrow slice of customer experience, and therefore cannot capture the branch-level, time-varying heterogeneity that is essential for understanding local competitive dynamics.

The use of online consumer review data is a more recent development. Luca (2016) shows that Yelp reviews carry meaningful information about restaurant quality and predict revenue. Anderson and Magruder (2012) use regression discontinuity methods to establish a causal link between online review scores and consumer demand. Our project extends that literature into the banking context, exploiting Google branch-level review data for the largest UK deposit-taking institutions. The measure is validated against independently reported FCA complaint rates, providing external confirmation that it captures genuine variation in customer experience.

2.3 Mutual and Cooperative Banks: Ownership, Performance, and Local Impact

Building societies are part of a broader family of mutual and cooperative financial institutions whose governance and incentive structures have received substantial academic attention. Fonteyne (2007) provides a comprehensive analysis of European cooperative banks, documenting that their competitive advantages derive from an intergenerational endowment structure, low cost of capital, and deep embeddedness in local communities. Hesse and Cihak (2007) empirically analyse cooperative bank stability across 29 countries and find that cooperative banks exhibit significantly higher financial stability than commercial banks, driven by lower earnings volatility, which is attributable to the ability of cooperative banks to use customer surplus as a buffer in weaker periods. This stability advantage is directly relevant to our findings: the same

member-oriented incentive structure that generates earnings stability also appears to generate service quality consistency.

Iannotta, Nocera, and Sironi (2007) compare the performance and risk of 181 large European banks across ownership categories and find that mutual banks exhibit better loan quality and lower asset risk than both private and public sector banks, despite lower average profitability. This loan quality advantage is consistent with the relationship-lending orientation of mutual institutions: because building societies depend on long-term member relationships rather than short-run transaction volume, they have stronger incentives to ensure that interactions, including branch-level service, foster rather than erode those relationships. Valnek (1999) provides direct UK evidence, showing that British mutual building societies outperformed stock retail banks on several dimensions of financial performance over the period 1983–1993. Becchetti, Ciciretti, and Paolantonio (2016) confirm the cooperative bank advantage at the global level in the context of the financial crisis, documenting that cooperative banks display higher net-loans-to-assets ratios, lower derivatives exposure, and lower earnings volatility than commercial banks, which are differences that widened rather than narrowed through the crisis.

Beyond stability and performance, a growing literature documents the local economic contribution of mutual and cooperative banks. Coccorese and Shaffer (2021) analyse Italian municipality data and find that cooperative banks, more than conventional banks, are associated with higher local income growth, employment, and new firm creation. They attribute this to cooperative banks' stronger commitment to traditional credit provision to local borrowers and their greater sensitivity to local economic conditions. This local embeddedness argument maps directly onto the spillover mechanism we discuss in our analysis: the presence of building society improves the service quality of all deposit-taking institutions in a local area, operating as a quality anchor

that raises competitive standards across the market. Shiwakoti, Iqbal, and Funnell (2018) document the consequences of departing from this model, showing that UK building societies that demutualised in the late 1990s ultimately failed in the financial crisis, precisely because conversion to shareholder ownership aligned incentives away from the long-term community orientation that had underpinned their resilience.

Casu and Gall (2016) provide the most comprehensive overview of UK building societies within the financial services industry, documenting their distinctive governance, regulatory environment, and competitive dynamics. De-Ramon and Straughan (2016) examine competition indicators across UK deposit-taking institutions and show that competition varies across institutions with different business models, including banks and building societies. These studies provide the institutional backdrop for our analysis, but leave unanswered the question of how building societies compare on service quality, which is the dimension of competitive performance most directly relevant to the Consumer Duty regulatory agenda. The present project provides that evidence.

3. Data

3.1 Sample Construction

The empirical analysis of this project draws on four data sources combined into a panel of UK deposit-taking institutions covering the period from 2016 to August 2025. Latitude and longitude data of banks' and building societies branches were obtained from Geolytix and from the Building Society Association (BSA), respectively. By exploiting latitude and longitude, we were then able to retrieve branch level Google reviews of the sampled banks and building societies via the Google Maps Cloud API. Finally, financial statement data were obtained from Orbis-Bank

Focus. The raw sample consists of 65 firms between banks and building societies, comprising 4,438 branches and 159,534 related Google reviews. To ensure that service-quality measures are based on sufficient customer feedback, firm-year observations are included only after an institution has accumulated more than 20 reviews. The resulting sample comprises eight banks and 19 building societies.. Similarly, in the macro-level analysis, Local Authority Districts (LADs) with fewer than five average reviews per branch are excluded. Therefore, the final samples consist of 161 firm-year observations for the firm-level analysis, and 3,005 LAD-year observations for the LADs-level analysis.

3.2 The Service Quality Measure

The primary measure is the average Google review rating at the branch level, ranging one to five stars, with one proxying the lowest customer satisfaction and five, by contrast, capturing the highest degree of satisfaction. For firm-level regressions, we aggregate branch-level ratings into the share of a firm's branches whose ratings exceed the median within their Middle Layer Super Output Area (MSOA), or the corresponding geography in Scotland and Northern Ireland, in a given year.[2] This measure captures the breadth of locally high-quality service delivery across the firm's branch network, rather than its average rating. For the local area analysis, ratings are aggregated to the LAD as the cumulative annual average across all branches in each LAD. This branch-level, time-varying approach overcomes the key limitations of survey-based SERVQUAL instruments (Parasuraman et al., 1988), institution-level complaint measures (Hayes et al., 2021; Jou et al., 2025), and Ipsos-style periodic rankings, and contributes as well to the literature on online reviews (Luca, 2016; Anderson and Magruder, 2012).

[2] MSOAs and their corresponding geographies in Scotland and Northern Ireland are small statistical areas used to report and analyse variation below the local-authority level.

3.3 Financial and Demographic Controls

Firm-level controls, obtained from ORBIS, include firm size (log of total assets), return on assets (ROA), asset growth, the equity-to-assets ratio, the non-performing loans ratio, funding costs, the loans-to-assets ratio, and the deposits-to-liabilities ratio. LAD-level controls, sourced from Office for National Statistics, include population density (log of the number of inhabitants per hectare), branch density (log of the number of branches per 100,000 adults), and the growth rate of gross disposable household income (GDHI). All regressions include firm- or LAD-level fixed effects and year fixed effects to absorb unobserved time-invariant heterogeneity and common macroeconomic shocks. To mitigate concerns about simultaneity, all explanatory variables are lagged by one year. Finally, to reduce the influence of extreme observations, all continuous variables are winsorised at the 1st and 99th percentiles.

3.4 Descriptive Statistics

Descriptive statistics are reported in Table 1. Panel A presents summary statistics for the firm-level analysis, while Panel B reports statistics for the LAD-level analysis. In Panel A, deposit growth and loan growth (which are the dependent variables) have mean values of 6.0% and 4.7% per year, respectively. These variables exhibit substantial heterogeneity, as their values range from -12.0% to 44.3% and from -30.6% to 50.4%, respectively. The key explanatory variable, the share of branches above median local service quality, has a mean of 44.7% and ranges from 0% to 84.6%, also indicating considerable differences in service quality performance across firms. Furthermore, the average firm is sufficiently capitalised, with an equity-to-assets ratio of 5.9%.

Panel B presents descriptive statistics for the local banking market analysis. The average Google review rating for commercial banks is 3.44, with ratings ranging from 1.0 to 5.0, indicating substantial variation in service quality across local markets. Building societies account for an average of 24.6% of branches within a Local Authority District (LAD), although their share ranges from zero to one (meaning that there are LADs without bank branches), highlighting considerable heterogeneity in their local presence. Population density, branch density, and the growth rate of gross disposable household income (GDHI) also exhibit substantial cross-sectional variation, reflecting marked differences in local market characteristics, banking provision, and economic conditions across LADs.

[Insert Table 1 Here]

4. Empirical Results

4.1 Cross-Sectional Differences in Service Quality

Figure 1 presents the average branch service quality score for each firm in the sample in 2024, ranked from lowest to highest and colour-coded by institutional type: grey bars for commercial banks and dark blue bars for building societies.

[Insert Figure 1 Here]

The figure reveals a striking and systematic pattern. Commercial banks occupy almost the entire lower portion of the distribution, with average branch ratings ranging from approximately 2.3 stars for the lowest-rated institution to around 3.8 stars for the highest-rated banks such as

Barclays and The Co-operative Bank. Building societies, by contrast, cluster overwhelmingly in the upper half of the ranking. With only a handful of exceptions, every institution recording an average branch rating above 4.0 stars is a building society. At the very top of the distribution, that is above 4.5 stars, sit a succession of smaller building societies including Marsden, Monmouthshire, and The Mansfield Building Society, with The Mansfield achieving a near-perfect score of 5.0 stars. The gap between the two groups is both large and visually unmistakable: the transition from the predominantly grey lower half to the predominantly dark-blue upper half occurs sharply around the 4.0-star mark.

These results are consistent with several strands of the literature. The theoretical prediction of Casu and Gall (2016) that the mutual ownership structure aligns incentives toward member welfare and personalised service finds clear empirical support. Fonteyne (2007) argues that cooperative banks derive sustained competitive advantages from their local embeddedness and intergenerational orientation, which are precisely the features that differentiate building society branches from the more standardised, scalable operations of commercial banks. The international cooperative banking literature (Iannotta et al., 2007; Becchetti et al., 2016) documents better loan quality and lower risk-taking by mutual institutions; the present results suggest a parallel advantage in customer-facing service quality. The agency-theoretic explanation offered by Shi et al. (2023) is also directly relevant: commercial banks subject to quarterly earnings pressure cut non-interest expenditures on staffing and service, while building societies' absence of external shareholder expectations shields them from that trade-off.

Figure 2 examines how service quality varies with institution-level financial characteristics across four panels, with both service quality and financial characteristics measured as at 31st December 2024.

[Insert Figure 2 Here]

Panel A shows a clear negative relationship between size and service quality. The two smallest quartiles (Q1 and Q2) record the highest average branch ratings (both around 4.2 stars), while quality falls noticeably in Q3 (approximately 3.85 stars) and further in Q4, the largest institutions (approximately 3.6 stars). This monotonically declining pattern is consistent with Dick (2006, 2007), who shows that large dominant banks invest in quality as an endogenous sunk cost but that the scale and standardisation of large commercial networks carries inherent limits to personalised service delivery. It is also consistent with Coccorese and Shaffer (2021), who find that it is smaller, locally-embedded cooperative banks rather than large national institutions that generate positive local economic outcomes, which is a finding that mirrors our result that smaller, community-oriented building societies deliver superior branch service quality.

Panels B and C show that service quality increases monotonically across quartiles of deposit-to-assets ratio (Panel B) and loans-to-assets ratio (Panel C). Institutions in the highest deposit quartile score approximately 4.2 stars, compared with around 3.6 stars for the lowest quartile; the pattern is similar for loans. This is consistent with Berger and Mester (2003) and Ho (2012): institutions whose core business model depends on maintaining close retail relationships with depositors and borrowers invest more sustainably in branch-level service as a competitive tool, because depositors are highly responsive to non-price attributes. It is also consistent with Becchetti et al. (2016), who document that cooperative banks display higher loan-to-asset ratios than commercial banks, and our results suggest that this greater retail orientation is associated with better service quality. Panel D shows that service quality increases monotonically across quartiles

of return on assets, from approximately 3.5 stars in Q1 to around 4.1 stars in Q4, consistent with Berger and Mester's (2003) finding that quality investments raise revenues by more than the associated costs.

4.2 Trends in Service Quality over Time

Figure 3 presents the annual average branch service quality separately for building societies and commercial banks over the 2016–2025 period.[3]

[Insert Figure 3 Here]

Three features of the time series stand out. First, and most strikingly, the quality gap between building societies and commercial banks is large and persistent throughout the entire sample period. Building societies begin in 2016 at an average of approximately 4.05 stars and remain consistently above 4.0 throughout, while commercial banks start at roughly 3.65 stars in 2016. The two series never converge: in every single year, building societies record a meaningfully higher average rating. This persistence confirms that the quality differential is structural, reflecting the enduring consequences of different ownership forms and business models, rather than a transitory artefact. This is precisely the pattern predicted by Fonteyne (2007), who attributes the sustained competitive advantages of cooperative banks to structural features of their ownership form that are not eroded by competitive pressure, and by Hesse and Cihak (2007), who show that the stability advantages of cooperative banks are driven by persistently lower earnings volatility across cycles.

[3] Trend estimates for 2025 are based on Google review data available through August 2025.

Second, the two series follow divergent trajectories over the sample period. Building society reviews follow an inverted-U pattern: rising from approximately 4.05 stars in 2016 to a peak of around 4.2 stars in 2019–2020, before declining gradually to approximately 4.05 stars by 2025. Commercial bank reviews, by contrast, show a persistent downward trend from 2016 through to 2023, falling from roughly 3.65 to approximately 3.25 stars (a decline of around 0.4 points over seven years), before recovering modestly to around 3.55 stars in 2025. The period of steepest decline for commercial banks (2018–2023) coincides with the accelerating closure of physical branches, and possible growing customer frustration with reduced accessibility, as well as the shift of banking toward digital channels. The partial recovery from 2023 onwards is consistent with the FCA's Consumer Duty coming into force, and with Hayes et al.'s (2021) finding that regulatory scrutiny disciplines institutions into improving service standards.

Third, the width of the gap between the two lines widens across the time period, but narrows towards the end of it, primarily due to the partial recovery of commercial bank reviews. However, even in 2025 the gap remains substantial: building societies continue to outperform commercial banks by approximately 0.5 stars on average, suggesting that the structural quality advantage of the mutual model has not been eroded by competitive or regulatory pressure.

4.3 Geographic Variation in Service Quality

Figure 4 maps average branch service quality at the Local Authority District level separately for building societies (left panel) and commercial banks (right panel) in 2024.

[Insert Figure 4 Here]

The two maps reveal both the level difference and the geographic consistency of service quality within each institutional type. For building societies (left panel), the dominant colour across England is light cream and pale orange, indicating that the large majority of LADs record average branch reviews in the [3.5, 4] or [4, 5] bands. The deep orange tones associated with the lowest quality bands ([1, 2] and [2, 2.5]) are almost entirely absent. There is a notable concentration of slightly lower-rated building society branches in parts of Greater London and some urban Midlands areas, likely reflecting the operational challenge of delivering personalised service in high-footfall, high-turnover urban environments.

For commercial banks (right panel), the picture is starkly different. The map shows considerably more geographic heterogeneity, with a wider spread across the colour scale. Parts of Scotland and parts of Northern England display relatively lighter shading, suggesting comparatively better bank service quality in those regions, while several areas of the Midlands, Greater London, and parts of the South East show darker orange tones. The concentration of lower-quality scores in and around London may reflect the dominance of high-volume commercial bank branches in metropolitan areas, greater customer diversity, and more intense competitive pressure from digital challengers.

Taken together, the two maps demonstrate that building societies not only outperform commercial banks on average but also deliver more geographically consistent service quality, with less variation across LADs than commercial banks exhibit. This geographic consistency is itself a competitive advantage, particularly for customers in areas that would otherwise receive below-average service, and it connects to the broader literature on local banking and community welfare. Coccorese and Shaffer (2021) show that cooperative banks generate more uniform positive local economic outcomes than commercial banks precisely because of their local embeddedness; our

geographic service quality maps provide a customer-facing manifestation of that same institutional characteristic. The geographic patterns also connect directly to the spillover analysis we will perform later on: LADs with higher building society branch shares display better overall service quality, consistent with the competitive discipline mechanism documented by Buell et al. (2016) and Dou et al. (2024).

4.4 Validation: Service Quality and FCA Complaints

Before moving to the more formal empirical analysis of service quality and core banking activities (which we present in the next Sections 4.5 and 4.6), we first establish the credibility of our Google review-based service quality measure by comparing it against independently reported FCA complaint rates for deposits and cards (Panel A) and home finance (Panel B), as shown in Figure 5.

[Insert Figure 5 Here]

Panel A (deposits and cards) shows a clearly negative and tightly fitted relationship: institutions with branch service quality ratings of around 2.5 stars receive approximately 2.4–2.6 complaints per 1,000 accounts, while those with ratings above 4.5 stars receive fewer than 2.0 complaints. The relationship is nearly linear across the full range, and the scatter around the fitted line is relatively tight. Panel B (home finance) shows an equally strong negative relationship, with mortgage complaint rates falling from around 7–8 per 1,000 accounts among the lowest-rated institutions to approximately 5–5.5 per 1,000 accounts among the highest-rated. The fact that the Google review measure predicts complaints across both product categories suggests it captures a

general characteristic of institutional culture and customer orientation, rather than being limited to in-branch transaction quality, consistent with Jou et al.'s (2025) finding that deposit-related complaints reflect broader service quality failures with funding consequences.

Overall, the validation results are consistent with the CFPB complaint literature (Hayes et al., 2021; Jou et al., 2025; Dou et al., 2024) and establish the credibility of the Google review measure as an externally validated indicator of customer experience.

4.5 The Effect of Service Quality on Deposit and Lending Growth

Table 2 presents panel regressions of deposit growth (column 1) and lending growth (column 2) on the lagged share of branches with above-median service quality, with institution and time fixed effects.

[Insert Table 2 Here]

The key result is that the lagged share of above-median branches is positively and significantly associated with both outcomes. The coefficient in the deposit growth regression is 0.150 (p-value < 0.01), implying that a ten percentage point increase in the share of high-quality branches is associated with a 1.5 percentage point increase in deposit growth in the following period. The coefficient for lending growth is 0.102 (p-value < 0.10). These results are economically significant and connect to multiple strands of the literature reviewed above.

The deposit growth finding is the positive counterpart to the CFPB and FCA complaint literature: just as Jou et al. (2025) show that service quality deterioration triggers deposit outflows, we show that high service quality attracts and retains deposits. This extends the bank competition

literature (De-Ramon and Straughan, 2016; Cave et al., 2022) by demonstrating that non-price quality competition has measurable consequences for financial intermediation, which is a dimension absent from all existing competition measures. Since building societies disproportionately populate the high-service-quality tier documented in Figure 1, this result implies that their structural quality advantage translates directly into stronger deposit growth performance, consistent with Valnek's (1999) finding that UK mutual building societies outperformed stock retail banks.

The lending growth finding, while smaller in magnitude, indicates that service quality advantages extend to the asset side of the balance sheet. This is consistent with Berger and Mester (2003): quality investments that raise revenues by more than costs create a positive feedback loop in which quality leaders also grow their lending books. It is also consistent with the local economic impact literature (Coccorese and Shaffer, 2021): if building societies' service quality advantages reflect their deeper local engagement and member orientation, then the same characteristics that generate better service scores should also support stronger lending to local borrowers.

4.6 The Effect of Building Society Branches on Local Service Quality

Table 3 presents panel regressions of the LAD-level average Google review score of banks on the lagged share of building society branches, while controlling for local demographic and economic conditions, and including LAD and year fixed effects.

[Insert Table 3 Here]

The coefficient on the share of building society branches is positive and statistically significant (0.258, p-value < 0.05), implying that an increase in the local share of building society branches is associated with a raise in the average Google review rating of commercial bank branches. In other words, since the dependent variable includes only commercial bank branches, the results suggest that a greater local presence of building societies is associated with improved service quality among competing banks, consistent with positive spillover effects within local banking markets.

This positive competitive spillover connects multiple strands of the literature. Buell et al. (2016) show that high-quality market entrants discipline incumbents, causing them to invest in service quality to prevent defection of profitable customers. Dou et al. (2024) document that rivals use disclosed complaint data to identify and exploit peers' service weaknesses. Applied to our setting, this mechanism suggests that commercial banks facing building society competition are incentivised to raise their service standards. These competitive discipline mechanisms are consistent with the broader findings of Coccorese and Shaffer (2021), who show that cooperative bank presence generates positive local economic externalities over and above their own direct lending effects. Interpreted together, our results suggest that building societies function as quality anchors in local banking markets: they directly provide higher-quality service to their own customers and, through competitive pressure, raise the service standards of all institutions in the area.

The policy implications of this spillover are significant and have not previously been quantified. Decisions that reduce the building society branch footprint (e.g., through regulatory changes that disproportionately affect smaller mutuals, or through market dynamics that make branches commercially unviable in lower-density areas) may impose negative externalities on the

broader local banking market. The closure of building society branches may not only reduce service quality for direct customers but also weaken the competitive discipline that those branches impose on commercial banks operating nearby, with consequences for the service standards of the sector as a whole and potentially for the local communities that depend on high-quality retail banking services (Coccorese and Shaffer, 2021; Shiwakoti et al., 2018).

5. Conclusions

This report presents the findings of a research project that has constructed the first comprehensive branch-level, real-time measure of service quality for the UK retail banking sector, and used it to compare building societies and commercial banks, as well as to examine the economic consequences of service quality variation.

Our analysis provides three main findings. First, building societies consistently and substantially outperform commercial banks on service quality. This quality premium is large (building societies dominate the upper half of the cross-sectional distribution in Figure 1), and it is persistent across the full 2016–2025 period in Figure 3, where building society reviews remain above 4.0 stars throughout, while commercial bank reviews declined to a trough of 3.25 stars before recovering modestly to around 3.55 stars in 2025. The geographic maps in Figure 4 reveal that building societies also deliver more geographically consistent service quality than commercial banks. These results provide the first systematic empirical confirmation that the mutual ownership model generates superior customer outcomes at the branch level (Casu and Gall, 2016; Fonteyne, 2007), and they connect to the international cooperative banking literature documenting that mutual institutions exhibit better loan quality (Iannotta et al., 2007), higher earnings stability (Hesse and Cihak, 2007), and greater local economic embeddedness (Coccorese and Shaffer, 2021)

than their commercial counterparts. The agency-theoretic explanation offered by Shi et al. (2023), according to which commercial banks facing short-run earnings pressure sacrifice service quality to cut non-interest expenses, provides a compelling micro-level mechanism for the quality gap we document.

Second, service quality has measurable consequences for core banking activities. Institutions with a higher share of branches whose quality is above the median experience significantly stronger deposit growth and somewhat stronger lending growth in the following period (Table 1). This is the positive counterpart to the finding that service quality failures trigger deposit outflows (Jou et al., 2025), and it extends the bank competition literature (De-Ramon and Straughan, 2016; Cave et al., 2022) by establishing that non-price quality competition is a material driver of financial intermediation outcomes. Given that building societies systematically occupy the high-service-quality tier, these results imply that their structural quality advantage translates into stronger deposit and lending growth, consistent with Valnek (1999) and Becchetti et al. (2016).

Third, the local presence of building society branches is associated with improvements in average service quality across banks in that area (Table 2). This positive externality—consistent with the competitive discipline mechanisms documented by Buell et al. (2016) and Dou et al. (2024), and with the broader finding that cooperative bank presence generates local economic benefits (Coccorese and Shaffer, 2021)—points to a systemic benefit of institutional diversity that current policy frameworks may not yet fully account for.

These findings carry important implications for the FCA, the Prudential Regulation Authority (PRA), and policymakers more broadly. The Google review-based measure, though not institutional, provides a new real-time tool for monitoring Consumer Duty compliance at the

branch and local market level. Building societies can cite these results as empirical evidence of their distinctive contribution to retail banking quality. Policymakers assessing branch network consolidation should weigh not only the direct effects on mutual customers but also the broader competitive externalities on commercial bank service standards across affected areas.

Several directions for future research emerge. It would be valuable to investigate the mechanisms through which quality translates into deposit flows, including customer switching behaviour and retention rates at the branch level. The geographic analysis also raises the question of whether quality spillovers from mutual branches are larger in financially underserved communities, where the competitive disciplining effect of building society presence may have the most consequential impact on the communities that depend most on local retail banking services.

References

Anderson, M., and Magruder, J. (2012). Learning from the crowd: Regression discontinuity estimates of the effects of an online review database. Economic Journal, 122(563), 957–989.

Avkiran, N. K. (1994). Developing an instrument to measure customer service quality in branch banking. International Journal of Bank Marketing, 12(6), 10–18.

Becchetti, L., Ciciretti, R., and Paolantonio, A. (2016). The cooperative bank difference before and after the global financial crisis. Journal of International Money and Finance, 69, 224–246.

Belo, F., Lin, X., and Vitorino, M. A. (2014). Brand capital and firm value. Review of Economic Dynamics, 17(1), 150–169.

Berger, A. N., and Mester, L. J. (2003). Explaining the dramatic changes in performance of US banks: Technological change, deregulation, and dynamic changes in competition. Journal of Financial Intermediation, 12(1), 57–95.

Bertsch, C., Hull, I., Qi, Y., and Zhang, X. (2020). Bank misconduct and online lending. Journal of Banking & Finance, 116, 105822.

Buell, R. W., Campbell, D., and Frei, F. X. (2016). How do customers respond to increased service quality competition? Manufacturing & Service Operations Management, 18(4), 585–607.

Casu, B., and Gall, A. (2016). Building Societies in the Financial Services Industry. Palgrave Macmillan, London.

Cave, J., Keasey, K., and Mascia, D. V. (2022). Bank branch deposit competitiveness and deposit growth: Granular data and a new measure of competitiveness. Economics Letters, 210, 110174.

Coccorese, P., and Shaffer, S. (2021). Cooperative banks and local economic growth. Regional Studies, 55(2), 307–321.

De-Ramon, S., and Straughan, M. (2016). Competition indicators for the UK deposit-taking sector. Bank for International Settlements.

Dick, A. A. (2006). Nationwide branching and its impact on market structure, quality, and bank performance. The Journal of Business, 79(2), 567–592.

Dick, A. A. (2007). Market size, service quality, and competition in banking. Journal of Money, Credit and Banking, 39(1), 49–81.

Dou, W. W., Ji, Y., Reibstein, D., and Wu, W. (2021). Inalienable customer capital, corporate liquidity, and stock returns. The Journal of Finance, 76(1), 211–265.

Dou, Y., Hung, M., She, G., and Wang, L. L. (2024). Learning from peers: Evidence from disclosure of consumer complaints. Journal of Accounting and Economics, 77(2–3), 101620.

Fonteyne, W. (2007). Cooperative banks in Europe: Policy issues. IMF Working Paper No. 07/159, International Monetary Fund.

Fuster, A., Plosser, M. C., and Vickery, J. I. (2021). Does CFPB oversight crimp credit? FRB of New York Staff Report No. 857.

Hayes, R. M., Jiang, F., and Pan, Y. (2021). Voice of the customers: Local trust culture and consumer complaints to the CFPB. Journal of Accounting Research, 59(3), 1077–1121.

Hesse, H., and Cihak, M. (2007). Cooperative banks and financial stability. IMF Working Paper No. 07/02, International Monetary Fund.

Ho, C. Y. (2012). Market structure, welfare, and banking reform in China. Journal of Comparative Economics, 40(2), 291–313.

Iannotta, G., Nocera, G., and Sironi, A. (2007). Ownership structure, risk and performance in the European banking industry. Journal of Banking & Finance, 31(7), 2127–2149.

Jou, J., Kleymenova, A., Passalacqua, A., Sándor, L., and Vijayaraghavan, R. (2025). Disciplining banks through disclosure: Evidence from CFPB consumer complaints. Available at SSRN.

Luca, M. (2016). Reviews, reputation, and revenue: The case of Yelp.com. Harvard Business School Working Paper 12-016.

Parasuraman, A., Zeithaml, V. A., and Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. Journal of Retailing, 64(1), 12–40.

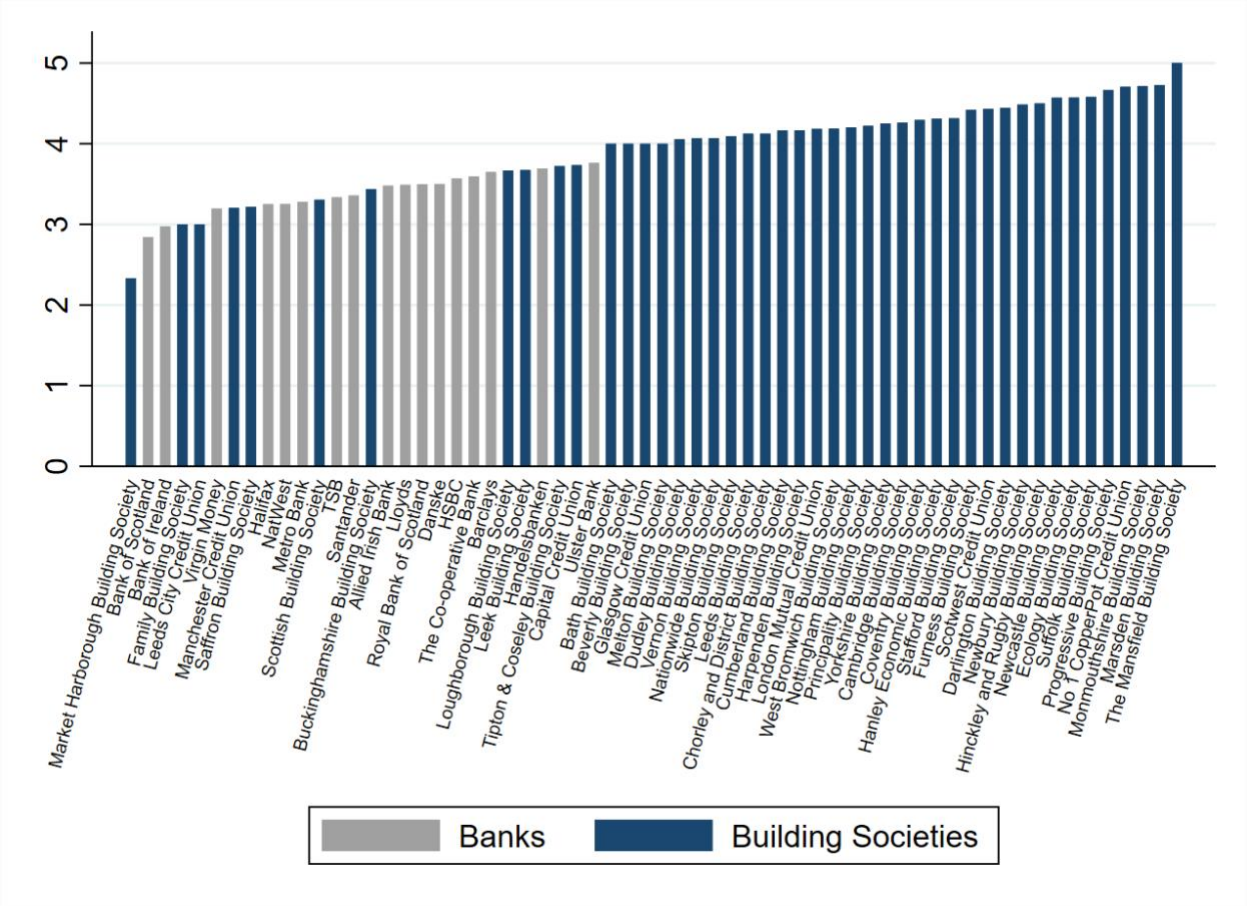
Shi, X., Nguyen, D. D., and Wang, M. (2023). Earnings expectations and the quality of financial services. Journal of Accounting and Public Policy, 42(4), 107115.

Shiwakoti, R. K., Iqbal, A., and Funnell, W. (2018). Organizational form, business strategies and the demise of demutualized building societies in the UK. Journal of Banking & Finance, 94, 337–350.

Valnek, T. (1999). The comparative performance of mutual building societies and stock retail banks. Journal of Banking & Finance, 23(6), 925–938.

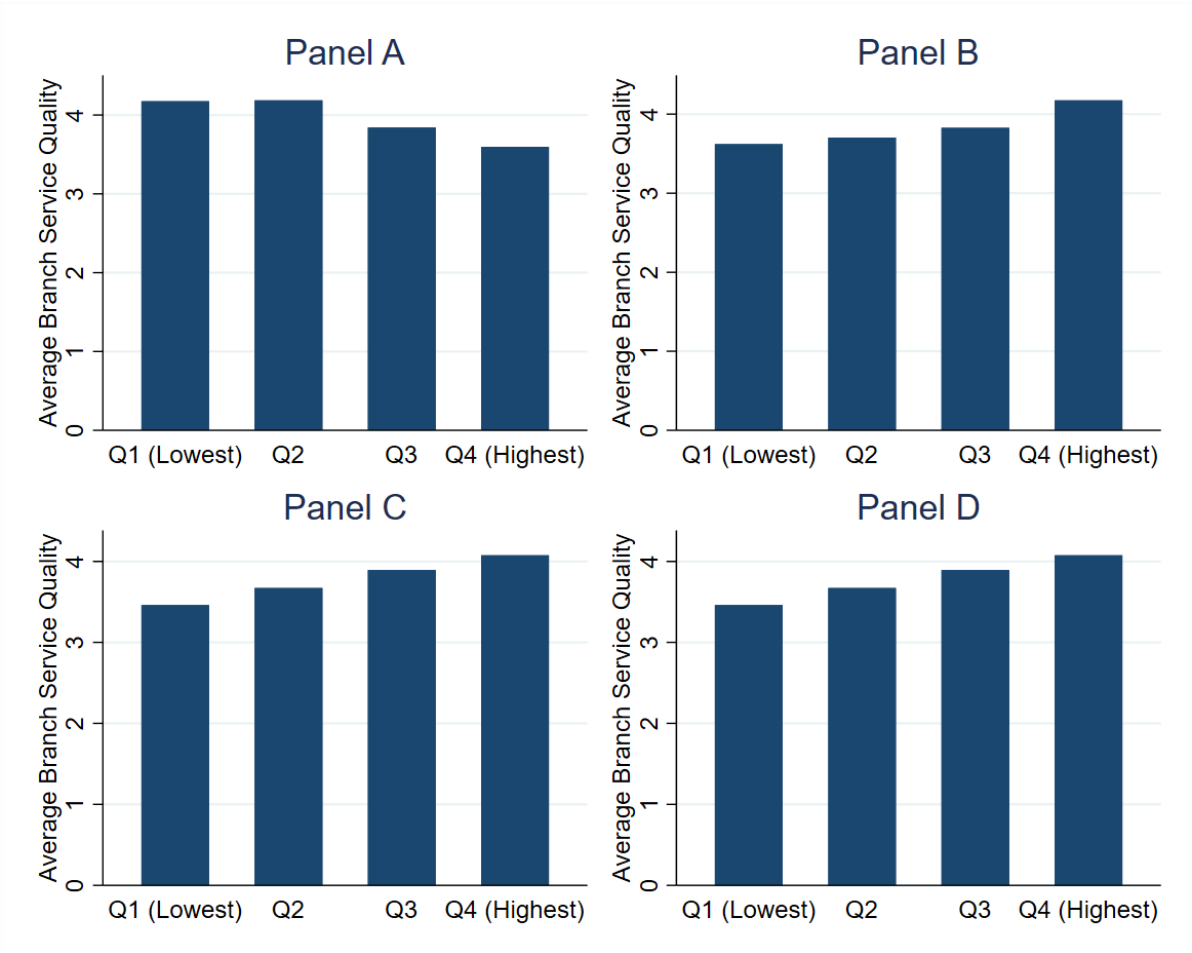
Figures

Figure 1 – Average Branch Service Quality, 2024



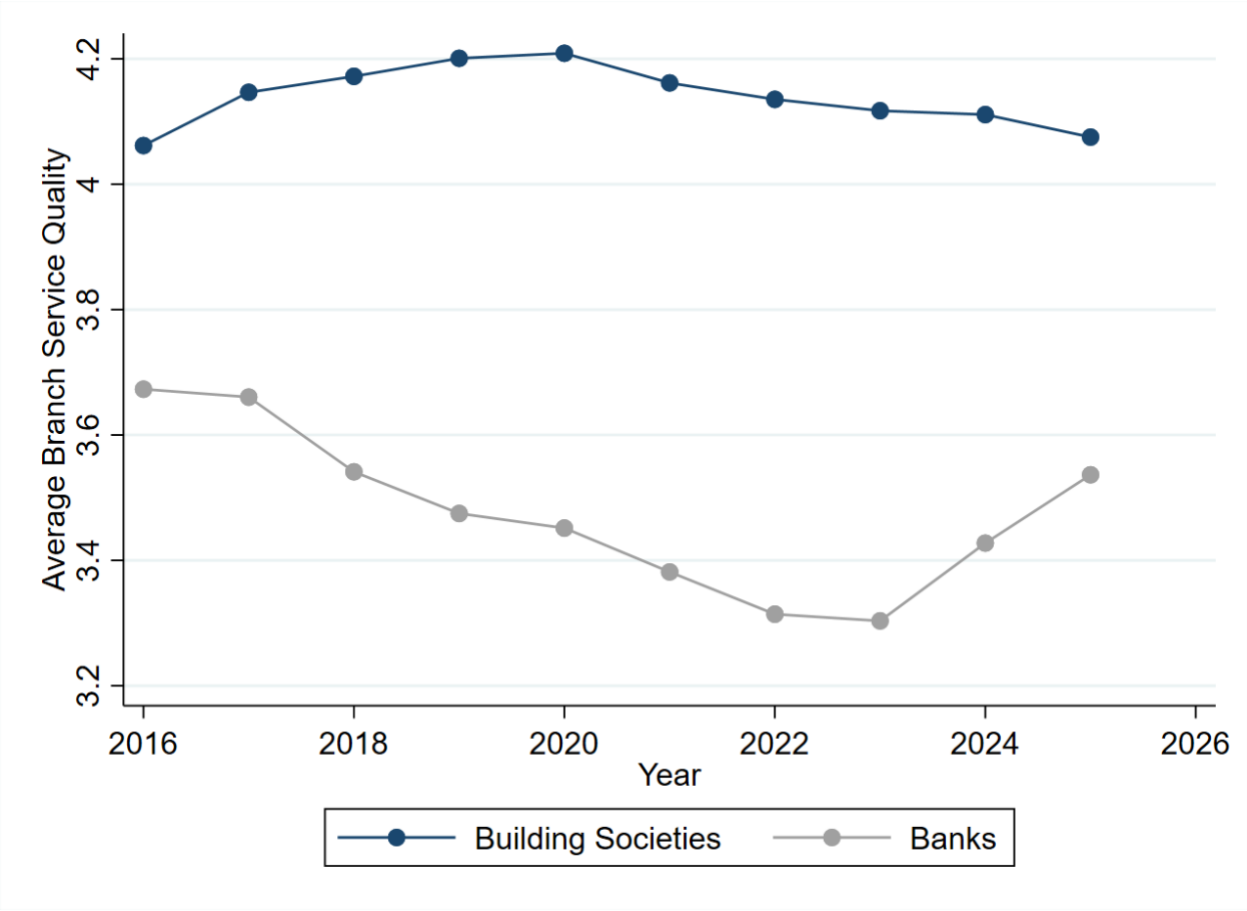
Note: Each bar represents the average Google review rating across all branches of a given institution in 2024, ranked in ascending order. Grey bars denote commercial banks; dark blue bars denote building societies.

Figure 2 – Average Branch Service Quality by Institution Characteristics (Quartiles)



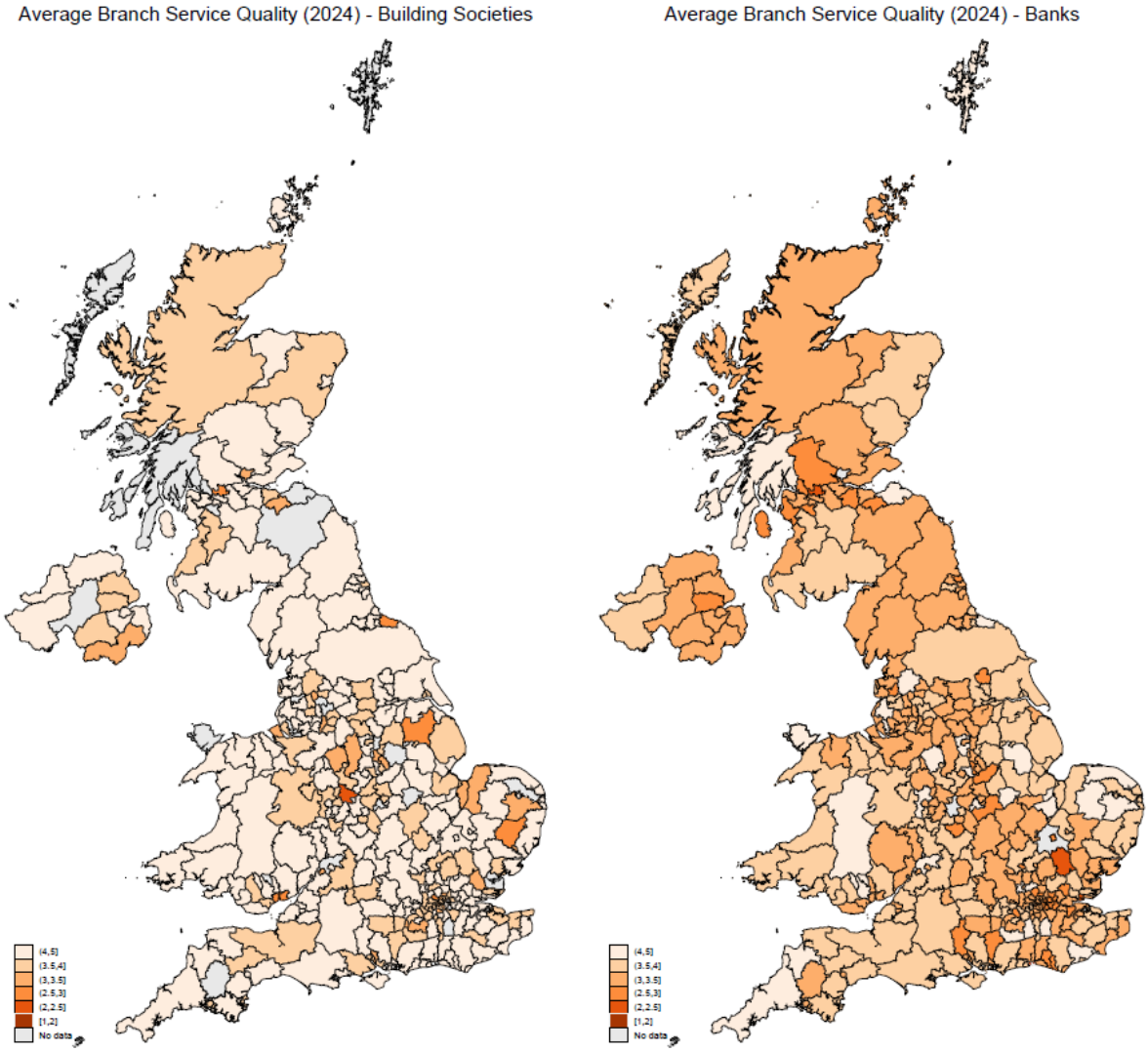
Note: Panels A–D present the average Google rating per branch by quartiles of bank size (Panel A), deposit-to-assets ratio (Panel B), loans-to-assets ratio (Panel C), and return on assets (Panel D). Q1 denotes the lowest quartile and Q4 the highest in each case.

Figure 3 – Average Branch Service Quality by Year, 2016–2025



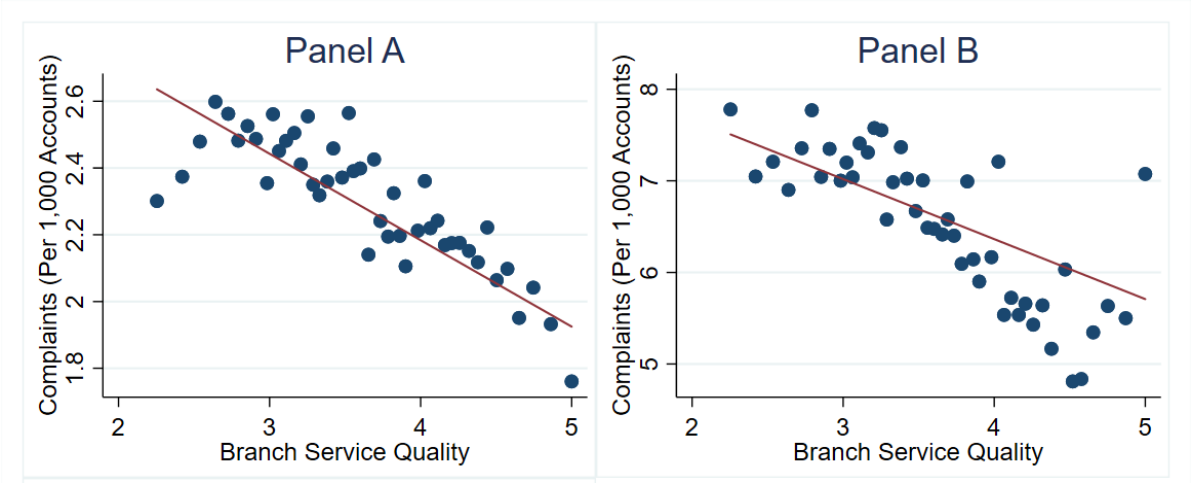
Note: Lines represent the annual mean of average branch Google review ratings, separately for building societies (dark blue) and banks (grey), over the full sample period. The y-axis spans from 3.2 to 4.2 stars.

Figure 4 – Average Branch Service Quality by Local Authority District, 2024



Note: Left panel shows average branch service quality for building societies; right panel for banks. Shading reflects average Google review ratings by Local Authority District in 2024, from darkest (lowest, [1,2]) to lightest (highest, [4,5]). Grey areas indicate no branch data.

Figure 5 – Validation: Branch Service Quality and FCA Complaints per 1,000 Accounts (2024)



Note: Scatterplots of average branch service quality (x-axis, ranging from 2 to 5 stars) against FCA complaints per 1,000 accounts (y-axis) for deposits and cards (Panel A) and home finance (Panel B). The fitted line is a linear OLS regression line.

Tables

Table 1: Descriptive Statistics

	N.	Mean	Standard Deviation	Minimum	Maximum
Panel A: Firm-level Variables					
Deposit Growth	161	0.060	0.082	-0.120	0.443
Loan Growth	161	0.047	0.096	-0.306	0.504
Share of branches above median service quality	161	0.447	0.197	0.000	0.846
Size	161	17.149	2.317	12.940	22.036
Asset growth	161	0.056	0.097	-0.303	0.492
ROA	161	0.003	0.003	-0.013	0.012
Equity-to-Assets Ratio	161	0.059	0.010	0.041	0.090
Non-Performing Loans Ratio	161	0.001	0.002	-0.002	0.010
Funding Costs	161	0.013	0.008	0.002	0.038
Loans-to-Assets Ratio	161	0.742	0.146	0.229	0.880
Deposits-to-Liabilities Ratio	161	0.756	0.156	0.271	0.991
Panel B: LAD-Level Variables					
Average Google Review Rating (Banks Only)	3,005	3.437	0.472	1.000	5.000
Share of Building Society Branches	3,005	0.246	0.162	0.000	1.000
Population Density	3,005	1.467	-1.844	4.808	1.917
Branch density	3,005	0.427	0.348	2.694	1.731
Growth Rate of Gross Disposable Household Income	3,005	2.785	-3.300	10.300	3.577

Table 2: The Effect of Service Quality on Deposit and Lending Growth

	Deposit Growth (1)	Loan Growth (2)
Share of branches above median service quality	0.150***	0.102*
	(0.048)	(0.059)
Size	-0.212***	-0.247***
	(0.036)	(0.037)
ROA	1.225	-5.169
	(3.451)	(3.711)
Asset Growth	0.293***	0.473***
	(0.056)	(0.154)
Equity-to-Assets Ratio	3.600***	3.083***
	(1.180)	(0.909)
Non-Performing Loans Ratio	4.090	-3.250
	(3.071)	(4.832)
Funding Costs	2.125**	-1.063
	(0.898)	(3.463)
Loans-to-Assets Ratio	-0.372***	
	(0.132)	
Deposits-to-Liabilities Ratio		-0.203
		(0.249)
Constant	3.647***	4.203***
	(0.663)	(0.640)
Observations	161	161
Adjusted R^2	0.471	0.408
Firm FE	Yes	Yes
Year FE	Yes	Yes

Notes: Dependent variables are deposit growth and lending growth, measured as first differences of the logarithms of total customer deposits and total loans. All independent variables are lagged by one year. Sample covers 2016–2024; institutions with fewer than 10 reviews excluded. Firm and time fixed effects included. Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table 3: The Effect of Building Society Branches on Local Service Quality

	Average Google Review Rating (Banks Only)
Share of Building Society Branches	0.258**
	(0.130)
Population Density	-0.415
	(0.587)
Branch Density	0.044
	(0.062)
Growth Rate of Gross Disposable Household Income	-0.000
	(0.004)
Constant	4.094***
	(1.130)
Observations	3,005
Adjusted R^2	0.666
LAD FE	Yes
Year FE	Yes

Notes: The dependent variable is the cumulative average Google review rating for bank branches by LAD and year.by LAD and year. All independent variables are lagged by one year. LAD and time fixed effects included. Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.