



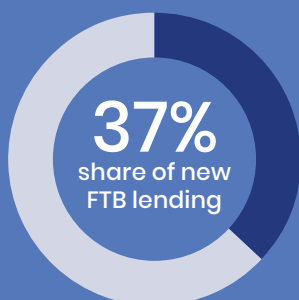
Building Society Sector Growth Plan

November 2025



27 million

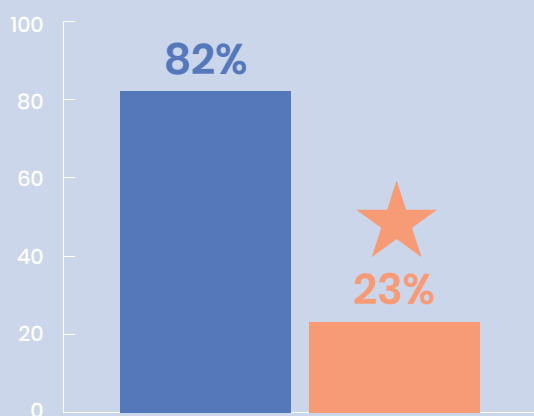
members
served
by our sector



29% of mortgages

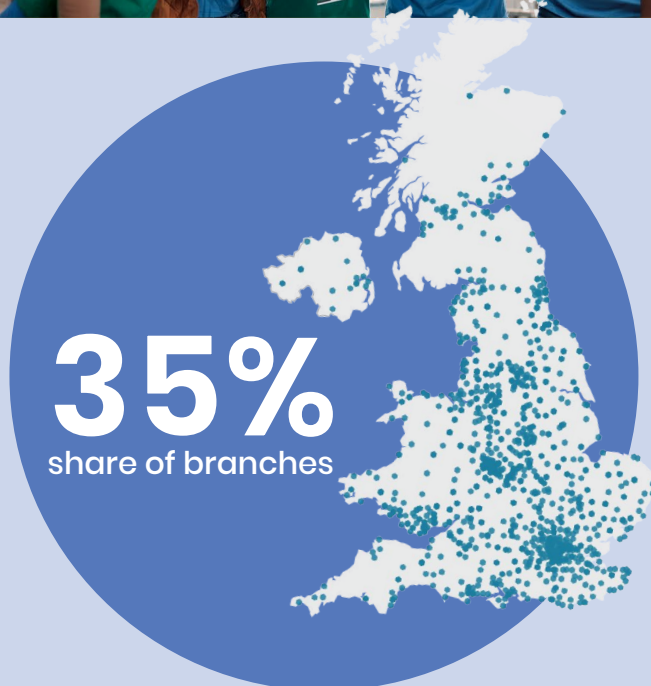


76% of building society members say their society is an important part of their community



82% of bank employees say they aim to maximise profits, **just 23% of building society workers say the same**

35%
share of branches



Contents

- 4 Executive Summary**
- 6 Why grow the building society sector?**
- 9 Enabling building society growth**
- 19 Conclusion**

£4 billion

of member benefits back into people's pockets via better interest rates, member dividends and rewards.

Executive Summary



1. Building societies are customer-owned financial service providers rooted in communities across the UK. They help people to build their financial resilience and achieve their aspirations, particularly home ownership. And with the recent acquisitions of two banks, mutually-owned business banking is now back on Britain's high streets.
2. Building societies have grown their market share since the financial crisis, from 18% to 29% of UK mortgages. They can deliver greater impact, but to do this they need better access to capital that is consistent with customer-ownership. **We call on HM Treasury and the regulators to work with the sector to develop deeper and more liquid capital markets for mutuals and cooperatives.** Unlocking access to genuinely mutual pools of growth capital will open the door to support more people across the country to achieve the security of homeownership and financial resilience. The FCA should remove barriers to retail holdings of mutual capital, such as CCDS.
3. **The PRA must review how capital regulation is applied to customer-owned businesses.** Building societies' are required to focus on relatively lower-risk lending, and they are not incentivised to maximise short term profits. This mutual difference should be recognised in the application of regulatory requirements which are proportionate to the risks posed by mutuals to the regulators' objectives. The current one-size-fits-all application of international capital, liquidity and leverage standards discriminates against building societies relative to the shareholder-owned banks. The PRA should review and tailor aspects of the Basel framework's requirements to be more proportionate to the risks building societies pose, creating a genuinely level playing field. Building society law should also be modernised so that it does not put in place barriers to the sector adapting to future shifts in technology and consumer behaviour.
4. Building societies should be involved in relevant policy development at a national and local level. They can bring member insights to critical issues such as local housing development, improving the energy efficiency of homes, financial education and inclusion, and the sustainability of our high streets.
5. With improved access to mutual capital and the enabling environment outlined in this plan, a larger building society sector will innovate and diversify, helping more people to build their financial strength and to move and buy their homes, while playing a transformative role in local economies for decades to come.



How will supporting building societies help to deliver the Government's growth mission?

Building societies deliver on a number of the pillars of the Government's growth mission as set out in its Plan for Change, and have the potential to do more:

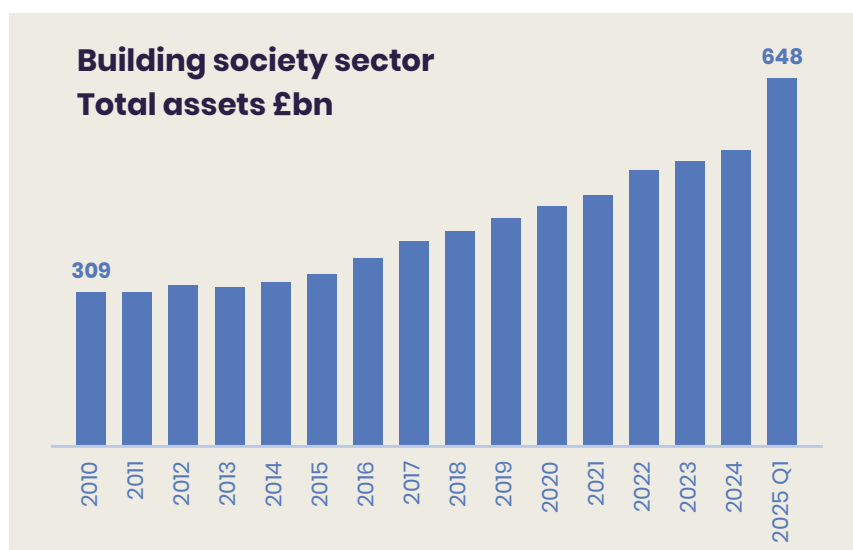
Economic and fiscal stability	Place	People	Innovation	Net zero
Robust, well capitalised financial sector Enabling labour mobility, boosting productivity Support for household financial resilience	Helping people move to homes they need Supporting house building Investing in communities	Skilled jobs in all regions of UK Investing in financial education and inclusion, driving the UK Savings Week campaign	Blending digital with physical, working in partnership with regional fintechs Open banking and other technology in mortgages and savings	Making the housing stock more energy efficient, supporting the retrofitting industry
Future potential...				
Robust growth, both organic and through acquisition, adding to the diversity of provision of financial services across all regions	Lending to buyers of 1.5 million new homes Supporting high streets and communities as banks withdraw	Sharing good practice in local FS skills clusters, adapting with new technologies Collaborating on financial education delivery	Adopting new technology and partnering to embrace the opportunities from open finance and AI to better serve and attract new members	Financing the scaling up of energy-efficient home renovations, drawing on sector expertise and lessons from retrofit projects



Why grow the building society sector?

Building societies play a significant role in the UK economy, with a track-record of being trusted mortgage and savings providers with a local presence, offering innovative products that combine face-to-face service with digital capabilities, at competitive rates of interest.

- Last year societies contributed £7.2 billion directly to GDP and £18 billion through wider effects. They employ over 52,000 people, 95% outside of London which compares to 55% for banks. All UK building societies are headquartered outside London.
- Societies' mortgage lending contributed £7.5 billion direct impact on GDP and £14 billion including wider effects. Societies now account for 29% of all outstanding mortgages across the UK and have a focus on supporting homeownership with a share of 37% of new first-time buyer lending. This significant role in supporting first-time buyers is a result of their innovation and focus on helping people into homeownership.
- In addition, societies generated an additional £4 billion in member benefits by offering better interest rates than their competitors, as well as other rewards. That is £4 billion returned to people's pockets, creating additional income in communities across the whole of the UK, rather than to external shareholders.
- Societies look after 23% of UK households' savings, with a range of accounts to help people starting to save an emergency buffer or to achieve longer-term savings aspirations.
- They maintain branch access, now accounting for 35% of branches across the UK. Societies invest, volunteer and donate in the communities in which they operate, for the causes that matter to their members' lives. Over three quarters of members say that their building society is an important part of the community.
- There are almost 27 million building society members across the UK.



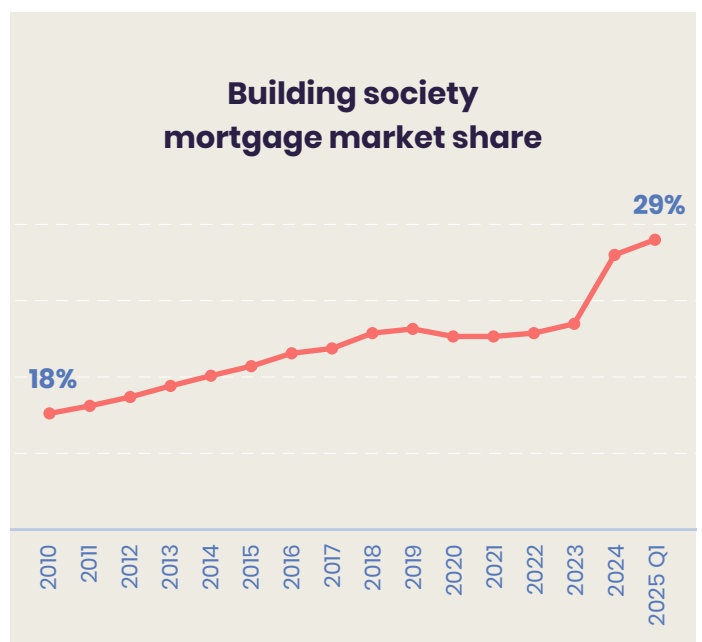
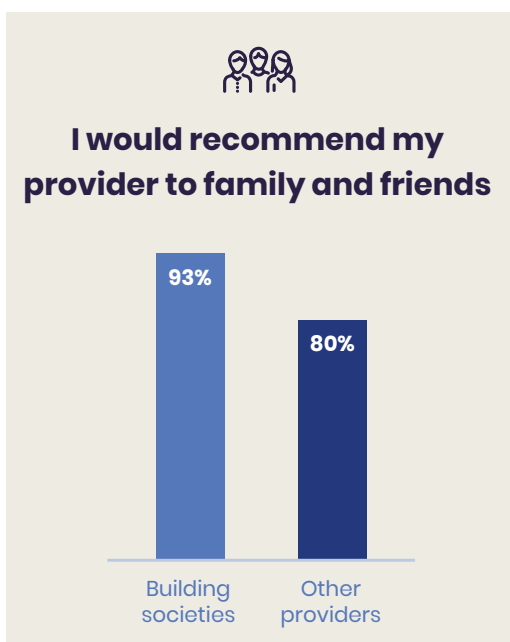
¹Sources for data in bullet points: WPI Economics: Building society output estimates. BRES: Employee locations. BSA: market shares, member numbers, member value and mortgage impact on growth, total assets. ILBA24: Branch share. YouGov: [Customer service](#)

2024 baseline: With the changes outlined in this plan, building societies can deliver more economic growth, help more people into their own homes, and grow the number of people who start to save across the UK.



Societies have grown strongly since the financial crisis, challenging the large incumbent banks and increasing their share of the market. The sector has expanded further in scale and scope in the last 12 months with the acquisition of two banks, Virgin Money and the private equity-owned Cooperative Bank. For the first time in recent history, the UK now has two mutually owned banks supporting businesses as well as households and communities across the UK.

Looking ahead, societies will provide loans to new homeowners, supporting the Government's commitment to building 1.5 million additional properties. As well as their strong role in first-time buyer, self-build and shared ownership lending, they will finance home improvements to make UK housing more energy efficient. The sector will also add to economic and fiscal stability by boosting household financial resilience through savings, financial inclusion and education, and adding to the diversity of the marketplace, improving financial stability.



Case Study

Nationwide Building Society acquisition of Virgin Money

When Nationwide acquired Virgin Money, we became the first mutual full-service banking provider operating in the UK. This makes us an even stronger force in UK banking and enables us to bring the benefits of mutuality to even more people. Our increased scale means we can provide more support for communities and high streets across the country. Bringing the established business banking services of Virgin Money into Nationwide made the Group stronger and meant that small and medium businesses had, for the first time in the UK, the choice of banking with a large mutual.

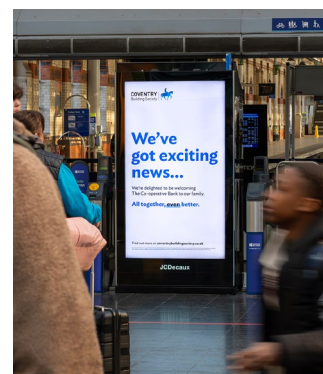


Case Study

Coventry Building Society acquisition of The Co-operative Bank

When Coventry Building Society acquired The Co-operative Bank, bringing it back into mutual ownership, we created a stronger mutual organisation with a shared commitment to ethical banking, delivering value through our products and customer service, and supporting our communities.

Together, we now serve over 4.5 million customers and members across the UK, offering a broader range of services, from savings and mortgages to current accounts and business banking. This increased scale means we can do more to support the communities in which our members and customers live and work, and provide a compelling alternative to shareholder-owned banks.



Enabling building society growth

Access to capital



Challenges:

To finance growth, access to additional sources of capital will be necessary.

Retained profit is the principal source of capital for building societies, and will remain so. However, a number of societies have already issued Core Capital Deferred Shares (CCDS) to various investors, which meet regulatory requirements for the highest quality capital.

For many societies the cost of issuing these instruments and other forms of capital is prohibitive. This is because of the lack of depth and liquidity in the market, particularly for small scale issues, and because many of the societies are not well known to investors. If it were cheaper and easier for building societies to issue capital instruments, this would enable the sector to grow, serving more homebuyers and savers.

A further opportunity would be to open up building society capital instruments to more groups of investors. This could include retail investors, including building society members. Alternatively, public institutional investors such as the British Business Bank or National Wealth Fund could have their remit expanded to focus some of their activities in investing in or providing guarantees over mutual capital. This could be linked to societies' regional activities or social impact. These changes could also help new mutual banks to get off the ground.



Solutions:

To support new lending and investment in societies' businesses:

- 1. Review and amend Core Capital Deferred Shares to make them as marketable as possible to a wider group of investors.**
- 2. Boost the firepower and regional impact of bodies such as the British Business Bank and National Wealth Fund by amending their mandate so that they allocate a fair proportion of their funding to cooperative and mutuals, including building societies.**
- 3. Work with the sector to explore how smaller societies can access capital by pooling their resources and potentially, with appropriate advice and controls, selling the instruments to their members or customers.**

Appropriate capital regulation



Challenges:

Regulators take the capital regime for large international banks as their starting point and apply it to mutuals without adjustment, which can lead to excessive burdens, miscalibration and inappropriate policy for mutuals.

Building societies are subject to Basel 3.1 minimum capital requirements² and capital buffers. Mid-tier societies are also subject to MREL requirements and the leverage ratio (if above the threshold). These are designed and calibrated for diversified internationally active banks that can readily raise capital by issuing equity. Building societies are UK-focused mutuals and concentrated, by law, on secured residential mortgage lending which long-run evidence shows are relatively lower risk assets³. The combined impact of the application of these banking frameworks to building societies means that for larger societies, the IRB floor and the leverage ratio acts as a binding constraint (rather than a backstop as intended) and the interactions with MREL and leverage ratio are particularly penal to the mutual model even though the risks they pose to the regulators' objectives are significantly lower⁴. We have been interested to see the direction of travel in other countries where they are taking a fresh look at the capital regime and where it might be constraining support to the real economy by domestic lenders⁵. We encourage all regulators to think how their objectives could be best achieved through and with the mutual sector, which would include elements of the internationally agreed standards but could be better tailored.

We welcome the direction of travel with the PRA's regime for Small Domestic Deposit Takers (SDDT). A regime for large but non-complex firms, building on the approach for SDDT, could be a vehicle for introducing these changes.



Solutions:

To ensure capital requirements for building society are appropriate for the mutual model so that they are able to compete on a fair basis:

- 1. The Bank of England/PRA should review within the next year the suitability of aspects of the capital regime, notably the leverage ratio and its interaction with MREL, for mutuals focused on lower risk mortgage lending.**
- 2. The PRA should deliver an effective SDDT regime and lay out a clear timetable for developing and delivering a similar regime for larger but non-systemic firms. The capital and liquidity requirements for building societies and other lenders that have a simple business model should be more appropriate for the risks they take on.**

²The PRA has designed a simpler regime for Small Domestic Deposit Takers (SDDTs) although this largely mirrors the Basel 3.1 minimum requirements (pillar 1)

³See Bank of England BankStats Table C2.1 where write offs on mortgages have been considerably lower than other loans for a number of decades.

⁴See Annex to [BSA response to PRA CP2/25](#); this shows that the additional capital requirement for large IRB societies bound by the LR actually incentivises them to take on more risk

⁵Remarks by US Treasury Secretary Scott Bessent before the American Bankers Association, April 2025 <https://home.treasury.gov/news/press-releases/sb0078>



Reforming legislation



Challenges:

Building society legislation can unfairly restrict societies if it does not keep pace with the external environment and other company law.

Building societies are governed by their own specific legislation, the Building Societies Act, rather than the Companies Act. Over time, modernising reforms to the Companies Act have taken a long time to be reflected in building societies legislation, putting societies at a competitive disadvantage. For example, for many years societies were restricted in their ability to communicate via digital channels with their members. The most recent updates to legislation have relied on using a Private Members Act which is not ideal, and over a year later we still have no timeline for the consequential Statutory Instruments to be laid to bring many of the updates into effect.

In addition, the specific details of the “nature limits” in the Building Societies Act, which determine the fundamental business model of a building society, can become outdated and limit societies’ ability to adapt to the external environment relative to competitors. While we are not seeking to remove the nature limits, which help to ensure building societies remain distinctive, they do need to be updated to move with the times.

In other parts of the cooperative world, there are stronger protections of mutuality than are currently in place in the Building Societies Act. For example, the 1986 Building Societies Act included the explicit provision to allow building societies to demutualise, a concept that does not exist in much other cooperatives legislation and runs counter to the Cooperative principle of indivisibility of reserves.⁶ The wave of demutualisations that occurred in the UK, starting with Abbey National in 1989, proved not to have been successful as none of those demutualised former societies still exist today as independent entities. Remaining building societies set up charitable assignments to address the risk of ‘carpet baggers’ forcing demutualisation purely for their own short-term gain. Replicating some portion of indivisible reserves for building societies would strengthen the mutual proposition and clarify resolution planning where we do not believe that demutualisation should be seen as the default option by regulators.⁷

⁶See Cooperative principle 3, International Cooperative Alliance <https://ica.coop/en/cooperatives/cooperative-identity>

⁷Mutual bail-in could be an alternative approach to resolution that does not involve demutualisation while respecting the creditor hierarchy for issued capital instruments



Solutions:

To ensure building societies are able to adapt and compete on an equal basis with competitors:

- 1.** The Government should schedule routine reviews of building societies legislation to ensure that it is not growing out of date and unfairly restricting societies' ability to compete. A review should be triggered automatically whenever there are updates to the Companies Act, and in the absence of that, at least every three years.
- 2.** Futureproof the Building Societies Act, including in relation to the funding and lending limits. This should consider how to allow a greater role for SME deposits and lending, supporting diversification into business banking, and to ensure that societies are not left behind if the trends to digitisation and the use of platforms were to increase suddenly. For example, funds from individual SMEs could count as member funds, the proportion of funds from SMEs that can be disregarded (currently 10%) could be increased to 20%, and a similar limited disregard could be introduced for funds from platforms. The derivatives allowed under the Act should also be reviewed, as a wider range might be needed to support increased business lending. Provision should be added to enable the lending limit to be reduced by secondary legislation to give scope for more business lending. The Act should also be reviewed to remove any unnecessary barriers to societies collaborating or combining activities.
- 3.** Bolster the protections against demutualisation in the current Act by including the concept of indivisible reserves, affecting the behaviours, processes and policies that this omission currently drives (such as the current presumption that a society will demutualise if it were to go into resolution).

Removing regulatory barriers



Challenges:

Regulations need to be designed with the impact on mutuals properly considered from the outset, to avoid disproportionate burdens and costs

There are a range of regulatory barriers which lead to additional restrictions for mutual building societies and high compliance burdens, particularly for smaller mutuals. These add substantially to costs for societies, reducing their ability to offer competitively priced services to members or to generate capital.

We welcome that the regulators are already starting to look at addressing some of these barriers, including the LTI flow limit, mortgage market regulations and withdrawing SS20/15, the Building Society Sourcebook. Thoughtful implementation of Open Finance could help savers to shop around and receive better returns.

We believe many of these impacts arise because the specific effects on building societies, and mutuals more generally, are not given full consideration by regulators. We encourage the regulators' landscape reviews to explore reforms to shift how mutuals are considered in policymaking processes.



Solutions:

Ensure building societies are able to compete on a fair basis:

- 1.** Through the financial regulators' landscape reviews, implement a shift in culture and processes within the regulators so that mutuals are not an afterthought in policymaking, and the specific impacts on the sector are fully considered at the beginning of policy development, as part of their cost-benefit-analysis and throughout the policymaking process, including post-implementation reviews.
- 2.** As part of the landscape and mortgage rule reviews, consider how the mutual sector could be enabled to do more to support the Government's objectives around growth and homeownership. Related to this, how the relationship between the regulators' secondary competitive and competitiveness objectives and their respective primary objectives might inform tailored approaches to building societies and other mutuals. The regulatory approach should be proportionate to the risks posed by mutuals to the regulators' objectives.
- 3.** Require regulators to put in place policies to ensure corporate diversity is more than box-ticking, with appropriate measurement and accountability, including metrics to monitor business model diversity given this has positive benefits for financial stability.
- 4.** The Chancellor should not reduce the £20,000 Cash ISA subscription limit, otherwise this will reduce societies' ability to fund mortgage lending, and stymie the growth of the sector as well as the wider economy.
- 5.** The FCA should involve building societies in the implementation of Open Finance to help consumers to achieve the opportunities from their data, particularly in terms of financial wellbeing and resilience, while avoiding potential unintended consequences that could undermine commercial viability. One area where this might be beneficial is to raise consumers' awareness of the interest rates they are getting on their savings, helping them to shop around and make the most of their savings. The FCA's analysis of the savings market has found that the largest banks are generally paying below the market average rates, while research for UK Savings Week shows that 28% of savers say they never check the interest rates on their savings⁸.
- 6.** The Government should remove the Public Interest Entity audit classification from smaller firms, which is leading to exorbitant audit costs for many building societies⁹.

⁸The FCA's Cash Savings Market Review 2023 found that the lowest easy access account from the large providers was 0.1%, compared to 1.25% to 3% at the sample of building societies.

⁹[Audit for Growth](#), 2025, BSA, AFM, UKF, QCA

Creating enduring partnerships with national and local government



Challenges:

Building societies bring member insights and local expertise that could significantly strengthen policy development and delivery. Yet this resource remains underutilised.

Building societies have a unique position in the provision of savings, banking, and mortgage lending to their members right across the country. Their mutual model has been shown to take on-board a wider range of stakeholders' interests than is the case for their competitors, embedding social impact in societies' organisational purposes¹⁰. This makes them valuable partners in delivering sustainable growth and raising living standards across all regions of the UK.

Societies are already innovating to help first-time buyers (see box) and are well placed to support buyers of the Government's 1.5 million additional new homes. The sector is actively engaging with the Government and other partners to improve the energy efficiency of the housing stock. We are keen to help to shape policy as the sector can play a major role in helping to design and provide mortgage products that help people to improve the efficiency of their homes.

Mortgage innovation for first-time buyers:

A long-standing challenge for many people is affording their first home, and many societies have developed innovative products to help first-time buyers, including:



Skipton Building Society's Track Record Mortgage: Uses an individual's track record of paying rent to calculate what they may be able to borrow, with no deposit required.



Yorkshire Building Society's £5K Mortgage: Requires just £5,000 deposit for first-time buyers up to a purchase price of £500,000.



Cambridge Building Society's Rent to Home scheme: By renting a home from The Cambridge, the Society will return 70% of the rent paid for use as a deposit when the renter is ready to buy.

Mortgage innovation for energy efficiency:



Ecology Building Society's C-Change discount: Ecology incentivises and rewards its residential borrowers for reducing their homes' environmental impact. This can save them up to 1.50% off their mortgage rate in recognition of the work they've completed to cut their carbon footprint, which should save them money off their fuel bills too.

¹⁰"Financial services with purpose", BSA 2024

Case Study

Nottingham
Building Society

Nottingham Building Society's digital partnerships

We are working with fintech partners like MQube, Lending Metrics, Nova Credit and PEXA to remove friction from the mortgage journey, from improved decisioning and alternative data sources to faster conveyancing and greater support for borrowers.

This is about more than better tech. It's about enabling great service for our brokers and customers, embedding the agility to respond quickly to changing needs while we also invest in our core banking infrastructure to ensure we remain secure, resilient, and scalable for the future.

The sector champions financial resilience and aspiration through simple savings products and innovative propositions. Societies also offer long-term good value, with building society savers earning £2.3 billion more on their savings pots in 2024 than if they had been with the big banks. Societies are exploring the opportunity of workplace savings, building on credit union successes. The sector has launched and grown UK Savings Week into a national campaign that engages people in the benefits of saving. This year two-thirds of people who had heard of UK Savings Week were prompted to act to improve their saving.

Building societies are embracing technology, working with digital partners, including regional fintechs, to automate, introduce AI and to make operations more efficient. Their digital services prioritise member needs and improve access to products and services, including for vulnerable customers, reflecting their purpose-driven ethos¹. Societies are exploring opportunities to collaborate with each other to transform and deliver services cost-effectively. The sector looks forward to working with the regulator to ensure Open Finance is introduced in a way that avoids potential negative unintended consequences.

Case Study

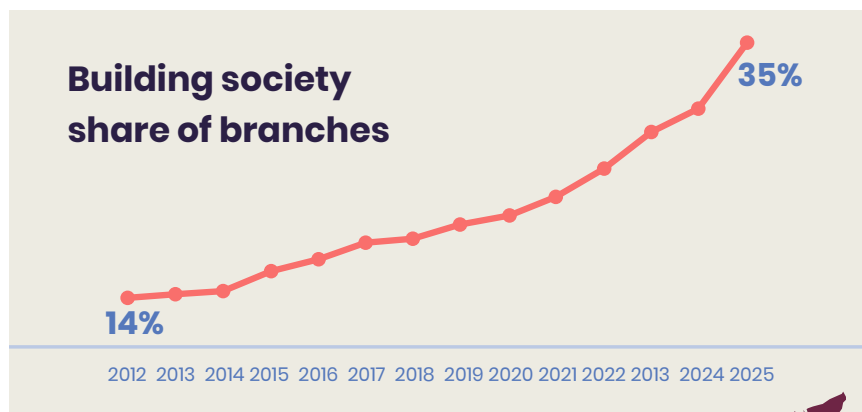

www.newbury.co.uk

Newbury Building Society – financial education

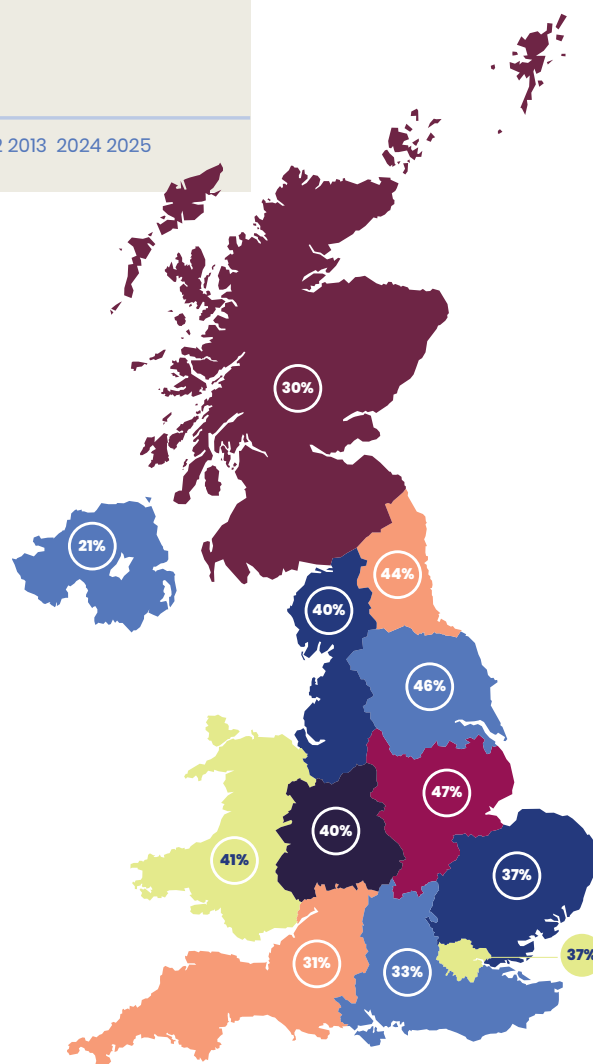
Newbury Building Society has been supporting young people to develop financial skills for almost twenty years. As well as financial education for adults and in secondary schools, their flagship primary school scheme is Junior Newbury Building Society. This brings ready-made curriculum-aligned lessons for Key Stage 1 and Key Stage 2 pupils straight to classrooms.

One teacher said, *"It provided excellent real-life learning that the children could relate to and take away with them, and I came away with topics for conversations and activities that I can do with them following on from it."*

¹Whitecap consulting, 2025, <https://www.whitecapconsulting.co.uk/wp-content/uploads/2025/05/Building-Societies-Report-2025.pdf>



Societies are maintaining face-to-face services in places where others are withdrawing, accounting for almost half of all branches in some regions (see map)¹². Last year, they were already the last branch in town in 122 places. They are investing in their branch networks, blending face-to-face and digital interactions and creating community assets on high streets. This includes trialling multi-bank kiosks that enable communities to deposit and withdraw cash and access banking services when banks have closed branches, though a sustainable funding model, supported by the departing banks, is needed for these to be used at scale. As employers based across the country,



Case Study

Melton Building Society collaboration through NEXA



**Melton
Building
Society**

NEXA Finance is a provider of specialist residential development finance, filling a gap in the market to support SME property developers across England and Wales. It is currently backed by the strength and flexibility of 5 UK building societies working together to provide personal lending solutions. So far it has agreed facilities in excess of £400m supporting the development of over 1,000 new homes.

This partnership model allows building societies to support regional house building and provides a vital lifeline to SME developers.

¹² "Building societies develop regional economies amid bank branch closures" BSA, August 2025

Case Study

Newcastle Building Society community branches



Being a place-based, purpose-led organisation means listening to our members and responding to community needs. Members repeatedly tell us about the impact of bank branch closures and it is our belief that at some point in life, everyone will value access to in-person financial services and advice. By thinking differently about branches, we seek to combine the best of our digital offer with accessible, local branch services to give people the choice in how to manage their money.

We're finding new ways to make branches work. Our community partnerships in Hawes, Wooler, and Knaresborough offer full branch facilities from a space shared with other local services such as libraries, tourist information, and even community policing, and our newest partnership branch in North Shields is co-located with the YMCA.

societies develop financial services skills and talent. We want to build on and share the lessons from initiatives like the skills commission founded by Yorkshire Building Society which seeks to improve collaboration between employers and local authorities, helping underrepresented groups to pursue careers in financial services and aligning education and training with industry needs.

There are numerous examples of societies collaborating with local authorities, which should be fostered and promoted: Nationwide's Oakfield Housing Development was developed in close collaboration with Swindon Council and Principality's Mill Development was in partnership with the Welsh Government, Cambridge Building Society received long-term investment from Cambridge Council's pension fund, while Newcastle's community branches, located in libraries and community centres, involve close partnerships with local authorities.

Solutions:

Make the most of opportunities for long-term collaboration and partnership with building societies:

- 1.** As a sector with a critical mass in mortgage and savings markets, with close links to members and their communities, involve the sector in all relevant policy and implementation discussions where they can add value through their distinctive model and purpose.
- 2.** Encourage local authorities to work with building societies as local, long-term partners who share their social goals, and break down barriers to this engagement.

Case Study



Market Harbourough Building Society and access to cash

We host a OneBanx multibank kiosk in our Market Harbourough branch, enabling free cash deposits, withdrawals and cardless transactions via mobile phone for personal and business customers of most UK banks. By providing accessible, secure banking, we're helping people manage their money locally, and the initiative is a powerful expression of our mission 'Fighting together for our customers and communities to thrive.' Take-up so far has exceeded expectations, demonstrating a clear demand for cash services on the high street.

Case Study



Yorkshire Building Society developing skills and talent

The Yorkshire and the Humber Financial and Professional Services Skills Commission was founded by Yorkshire Building Society in 2023, with the support of the Financial Services Skills Commission, the City of London Corporation and TheCityUK. The Commission has brought together public, private and educational organisations to identify the skills challenges facing the sector in the region, and what needs to be done to address them.

In 2024, the Commission published its findings in its report, 'Facing the Future'. The Commission is onto its third phase, which will conclude in July 2026.

Conclusion

Building societies are uniquely positioned to help more people to build their financial resilience, to become homeowners, and strengthen their local communities. Their member-focus guides their delivery of sustainable growth, building value for the long-term and delivering real benefits to household finances, people's communities and the financial system as a whole.

The sector calls on the Government and regulators to work with it to deliver the access to capital and reform that the sector needs to achieve this growth.

Revitalise mutual capital	HMT, PRA, FCA	Enable the use of capital instruments and widen the range of investors Step back to consider appropriateness of capital regulation relative to risks posed
Reform building society legislation	HMT	Open up to diversification and future proof for technological change
Shift the regulatory approach	PRA, FCA	Embed proportionality with a shift in mindset and accountability via the Landscape Reviews
Local delivery scaled up and rolled out	DBT, MHCLG, Local Government, and other depts	More mutuals round the table, more partnerships developed



