

# SOCIETY matters



## Building society and proud of it

Member owned businesses that are growing, dynamic and forward looking

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Building society: and proud of it

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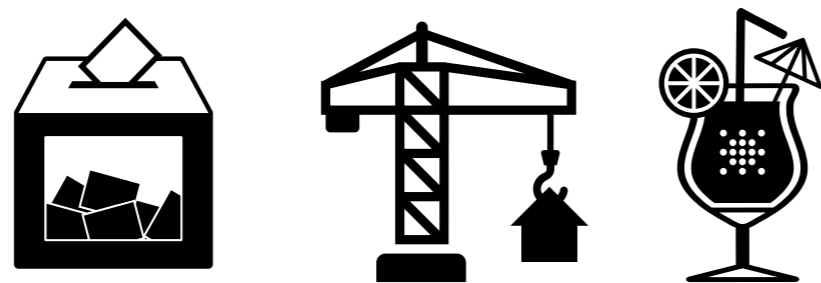
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# Hello and welcome to the summer edition of **Society Matters**



It's been a while since an edition has gone by without a significant political event running in tandem. As we go to print, the results of the snap General Election are unfolding...

**W**hat a year for politics: Brexit talks, the inauguration of arguably the most controversial US President in history and a snap General Election called here in the UK. Head to P14 for what the election result might mean for our sector.

And what a year for building societies: In May, the BSA's annual conference took place in London for the first time since 1982. My first time at this event really clarified for me the interests, challenges and goals for the sector. Exciting stuff. Some key speakers from the conference have contributed to this edition, so if you did not make it to the event consider this your mini catch-up.

Across the page, BSA Chief Executive Robin Fieth discusses ambition for the sector, a must read! The BSA has welcomed a new Chairman in the form of Jonathan Westhoff from the West Brom. Jonathan shares his expectations, goals and challenges of the role on P5.

After a successful launch, we look at the BSA's latest report on older borrowers. *Lengthening the ladder* features extensive research from ILC-UK and explores what action needs to be taken in order to facilitate lending to our ageing population, as well as how the issue affects first-time buyers. P6.

Elsewhere, whilst some are struggling to finance homes others are struggling to find one. Can modern methods of construction (MMC), such as offsite construction, help fill the deficit of UK homes? We look at two



perspectives: On P8 Ian Fergusson discusses industry-wide standardisation and minimising risk as a surveyor, and on P10 we interview Darlington Building Society Chief Executive, Colin Fyfe, who tells us about the role of building societies – and the wider lending community – can play.

So why not take some time (tropical refreshment optional) and bring yourself right up to speed on the most pertinent topics to the building society sector. Have a glorious summer, wear sunscreen, and do check in for the autumn edition – coming late September!

**AMY HARLAND**  
Society Matters Editor



## Building society: and proud of it



By **ROBIN FIETH**,  
BSA Chief Executive

Late last year I was saying goodbye to the CEO of one of our smaller societies when he noticed a pound coin on the floor by one of the chairs in the branch. He picked the coin up and gave it to one of the counter staff to go in the charity box. But the lad behind the counter said, "I know who was sitting there; I'll make sure it gets back to her".

**A** couple of months later, when I related this story back to the said chief executive, he had no recollection of the incident at all. What for me was an exceptional moment, was for him entirely natural and unremarkable. In a nutshell, that is what we mean by a great culture that puts our customer-members at the real heart of our businesses.

Research by Professor Jim Devlin at Nottingham University Business School into trust and fairness in financial services highlights the gulf between banks and building societies on both measures. He explores fairness in three dimensions. Firstly, looking at the processes used to arrive at outcomes; secondly examining the balance of costs and

benefits between the organisation and the customer; and thirdly, reviewing how customers are treated – old-fashioned ideas such as courtesy and genuine personal communication.

In a rather more formal way, Professor Devlin's work reflects the sum of hundreds of individual customer experiences like the story of the pound that, together, illustrate the outcome of running our businesses with a fundamentally different purpose. Because our customers are our members, we are here to serve them rather than external shareholders. We are here for consumers, for people, building society every day. And we should be proud of it.

Maximising member value rather than profits manifests itself in all sorts of different ways. In better than average mortgage and savings rates; in the way we treat mortgage borrowers as individuals, not statistics, providing mortgages to meet their personal circumstances, including for the self-employed, the self-builders and older borrowers. Helping people to fulfil their dreams

of home ownership, putting a safe roof over their heads and providing a safe home for their savings. It is about how we earn our money, making fair profits to secure our businesses for the benefit of future generations of members. And about how we share those benefits with members present and future, how we make a deep contribution to the communities in which we live and operate.

According to Co-ops UK, we are already the UK's largest membership network with over 21 million saving and borrowing members. Almost one in three of the UK's population are building society



members. The numbers are growing and we should actively seek to grow them further.

Our share of the mortgage market has been growing too, virtually every quarter since 2012, from 18% of mortgage balances just after the financial crisis to 22% today. It takes a lot to shift a market measured in trillions of pounds, and a lot of patience to take market share progressively, organically and sustainably in businesses that grow their own capital. We now provide one in every three new mortgages approved in the UK, and one in three new building society mortgages is to a first time buyer. Since 2012, building societies have enabled over 400,000 people in the UK to buy their first home – fulfilling the purpose today that the movement was originally established for back in 1775.

Even in the current, difficult, low interest rate environment, savings data published by the BSA in March demonstrated that building societies give the UK's hard pressed savers a better deal than other deposit takers. On average during 2016, savers with building societies earned 1.58% on fixed rate and notice accounts compared with only 1.30% across all deposit takers. For instant access accounts, savers with building societies earned 0.88% on average, compared with 0.65% across the market.

Better savings rates and better mortgage rates do not come at the expense of weaker capitalisation. The opposite is true. Building societies' average unweighted CET1 ratio currently stands at around 19.2% compared with 12.2% for the major banks. And at a time when many major banks have been engaged in huge cost-cutting programmes, shedding staff in their thousands, building societies together have been contributing positively to both the UK economy and society by maintaining, and now growing their staff, today employing 43,000 people, largely outside London and the South-East.

**"Maximising member value rather than profits manifests itself in all sorts of different ways."**

So, we have a strong base from which to continue building in a competitive market currently characterised by the emergence of the new retail challenger banks and, from 2019 also potentially re-focused ring-fenced retail banks. We in the mutual sector cannot stand still. We must continue to stand out from the crowd for the right reasons – drawing our competitive advantage from who we are, who we are for, and how we serve our customer-members and our communities.

While our competitors are focusing on automation and self-service, treating customers as data files and statistics, I believe we should be investing in personalisation. We should be developing and innovating in ways that keep us close to our members, face-to-face or digitally; thinking about digital village squares rather than digital marketplaces; using continuous improvement and first time quality to deliver even more outstanding personal service. Most of us want to do routine transactions online and at times that suit us. Most of us (and this includes the so-called digital generation) also want to talk issues through individually, whether opening an account, taking on a mortgage or dealing with something that has gone wrong or is just beyond our experience. This is what building societies and credit unions are really good at.

Writing this as we go into another UK general election, I am strongly encouraged by the greater emphasis that many politicians are putting on the social purpose of business, on the sort of social capitalism that is at the heart of the building society and credit union model.

At last we are seeing glimmers of recognition that the UK needs to move its mind-set away from a fixation on shareholder owned businesses as the only game in town. Positive momentum has been building for some time, with now over 6,500 co-operative enterprises doing business in the UK.

We are about capitalism with and for a social purpose, generating profits for the benefit of members, a sector focused on the long term in an increasingly short-term world. In short, a 21st century movement.

I believe that now is the time for our movement to stake its ambition firmly and loudly as a force for good in financial services.

**Next steps:**

You can follow Robin on Twitter [@bsaceo](#)



# New BSA Chairman plans for collaborative progression and innovation throughout the sector



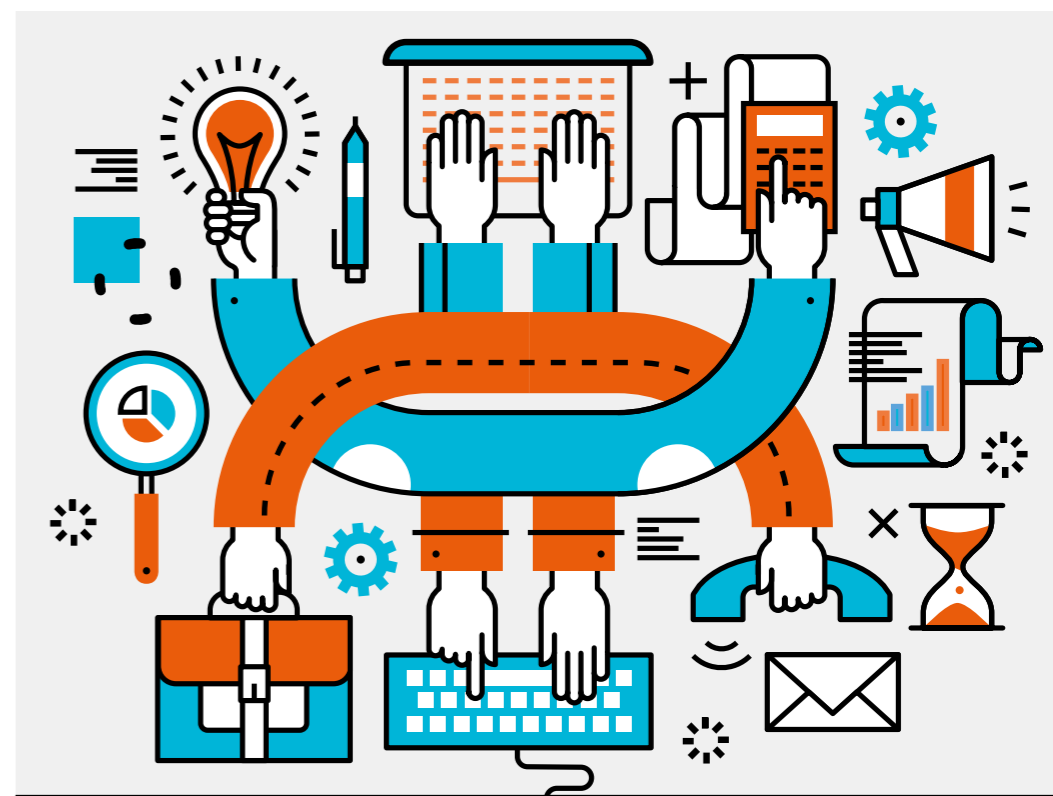
By **JONATHAN WESTHOFF**, BSA Chairman

Jonathan Westhoff is the Chief Executive of the West Brom and the BSA's newly appointed Chairman. Here, Jonathan reveals the challenges ahead, what he hopes to achieve in his new, additional role and what he is most looking forward to over the course of the coming year.

**B**uilding societies have really come the fore over the last decade. They have always served the underserved, but now do so more innovatively than ever – older borrowers, first time buyers, those building their own home or looking to mortgage a house built using modern methods of construction (MMC) are more likely to find what they need at a building society. Building societies kept the mortgage market going in the years following the financial crash and recession, supporting where others were unable or unwilling to. This reaffirmed something I have never doubted; that the building society model is just as crucial and relevant to the UK today as it was over 240 years ago.

A key feature of relevance has been the ability to change, adapt and innovate - an attribute that will be as necessary in the next few years as ever, with tenure types and borrower demand for options both broadening, this is set against a backdrop of Britain negotiating its exit from the European Union. It is both interesting and daunting to take on this kind of role in a sector that has consistently led the way in financial services when it comes to pioneering concepts and stability during tough times.

Therefore, I guess the main challenge for me as BSA Chairman is to work out how the BSA can retain a strong voice, to regulators and government. By doing so, we can aim to ensure that the sector is not constrained in providing the innovative solutions that it has delivered for generations. Achieving this will require strong interaction with



**"the main challenge for me as BSA Chairman is to work out how the BSA can retain a strong voice, to regulators and government. By doing so, we can aim to ensure that the sector is not constrained in providing the innovative solutions that it has delivered for generations."**

policymakers and regulators, now more than ever, to minimise the potential impact of an uncertain political outlook. I will strive to ensure that the BSA team has all the necessary resources and support from the sector to achieve the most impactful representation with such bodies.

My personal challenge is to encourage participation across the sector; it is something I'm massively keen on achieving

during my time in this role. Communication does already occur at specialist policy level, but I believe more could be done at leadership level. I would like to understand what might help to achieve that, and to see if we can implement any ideas that would support it. There is an immense amount of experience across the sector, both at executive and non-executive level, and tapping that to identify ways to move

the sector forward can only be beneficial. After all, 40,000 heads are better than one!

I'm most looking forward to understanding from colleagues across the sector 'what is next' for the BSA in terms of what would best support societies. Exceptional work has been done over many years, and the BSA needs to remain as progressive as its members.

The building society sector is strong, and getting ever stronger. Therefore supporting this is the most important thing to the BSA – and as BSA Chairman, I hope to spearhead tangible, collaborative progression and innovation throughout the building society sector.



By CHARLIE  
BLAGBROUGH,  
Policy Officer, BSA

# Moving up the age scale in the housing market: Lengthening the ladder report

Is the growth of mortgage borrowing into and in retirement a structural trend or one generation blip? That was the question the BSA asked in a new report, 'Lengthening the ladder', launched at our recent annual conference.

owing to a combination of house price inflation, tighter credit conditions and low real wage growth, the report finds that mortgage debt held by over 65s is set to almost double by 2030.

Gathering at London's Business Design Centre, delegates heard from the BSA's Head of Mortgage Policy Paul Broadhead, stating that in his view "the socio-economic changes lenders and consumers are already experiencing are unstoppable. So instead the focus must be on adapting to a changing market."

Policymakers and those in the wider lending industry regularly ask how big the market for lending to older borrowers might become. We know intuitively that longer lives, economic conditions and changes in the way people work and retire are all having an effect. Wanting to put some figures on this trend, the BSA sponsored the International Longevity Centre UK (ILC-UK) – a leading think tank specialising in demographic change – to crunch the numbers.

The findings paint a picture of a housing and mortgage market moving demonstrably 'up the age scale'. Since the financial crisis, home ownership amongst 20-29 year olds has fallen from 53% to 38%. For those aged 30-39, it has fallen from 73% to 65%<sup>1</sup>.

If this continues, it will become more common for consumers to buy for the first time in their late 30s or 40s, with longer mortgage terms from the outset. They will be more likely to trade up later in life and repay at least part of the mortgage from retirement income or draw more to fund needs in later life. By 2030 the ILC-UK projects that £3.3 trillion, or 58%, of all housing wealth in the UK will be owned by the over 65s.

Evidence is already coming through in the mortgage data. During 2016, the proportion of new mortgages from building societies with a term beyond age 65 rose from 34% to 38%<sup>2</sup>. If you go back ten years, this proportion was below a quarter.

Mortgage terms are also getting longer. In the year to March 2017, figures show that 63% of first-term buyer mortgages from a building society had a term over 25 years. In the same period of 2006/07, it was just 42%<sup>3</sup>.

So what should we make of all this? The view of one of our conference speakers, former Pensions Minister and Director of Policy at Royal London, Steve Webb, was that assumptions around adequate retirement income may need to change. Currently pensions policy assumes people will have paid off their mortgage by the time they retire. For an increasing number of people this may not be the case.

The research also looks at the characteristics of people currently borrowing in retirement and those who might do so in future. The findings suggest that the current crop of retired borrowers can generally afford their mortgages, but whether future generations will be as comfortable depends on income growth, housing affordability and levels of pension savings. Mortgage

*"The view of one of our conference speakers, former Pensions Minister and Director of Policy at Royal London, Steve Webb, was that assumptions around adequate retirement income may need to change."*

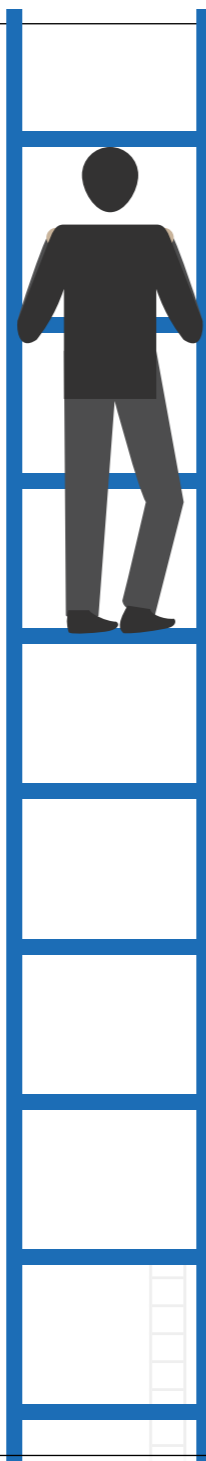
lenders and policymakers will need to be vigilant.

In the recent general election, the BSA issued calls for the party leaders to tackle the housing affordability part of this equation. Building 300,000 new homes a year, across all tenures, is vital to reducing the deficit in housing supply. Shared ownership should be

recognised as an affordable tenure in its own right. While demographic change will march on regardless, there are meaningful steps the Government can take to address the issues raised in this report.

**Next steps:**

You can view the full report at [bsa.org.uk/LendingLater](http://bsa.org.uk/LendingLater)



## Key report recommendations:

### For industry and the regulator

- Within the broad groups of current and future borrowers in retirement, understanding the different market segments is vital.
- It is also crucial that mortgage products and arrears processes have the flexibility to adapt to 'trigger points' in people's lives, supplemented by regular communications, and perhaps routine, regular advice sessions through the mortgage term.
- The Financial Conduct Authority should explore through its Ageing Population Strategy how regulation and permissions may need to change to enable the goal of further integration of the financial planning processes.
- Age is only one factor to consider when making lending decisions and mortgage lenders will need to keep their age policies under review.
- Currently Mortgage Conduct of Business rules concentrate on income for determining affordability. The regulator may need to revisit this to look at models which better reflect the financial circumstances of many older borrowers.
- The industry and regulators should look to learn from other spheres, such as incorporating the expertise of the actuarial profession on longevity risk and exploring with the High Net Worth sector how other accumulated assets – such as property, savings and stocks and shares – can provide reliable alternative forms of repayment. Learning from behavioural sciences on how to incentivise older borrowers to make sound financial choices in good time is also important.

### For Government

- Affordability pressures have been driven in part by the lack of supply of new homes. In response to the government's Housing White Paper, we would urge more initiatives for last-time buyers. This could unlock homes further down the chain for younger people.
- At the same time, the government may need to explore further expansion of shared ownership and shared equity models for younger people struggling to get onto the housing ladder.
- In the pensions world the introduction of more freedom and choice is still a relatively new development. It will be important for the mortgage industry, as well as the regulators and government to keep track of any emerging issues with consumers who borrow on the basis that they will repay all or part of a mortgage out of pension income.
- Finally, the merger of the Money Advice Service with the Pensions Advisory Service and PensionWise provides an opportunity to rethink how we engage consumers in their retirement planning and raise financial capability. It is important to keep political momentum going in this area in order to support better financial decision making.

1. ILC-UK analysis of the ONS Wealth and Assets Survey  
2. CML regulated mortgage survey  
3. Ibid

# MMC signals way for building societies to go back to the future



By **IAN FERGUSSON**, Chief Surveyor, Sesame Bankhall Valuation Services (SBVS)

Recent research from AMA Research forecasts a steady rise in the self-building housing market of around 7-10% per annum by 2020. However many lenders are currently unclear about what they are being asked to provide funds on, and what borrowers can build. Building societies are already leading the way, dominating in the self build sector and now is the time to grasp the opportunity and look at what more they can do to support the growth of modern methods of construction (MMC).

For that to happen, there is an urgent requirement for what is meant by MMC to be standardised across the industry so that it can be funded and underwritten. Make no mistake; the requirement is urgent because, as we all know, the UK is in the midst of a housing crisis. It has been estimated that we need to build 300,000 houses a year – that’s one million new houses by 2020 – just to make a dent in the deficit in housing supply. We have been falling well short of that government target year on year.

One of the more popular aspects of MMC is panelised construction, which involves the manufacture and pre-assembly of large sections of a building ‘offsite’ in a factory. There are numerous types of offsite construction, ranging from permanent modular buildings through to bathroom pods.

And there are numerous benefits to offsite construction over onsite construction. Ask yourself this simple question: would you prefer your brand-new BMW to be assembled in a rainy field or in a state-of-the-art factory? The answer is obvious so why do some lenders consider building a house onsite better than fabricating the main structure offsite, where it can be erected quicker and more efficiently with better quality control, less waste, and fewer emissions in a controlled factory environment?



**“Ask yourself this simple question: would you prefer your brand-new BMW to be assembled in a rainy field or in a state-of-the-art factory?”**

Building societies were founded on a central pool of funds, which was used to finance the building of new houses for members. MMC provides building societies an opportunity to reclaim their heartland in new-build homes from large spec-build PLC builders. Self build homes, custom-build homes and community-build homes are all small niche sectors that are growing and, as such, building societies are often better placed than mainstream banks to lend into these sectors.

Based on technological advances, environmental pressures, carbon emission reduction targets and the trend towards offsite being the preferred construction

method in the new-build sector, perhaps the first item of business on the cross-industry working group the Government announced in the Housing White Paper should be agreeing an industry-wide classification on the new MMC standard of construction as well as warranty assurance schemes.

This industry-wide classification to define exactly what ‘MMC’ means will enable building societies – and the wider housing industry – to unlock the full potential of this emerging market. It will help building societies to lead the way and seize ownership of the MMC sector by providing the ability for people to build homes that meet 21st Century standards in terms of both space and energy requirements and quality of living and thereby help to tackle the UK’s chronic housing crisis.

**Next steps**

You can keep up with the latest surveys and housing news at [sbvaluationservices.co.uk](http://sbvaluationservices.co.uk)



# Member engagement: What does it mean and what does it take?

Julieann Thurlow and Sarah Howe spoke at the BSA Annual Conference in a session that identified key similarities between mutuals – and the challenges they face – around the world. Here, we learn a little about what their individual organisations are doing to solidify and build their member network.



**SARAH HOWE**, Chief Customer Officer, Saffron Building Society



**JULIEANN THURLOW**, President, Reading Cooperative Bank (Massachusetts, US)

Consumers can be forgiven for seeing little to no difference between financial providers. Let’s face it, we all use ‘customer centred’ language to attract. One question customers ask is simply: ‘Who can I trust to keep my money safe and take a personal interest in my financial wellbeing?’

Reputation is everything – whether you are a mutual or PLC. Research into financial service brands show that bad publicity is the most common reason that people actively avoid a brand.

Small marketing budgets mean that despite the positive associations of building societies, a lack of awareness results in reputation issues as consumers don’t know enough about us.

To engage with customers Saffron has applied psychological profiling (Myers Briggs) to gain a deeper understanding of existing and potential customers. We discovered that building society customers typically:

- Feel nervous when thinking about the unknown or the future
- Are risk averse so insuring, protecting, investing and saving are very important
- Need to be certain they are doing the right thing
- Prioritise order and detail
- Don’t easily forgive mistakes

Mutual organisations can unlock the potential to appeal to all ages by combining psychological profiles with behavioural traits. However, this requires investment in both technology and brand.

**Saffron is developing its appeal by:**

- Deepening relationships in communities by piloting activity in and around our branches, working with local employers and businesses
- Working with local councils and schools to help financially educate young people
- Co-collaborating with members, non-members, students and staff to design ‘the perfect retail environment’
- Training branch managers in British Sign Language to help better engage with a segment of the community which is typically underserved in financial services
- Incorporating customer journey mapping; using personas and segmentation to design a service proposition that fits with today’s – and future – customers

It was a pleasure to speak at the BSA conference and meet many mutually minded peers. I am dismayed by the declining number of mutuals in the US. Formidable regulatory and capital requirements present serious barriers to entry making us likely the last of our kind. It is imperative that we take steps to preserve our societies, mutuals and cooperative organisations.

The US and UK mutuals have a shared history of solving a societal problem of housing for workers. A 2011 Harvard Business Review whitepaper on “Shared Values” argued that corporate goals should be for societal betterment rather than simple philanthropy and business can find success in solving societal challenges. That sounds like mutuality.

What of our future – have we done a good job communicating our value and values? Have we successfully differentiated ourselves from our public brethren who nearly took down our economies and left a stain upon our reputations?

We must be bold and proud and communicate the nature and value of our mutual cooperatives. Millennials will make up 50% of the retail banking population by 2020. They support brands that are authentic, transparent and caring. They look for social impact organisations; they value ethics, trust and honesty.

Millennials are also looking for things that make their lives easier; they seek education and content to help them make important financial decisions. This is exactly where we can help, but we need to adapt to meet the mobile delivery demands of this demographic.

My bank has developed its brand around mutuality; Every decision is measured against those values. Our customers understand that we are different; they choose to bank with us because of it.

We provide financial literacy education with safe accounts to teens, millennials and new immigrants (in their language) to improve their banking experience. In this modern mobile technology world, our challenge is to communicate effectively and service millennials their way. I think we’re up for it – cause we’re “Cooperative Dammit!”

**Next steps**

You can keep up with [@SaffronBS](https://twitter.com/SaffronBS) and [@ReadingCoopBank](https://twitter.com/ReadingCoopBank) on Twitter

# Collaboration and innovation key if we want to see a real solution to the housing crisis:

## An interview with Colin Fyfe

Darlington Building Society Chief Executive, Colin Fyfe, spoke passionately at the recent BSA annual conference on how we might grow and improve housing supply in the UK.

**W**e have a long way to go until modern methods of construction (MMC) are widely-understood, financed, in demand and prominent on housing developments across the country. However, it is important we explore the potential now if we are to see real change in the future. How can we increase housing supply, what will these homes look like, who will finance them, how realistic is building your own home to fulfil your own requirements? Here, we discuss with Colin what the future of housing might involve, and what it will take to get there.

Innovation in mainstream housebuilding is something the UK has needed for some time. Colin explains that this is because "we have a shortage of housing stock in the UK, and we need new thinking on how we can boost it. We need houses that appeal to people in different stages of life. For first time buyers, for downsizing in later life, for individuals separating from partners and for families. There are a range of life circumstances that need to be catered for, whether that's finding your dream home or scraping together enough to afford your first home."

It appears there will be no let-up in the rising demand for housing anytime soon. Self and custom build (SCB) homes, and homes built using modern methods of construction (MMC) are potential solutions to increase the supply of quality homes faster than traditional building methods on large developments can deliver.

Though the term 'modern' might lead some to believe these building techniques are new-fangled, they have in fact been in the housebuilding repertoire of builders around the world for decades. When it comes to designing and building our own homes, or investing in MMC properties, Colin says "the UK is at the low end of the scale". For example in Austria around 70% of homes are built using SCB and MMC. It is time for the UK to embrace innovative housebuilding techniques to save future generations the anguish of struggling to find a suitable, or affordable, home.

"New housing built in new ways with new materials are now a reality in the UK, but we need to bring together the whole housing industry to bring them into the mainstream: Valuers, manufacturers, builders, lenders and others – in order to make it happen on a larger scale. The UK new-build market is currently dominated by a few large builders who tend to build the same type of home" these builders have also admitted they alone cannot provide enough new homes to reduce the deficit in supply. There is space for MMC and SCB to take off, and once it does, it will gradually move into mainstream housebuilding."

Colin has been busy visiting local councils to help clarify the details of the Right to Build legislation. He has found "many hadn't picked up on their recommended actions, or were not aware they could match land with those who want to build on it. They can get an injection of cash whilst the country gets the additional homes it needs."

***"The UK new-build market is currently dominated by a few large builders who tend to build the same type of home."***

Elsewhere, some lenders are apprehensive about lending on homes built using MMC, Darlington Building Society is not one of them. Colin explains: "It suits our style of lending which operates on 'fully human' underwriting. We have the ability to listen to specific designs and have a lot of experience with SCB properties. It works for us because of this human approach – we can understand each stage of the build."

Designing your own home is commonly thought to relate only to the richer members of society; a reality for the few, and a dream for the rest of us. Colin does not support this school of thought: "It is true that fantastic homes are built in that way, but with custom build, which can often use MMC techniques there's the opportunity to reduce the cost of homes. You can opt

for a home that takes up less space, with different finishes and build to your budget." Whilst we don't see an abundance of custom build or MMC properties on large developments right now, Colin says, "it is changing. We have a way to go before SCB and MMC is mainstream, but government policy- including Right to Build legislation - will help make these construction methods and concepts mainstream to builders of all sizes." This should see MMC filter into buyers' consciousness and encourage demand, providing an additional stream of UK homes.

Education for builders, surveyors, lenders, valuers and ultimately the homebuyers and renters of tomorrow is crucial. Darlington Building Society is always looking into plans around the country for things such as new MMC factories and plays a part in developing relationships. "We are keen to see what we can do to help expand knowledge and understanding of this type of property." Says Colin.

Last month, Teesside University launched a number of new courses; BSc (Hons) Advanced Home Construction and a postgraduate degree course – MSc Advanced Home Futures, in conjunction with Channel 4's George Clarke's company, MOBI. "We are talking to the university to work out how we can be involved to help students understand the lending perspective," Colin explains.

There is a common misconception surrounding MMC: "People think of MMC homes as post-war emergency prefabs. We are a long way from there." Colin clarifies. "The materials used these days are robust, they're durable and they provide the chance to make homes more eco-friendly, easier-to-maintain and cheaper-to-run, because of the way they're constructed. However, they do not yet have a track-record and there is no common agreement on the lifespan of such materials. Bricks have a track-record: we know roughly how long we can expect them to last. Collaboration is needed to define new materials' expected lifespan, it's again about builders, surveyors, insurers, valuers, lenders – the whole housing industry,



collaborating and defining this lifespan and implementing guarantees." The BOPAS 60-year durability assessment is a good starting point for this development.

We are half way through the year and once again, it is looking highly unlikely that the UK will build the 300,000 homes we so desperately need to make a dent in the deficit in supply. It is time to seriously expand where, how and who can innovate housebuilding to build quality homes faster than we are currently delivering. MMC is one possible solution. Let's evolve our demand as a country – as builders, buyers and lenders. As Colin suggests: "Building societies need to be the voice of self and custom build (SCB) - it is ours to own, and Modern Methods of Construction (MMC) is ours to champion."

### Next steps

To keep up with developments on MMC and SCB, follow the National Custom Self Build Association (NaCSBA) on Twitter [@nacsba](#)

### Terminology

#### 1. Self build

Self build projects are where someone directly organises the design and construction of their new home. This covers quite a wide range of projects. The most obvious example is a traditional 'DIY self-build' home, where the self builder selects the design they want and then does much of the actual construction work themselves.

#### 2. Custom build

Custom build homes tend to be those where you work with a specialist developer to help deliver your own home. There are a range of different business models available so this can mean anything from the developer securing or providing a site in the first place, through to managing the construction work and even arranging the finance.

Custom build developers will offer different degrees of customisation, some offer a menu of different options to choose from, allowing you to select for example different roofs, porches etc. and will fully complete your home, others may build the property to a watertight stage so that you can then complete it yourself to your own requirements.

#### 3. Right to build

Local authorities in England are legally obliged to maintain a register of people and groups interested in self building land and to have regard to the demand on their local Register when exercising their planning and other relevant functions.

# Social purpose: is it still alive and well in the building society sector?

Building societies were built on a strong social purpose. Over 160 years ago, this meant helping individuals to get a home of their own at a time when homeownership was simply out of reach for most. Today it includes opening branches in underserved areas, creating the products their members really want, or playing an active part in the education of the younger community.

The ever-changing demands of society require innovation; after all, the world is a very different place now compared to 160 years ago. Yet building societies have a unique way of delivering this innovation without compromising on our fundamental commitment to social purpose. The longevity of our sector

is testament to its core values, and the figures indicate that these values are important to customers, with the growth of building societies steadily increasing year on year.

Here, we look at some examples of building societies putting their social purpose into action.

## Nationwide Building Society



Nationwide Building Society opened the doors on its first community branch in Glastonbury, Somerset - one year after the last bank left the town.



Having consulted with the town, the Society created a first of its kind partnership that sees financial services brought back to the area. The innovative 'community contract' saw a significant number of local people pledging to support the incoming branch.

The branch will combine the very latest in new technology – including the Society's pioneering high definition video link, Nationwide Now, coupled with the very best customer service, delivered by a team who will be on hand to provide advice and support to members.

Graeme Hughes, Distribution Director, Nationwide Building Society, said: "As a building society we were born out of a social purpose and working in partnership to achieve a common goal is in our roots."

## Newcastle Building Society



Newcastle Building Society innovatively extended its branch network by collaborating with a local library that was under threat of closure. The project secured the future of a valuable community resource.



The high-street Library in Yarm, Stockton-on-Tees was developed in partnership with Newcastle Building Society to include space for a counter and meeting rooms for the building society branch, which offers a full range of services to the Society's members and library customers. The local community has benefited as people can now deal with their finances in the warm and friendly environment of a local library, it has increased the footfall and use of the library services and it has provided local residents with an additional financial services facility. By increasing the use of the library and maximising the potential of its high street location, the partnership has created a hub to foster even greater community connections.

## Scottish Building Society



Students of banking and finance at Glasgow Caledonian University (GCU) now have an extra incentive to work hard. The newly launched Scottish Building Society Prize for best performing student completing the personal lending and mortgage lending module brings with a £150 cash award for the winner.



As part of the prize sponsorship Business Development Manager David Richardson was invited to deliver a lecture to third and fourth year students. GCU Financial Services Lecturer Michal Wojewodski said: "GCU has a distinct position as the University for the Common Good. We work collaboratively to deliver social benefit to the communities we serve and Scottish Building Society is a perfect sponsor partner for us. Our students will benefit not only for the monetary reward and recognition, but also have the chance to gain professional insight through David's lecture and will visit the Head Office as well."

## West Brom



You would expect building societies to be advocates of good money management and people taking care of their finances. However, colleagues at the West Brom have gone a step further by spending time with local schoolchildren to raise awareness of money matters from an early age.



As part of the Society's regular community volunteer work, branch managers have been visiting schools to deliver money management workshops called the 'Money Go Round'.

To date around 3,500 pupils have taken part learning about the value of money, what everyday essentials are worth, what people earn and the dangers of getting into too much debt.

Retail manager Fiona McTeigue said: "It's vital to manage your money and live within your means. This is the crucial lesson we try to get across to the pupils, rather than leaving them to learn the hard way later on.

"While some of the messages we try to convey are serious, we ensure the sessions themselves are interactive and, above all, good fun. The feedback we get is really positive."

## Principality Building Society



Principality Building Society has a number of strategic school partnerships, one of which is the Business Class programme that is run on behalf of Welsh Government by Business in the Community (BITC) and Careers Wales. It has allowed the society to work with children on financial education sessions, careers workshops, achievement awards, sponsorship for school sports teams and lots more.



Recently, Principality hosted students from four south Wales schools at Principality Stadium. They were trained on how to be sports commentators, working with TV rugby pundit Sean Holley over three days. They built skills in presenting, analysing action using apps, and then creating their own panel shows.

Principality colleagues volunteered to help at the event. It provided the students with lots of transferable skills and many have since gone back to their schools and become mini-broadcast teams, covering school events.

## Ecology Building Society



Ecology Building Society is pioneering an innovative solution to provide mortgages for homes that will be 'permanently affordable'.



Ecology is a leading supporter of the Community Land Trust (CLT) movement which offers a mutual and inclusive approach to tackling local housing need and they are currently working with a number of CLT's across the UK.

St. Clements in Tower Hamlets, London is a housing development of a former Victorian workhouse that will provide 252 new homes including 23 affordable homes for the London Community Land Trust. The construction of the CLT homes follows a grassroots campaign led by charity Citizens UK. They are to be sold to local residents who meet certain minimum and maximum household criteria at a price linked to local earnings. To keep the homes permanently affordable, if the homeowners choose to move, they must reapply the same formula based on average local incomes when they sell.

The scheme challenges the traditional mortgage market reliance on open market value for underwriting. Ecology developed a bespoke solution that takes account of homes' permanent affordability and ensures they can lend on this type of scheme.



By **KATE CREAGH**,  
Public Affairs  
Manager, BSA

# Politics: What Next?

'A week is a long time in politics' attributed to Harold Wilson in relation to the turbulent 1960s, yet again seems appropriate for the current political landscape where every day brings fresh challenges.



At the time of writing, the Conservatives are in government without a majority and are negotiating with the Democratic Unionist Party (DUP) for their support. There are questions about how the relationship between the two parties might work and what impact this could have on Brexit. Whatever happens the government has a number of challenges on the legislative agenda, including Brexit and housing.

## The Legislative Agenda

In terms of Brexit, the government must negotiate our departure from and the UK's new relationship with the EU. In addition, it must transfer the 'acquis' (body of European law) into UK law to provide continuity for business. This is more than a simple 'cut and paste' job, with decisions needed on where authority will reside when the 'acquis' is transferred over. The Government has previously said there will be one overarching Bill with additional Bills for policy areas, e.g. financial services,

immigration and agriculture. This would need to be followed by around 800-1,000 pieces of secondary legislation to confirm the details.

The government published its Housing White Paper in February and it will now need to decide how best to deliver on its pledge to build one million homes by 2020. More details on this should have been included in the recent Queen's Speech.

## New Ministers

There is, however, clarity around the personnel in government. We now have key Ministers in place. Both Philip Hammond and Sajid Javid keep their jobs as Chancellor and Secretary of State for Communities and Local Government respectively. The change has come in the ministers at the level below.

Steve Barclay MP is the new Economic Secretary to the Treasury (EST). He is the MP for North East Cambridgeshire and has a majority of 21,270. He entered Parliament in 2010,

having worked at the Financial Services Authority and in regulatory affairs and anti-money laundering at Barclays. During his time in Parliament, he has worked on the recent Savings (Government Contributions) Act that introduced Help to Save and the Financial Services (Banking Reform) Act. In his early statements on his new role, he has confirmed he will be responsible for Brexit, having voted to leave the European Union in the referendum last year. He has also recognised the importance of financial services outside London.

**"Whatever happens the government has a number of challenges on the legislative agenda, including Brexit and housing."**

Alok Sharma MP is the new Minister for Housing & Planning, based at the Department for Communities and Local Government. He is the MP for Reading West with

a majority of 2,876. In taking over from Gavin Barwell, he is the sixth Housing Minister since 2010. Top of his in-tray will be the Housing White Paper and delivering on the government's plans to tackle the chronic under-supply of housing.

## BSA Response

Here at the BSA, we have already written to the Prime Minister and Chancellor, setting out our views on the economy, housing, savings and Brexit. We have also sought early meetings with the Economic Secretary to the Treasury and the Minister for Housing & Planning. In addition, we have coordinated engagement between our members to engage with MPs who have a building society headquartered in the constituency and renewed relationships with returning friends.

## Next Steps:

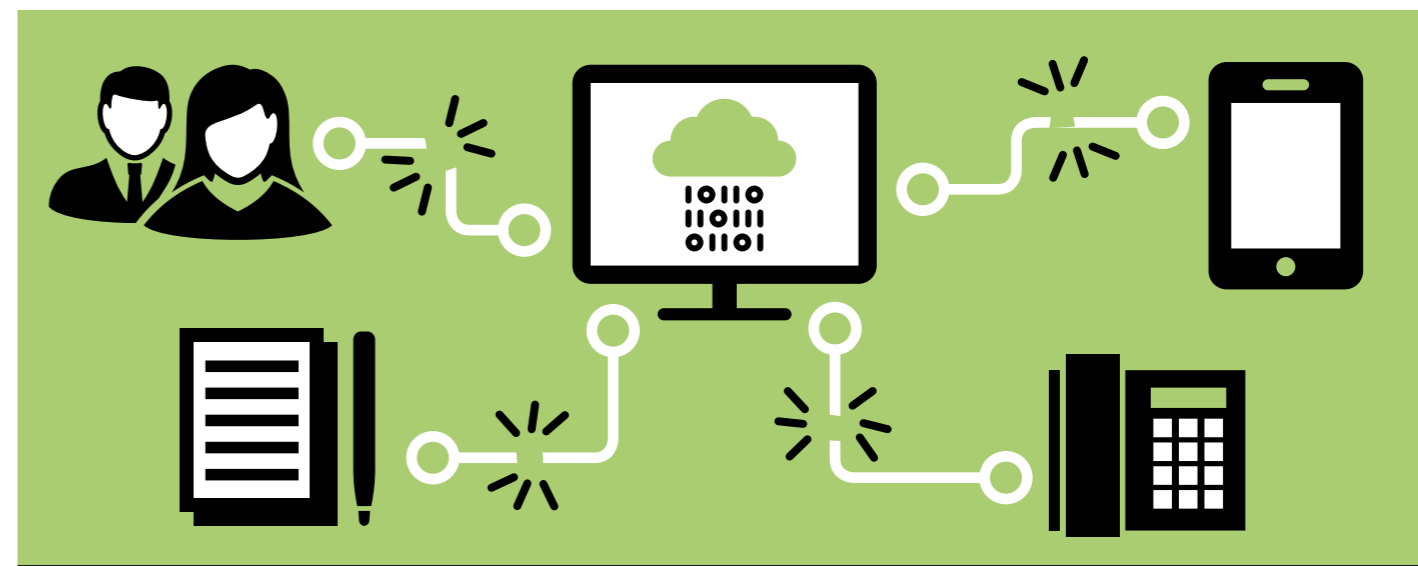
You can read a summary of the Queen's Speech and the BSA response online at [bsa.org.uk/queensspeech2017](http://bsa.org.uk/queensspeech2017)



By **HENRY WOODCOCK**,  
Principal Mortgage  
Consultant, IRESS

# Digital transformation? It isn't just about the latest technology

Here we are in the digital era, technology is part of all aspects of our lives. We are only too aware that the times they are a-changing, and it would be easy to think a digital transformation programme is all about adding technology and suddenly your business is transformed. Right?



Well if only. I would argue that digital transformation is more than digitalisation and deploying the latest technology. It involves transforming the whole end to end process, changing how clients and colleagues interact with systems and each other, often challenging the culture of your organisation.

In addition, it is vital it is viewed as a strategic investment. The real value of digital transformation relates to long-term revenue growth, not a knee-jerk reaction or short-term technology fix with limited return on investment. Digital bolt-on projects in isolation do not change the fundamental relationship that you have with your customer, one which you have worked hard to cultivate and grow.

Digital transformation must include colleagues as well as customers. Providing a great customer experience with mobile app and browser solutions at the point of sale is a great step forward, but then asking colleagues to work with a desk telephone and a pen and paper is not going to transform the business.

Your colleagues need the right tools so that they may get on with their tasks without any barriers standing in their way. That means giving them full access to all the information they require and allowing them to communicate

with their colleagues and customers, regardless of the hour or their location.

The whole business ecosystem needs to be included in a digital transformation programme, for example, a move to data rather than paper, open application programming interfaces (APIs) to enhance third party services and partners; every step in the process needs to be plugged into the digital architecture, including people.

**"Providing a great customer experience with mobile app and browser solutions at the point of sale is a great step forward, but then asking colleagues to work with a desk telephone and a pen and paper is not going to transform the business."**

Effective digital transformation must go beyond merely digitalising processes as they stand. There's no way to adopt the future without disturbing the established order. The achievement of a frictionless process will mean re-imagining mortgage processes, removing functional habits and challenging the "we've always done that" culture.

The traditional enterprise is often structured around sequential processes designed to tick the compliance and static underwriting boxes. The frictionless enterprise is structured around dynamic processes that connect content, resources and participants digitally.

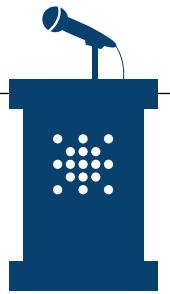
Why might a digital transformation project struggle or even fail? It is unlikely to be because of some problem with the technology but because the organisation is not ready for the scale of change that is required to achieve success. Reforming organisational structures and practice is a key element of digital transformation - adding smart tech to out-dated structures is a half-way house to avoid.

The only way to embrace digitalisation is to strategically review the business objectives and proposition in response to changes in consumer demands, changes in technology and disruptive behaviours from digitally enabled competitors. The resulting transformation will be one that many financial service businesses, including mortgage lenders, will need to undertake to be competitive in today's, and tomorrow's, market.

## Next steps:

You can follow Henry on Twitter [@henry\\_woodcock](https://twitter.com/henry_woodcock)





# Conference 2017

Thank you to all of our delegates, speakers and sponsors for making the BSA conference so successful.



## Dates for your diary



Knowledge sharing and educational events for building societies. Many of our events are also open to other financial service providers.

### Seminar for members of risk and audit committees

4 July 2017, London

This event, run in conjunction with Deloitte, will provide relevant updates for members of risk committees and audit committees. Starting with a horizon-scan of current risks and challenges, Deloitte experts will cover key developments and hot topics in cyber and data management, accounting, internal audit, conduct risk and prudential risk.

### Media training for senior executives

5 July 2017, London

This one-day programme will give participants a framework to understand how to navigate the media. Delegates will gain practical experience of preparing for and handling broadcast interviews, including those caused by crises. At the end of the day you will communicate with more authority and personal credibility, be able to pitch your message at the right level and achieve a more successful outcome. It's not just about media training but gaining media confidence.

### Audit, accounting and regulatory

5 October 2017, Leicester

This very popular annual seminar, in conjunction with KPMG LLP, provides a summary of recent changes and reminders of key requirements and explains the implications for building societies and their auditors, with presentations from specialists with extensive financial sector and building society experience.

#### Next steps

For more information or to register to attend, visit [bsa.org.uk/events](http://bsa.org.uk/events)

