



BUILDING SOCIETIES MEMBERS ASSOCIATION

www.bsma.org.uk

Newsletter Spring 2019



Your BSMA Needs You - A Call to Action

BSMA Charter

A CALL TO ACTION!!!!
IT IS TIME FOR MEMBERS OF THE BSMA TO GO THAT EXTRA MILE!!!!

At the 36th AGM of the BSMA, on 27th October 2018, "Charter For An Open And Democratically Accountable Building Society Industry", was unanimously adopted. The Charter calls on all UK political parties to endorse and actively campaign for the changes called for in the Charter, ahead of the next General Election.

The Charter

**CHARTER FOR AN OPEN AND DEMOCRATICALLY ACCOUNTABLE
BUILDING SOCIETY INDUSTRY**

Introduction

The Building Society Members Association (BSMA) calls on all UK political parties to endorse and actively campaign for the implementation of this charter.

The BSMA is an organisation of individual members drawn from various building societies across the UK. It was set up 35 years ago to campaign for the rights of building society members.

There are over 20 million members of building societies in the UK. Building societies are mutually owned businesses; their members, their customers (savers and borrowers) are their owners. Whilst many societies are keen to advertise this fact, they are failing to meaningfully engage with members.

This is highlighted by the pitifully low number of members who take part in voting at building society AGMs. An example of this is the West Bromwich Building Society (WBBS). At the 2017 AGM of the Society, only 15,814 of the 446,000 members, members voted in favour of the Remuneration Report (information obtained from the WBBS). This represents just 3.54% of members of the Society. In comparison, an average of 65% of shareholders of FTSE 100, 250 and small cap. companies voted in favour of their companies' Remuneration Reports in 2015 (information obtained from HM Government's Green Paper on Corporate Governance 2016).

Contrary to the many claims made by societies there is a lack of engagement with members which ensures a lack of accountability and scrutiny of the way building societies are run. The 2008/9 banking and financial crisis should have been a wake up call that strong and robust scrutiny is required in building societies as well as banks.

Building society boards self appoint new board members when vacancies arise, or when they decide there should be a new member. These appointments are then put to the membership for endorsement, at the following AGM. The ballot paper for board elections always contains the same number of candidates as vacancies, which leads to an uncontested election.

The rules of building societies make provision for ordinary members to nominate a fellow member to stand for the board. The high number of nominations required, along with the restrictive requirements that members must meet, in order to make such a nomination, is the reason that not one society has such a member sitting on its board. Whereas PLCs, shareholders have greater engagement at board level.

**Here are the changes the BSMA believes need to be put in place in order to have an
*Open And Democratically Accountable Building Society Industry:***

A) The make up of building society boards

The composition of boards should more accurately reflect members and staff, in terms of their gender and ethnicity. About 75% of staff are female, yet there are few female directors.

At least one seat on each board should be allocated to a lay member drawn from the members of the society. In the case of the larger societies, for example the Nationwide, there is a need for two seats to be allocated. These board members would be nominated and elected by the membership. In order for this to happen, changes will need to be made to the rules of societies. They must take into account the need for a more achievable number of members required to make a valid nomination.

Likewise there should be "shop floor staff" representation at boardroom level.

B) Qualification to be a member

At present there appears to be four classes of membership of building societies:

1. Members with savings and/or borrowing accounts.
2. Members with savings and/or borrowing accounts with savings and/or borrowings of over £100 on the last day of the society's financial year and who then qualify to vote at the following AGM.
3. Members with savings and/or borrowing accounts with savings and/or borrowings of over £100 on the last day of the society's financial year and who have had an account for more than two years, who then qualify to support the moving of a resolution at the following AGM.
4. Members who qualify to nominate a fellow member, members with savings or/& borrowing accounts with borrowings and/or savings of over £200 at all times, for at least 2 years prior to making a nomination.

There should only be two (non-voting & voting):

1. Members with savings and/or borrowing accounts.
2. Members with accounts, with savings and/or borrowings of over £100 on the last day of the society's financial year and who then qualify to vote at the following AGM. These members who qualify to vote at the AGM should also qualify to make a nomination.

C) Annual reporting by all Non-Executive Directors

There should be a requirement that all Non-Executive Directors (NEDs) submit an Annual Report, setting out the time they have spent on society business and what measures they have taken to consult and engage with members and staff.

They should be required to answer questions from members at AGMs. NEDs should be accountable to the membership. The members need to feel they are getting value for money.

D) AGMs

AGMs of building societies should be held at times (evenings and weekends) that are more convenient to members in order to encourage better attendance. Live Internet streaming of AGMs should be used.

The number of members that are required to support the moving of a resolution at an AGM is far too high. A more realistic number is required to encourage member participation.

E) The Infamous "Quick Vote"

The use of the "Quick Vote" by building societies is "Gerrymandering". It is extremely undemocratic and should be banned. Ballot papers should be laid out in the same way as the ballot papers used by PLCs.

F) A need for a change in culture

The standard of corporate governance of building societies is very poor and accountability is very weak. There is a need for building societies to genuinely engage with their members. When members raise issues in regard to the way a society is run, they should not be treated as predators.

Too often, when societies state they are consulting members on issues to do with the running of the of the society, the reality is it is little more than a marketing exercise for the society's products.

It is clear that the rules of societies have been drawn up to frustrate, discourage and vigorously oppose member participation. This culture needs to change.

The BSMA by publishing this "Charter" believes that these changes will only come about by the government intervention.

Ahead of the next general election the BSMA calls on all UK political parties to endorse and actively campaign for the changes contained in the Charter.

Furthermore, the BSMA calls upon a new incoming government to consult all stakeholders before the drawing up of legislation and regulations to facilitate these changes.

www.bsma.org.uk

Promotion of the Charter - A Call to Action

The promotion of the Charter is down to all BSMA members. If you are a member of a political party, please ask your local party to endorse the Charter. Please write to your local MP, asking for their endorsement of the Charter. Details of MPs are available on the BSMA website.

Following an appointment with my local MP Caroline Spelman (Conservative) to discuss my concerns about the lack of accountability of building societies. I presented her with a copy of the Charter. She has taken up the matter with the Treasury Minister John Glen MP. I have now been offered a meeting with Treasury officials to discuss matters.

You may wish to use something like the following message to contact your MP.

DearMP

I am a member of your constituency. I am also a member of the Building Society Members Association (BSMA).

At the 36th AGM of the BSMA, held on 27th October 2018, "Charter For An Open And Democratically Accountable Building Society Industry" was unanimously adopted.

I am writing to ask you and your Party to endorse the "Charter".

Furthermore, I am asking you for your help and support, in order that the changes called for in the "Charter" have a chance of becoming law.

Please **find attached a copy of "Charter For An Open And Democratically Accountable Building Society Industry"**.

Yours sincerely, etc.

Please contact Simon for any help with a letter.

-oOo-

In the case of the Labour Party, they have an "Economy, Business and Trade Policy Commission". The terms of reference for this commission is "Democratic Public Ownership". The commission is taking submissions from Labour Party members, Labour Party organisations, trade unions, **members of the general public** and stakeholders. The closing date is 30th June 2019.

The Charter has been posted on the website, so please go on and leave a comment in support and cast a vote for it. The more support it receives the greater the chance it has of becoming Labour Party policy (**you don't have to be a member of the Labour Party to take part**).

Please take action and go on to the Labour Party Policy Forum website www.policyforum.labour.org.uk and search on "**building societies charter**". Then click on the Charter submission - register as a guest (if you are not a member) then **post a comment**. The more posts for this submission the greater the chances of it becoming Labour Party policy.

I have just finished reading a book, a cousin of mine, Anne Carwardine has written called "Disgusted Ladies" (I highly recommend it. PS I am not on commission). It is about the history of the suffragette movement in Tunbridge Wells. There are some similarities between the campaign for women's votes and the rights that building society members are being denied today.

I really do believe we have a chance to change things, by using the Charter and by us, as members going that extra mile. As with the suffragettes, we building society members, will only gain our rights through Government legislation and regulation. It is clear that the "closed shop" that runs our mutual building societies will only allow us the members to have a meaningful say, if they are forced to, by Government intervention.

Please come on board.

Simon Martin Johnson

A member of the West Bromwich Building Society and the Coventry Building Society.

Email smjforthewbbs@gmail.com

simonmartinjohnson@outlook.com

It is really important to take action to support Simon and make the BSMA meaningful too.

-oOo-

Copy of letter from John Glen MP (Treasury Minister) to Dame Caroline Spelman MP

MC2019/02399

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Dame Caroline Spelman MP
House of Commons
London
SW1A 0AA

28th February 2019

Dear Caroline,

Thank you for your letter of 4 February to Greg-Clark enclosing correspondence from-your constituent, Mr Simon Johnson of 6 Ernsford Close, Dorridge, Solihull, about building societies. Your

letter has been passed to the Treasury and I am responding as Minister responsible for financial services.

I noted with interest the work your constituent highlighted by the Building Society Members Association (BSMA), to increase engagement amongst building society members in the running of their societies. This Government supports strong corporate governance in the building society sector and members have an important role to play in this. My officials would be happy to meet representatives from the BSMA to discuss their views on improving building society governance if your constituent would find this helpful.

Regarding your constituent's specific complaint about West Bromwich Building Society, any dispute arising between a building society and its members is usually best resolved by the parties involved. Your constituent's first recourse should therefore be to the building society's customer complaints department. The Financial Conduct Authority's rules require banks and building societies to properly investigate all complaints and, through ongoing supervision, it continues to monitor their complaint handling processes.

If your constituent is not happy with the building society's response, he will be eligible to apply to have a further review conducted by the Financial Ombudsman Service (FOS). The FOS provides a free, independent dispute resolution service for bank and building society customers. It can be contacted at:

The Financial Ombudsman Service, Exchange Tower, London, E14 9SR
Tel: 0800 023 4567
www.financial-ombudsman.org.uk

Please pass on my thanks to Mr Johnson for taking the trouble to make me aware of these concerns.

With very best regards

John

JOHN GLEN

-oOo-

These Comments on the Charter have already been submitted to the Labour Party Policy Commission Website

Many thanks for submitting the resolution of your CLP to the National Policy Forum. Thanks also for drawing our attention to the Charter. I admit that I was not previously aware of these issues.

Dear Simon, Thanks for posting a copy of the resolution and providing a copy of the Charter. I have read them both. I have always been vaguely aware of the democratic deficit that exists in Building Societies. However, had you not posted this information I would not otherwise have been aware of the Charter. If one were keen to become more democratic and engage members it is difficult to see what the objections to the proposed changes would be. However, I assume that BS are either resistant to these changes and/or are unenthusiastic? I suspect that the real barrier to change here, apart from the BS themselves, would be building a sufficient campaign and case for change absent some demonstrative and serious shortcomings in the way that BS are managing and running themselves.

There is a desperate need to introduce legislation to make building societies accountable to their members.

Building societies claim to be mutual societies and are portrayed through much false propaganda as having high corporate governance standards. Whereas, in truth, standards are very poor and accountability is weaker than that of listed companies.

Voting systems used by different building societies have long been biased in one way or another by using various ballot paper formats including some quite artistic efforts or with tick boxes buried in the small print on the reverse side. All designed to give members' votes to the chairman. The so-called "Quick Vote" has now been adopted as standard by the industry. This is an unscrupulous, biased system that shows complete contempt for members of the societies.

It is a contradiction for societies to claim, as they do, to have high standards of governance yet have biased voting systems. No such corrupt system is used by listed companies where many of the directors of building societies also work.

The numbers of nominees required to support a member's resolution or a member candidate are set at levels that are almost impossible to achieve. On the very rare occasion where sufficient support has been obtained member's resolutions have been automatically rejected by building societies and knowledge of the submission attempt has been withheld from members. The fact that a member can only have a resolution accepted by way of a challenge through the High Court is evidence of a corrupt system. This demonstrates that, despite misleading propaganda to the contrary, building societies do not adhere to the spirit and principles of mutuality and are opposed to the legislation that permits the mutual model.

As the charter states the legislation needs to be revised to reduce the numbers of nominees required to support resolutions and board candidates to levels that are practical. New legislation should fully enable members to hold directors to account and prevent the use of semi-rigged voting procedures.

The numbers of nominees required were increased ten fold, through industry lobbying, following attempts by certain members to copy the actions of the directors to de-mutualise their societies. However rules were introduced by the industry to obviate any attempts by members at demutualisation. This immediately rendered the increased level of numbers obsolete and unnecessary.

In 2017 the Nationwide Building Society, as the lead organisation for the industry, submitted a response to a consultation for a Government Green Paper on Corporate Governance Reform. In its efforts to prevent any reform of governance of building societies the Nationwide ensured that the submission was very economical with the truth. It is a lengthy composition that strangely manages to miss some of the fundamentals of corporate governance of mutuals. It fails to mention the infamous "Quick Vote". It fails to mention the rights of members to put forward resolutions. It fails to mention the rights of members to stand as candidates for the board. It fails to mention the fact that they are totally opposed to these rights. It fails to mention their new rule to ensure the removal of any elected member.

The document is a masterpiece in subterfuge and deceit and despite many claims of openness and transparency, it was withheld from staff and members and could only be obtained via a Freedom of Information request. Together with its omissions, the document should be widely used as a reference when examples of false propaganda and poor standards of corporate governance for building societies are under discussion. The document again demonstrates their opposition to the legislation that permits the existence of building societies as mutual societies.

The document "Nationwide Building Society's Response to the Corporate Governance Green Paper" can be found on the Building Societies Members Association (BSMA) website - www.bsma.org.uk.

I agree with the charter and the comment. Building societies are supposed to be mutual societies but there is nothing mutual about the way they are run now.

Legislation should be changed to make directors properly accountable to the members and to have democratic elections, unlike the present set up which is about as honest as a nine pound note.

We are fed with a lot of eyewash and made to believe all is well with those cuddly building societies unlike those nasty banks but they continue to have problems. The Nationwide is now far too big and and far too powerful.

It is time something was done.

-oOo-

Nationwide Building Society and Corporate Governance

As reported in the last newsletter, at the Nationwide AGM last year Alan Debenham presented the chairman David Roberts with a copy of a BSMA leaflet containing nine questions. David Roberts asked Alan if he could answer the questions at a later date.

It has taken many emails and phone calls to Sam Grayston (Nationwide BS) but finally, in February this year, David Roberts sent his answers.

The questions read as follows:-

Under the heading "**Our Founding Principles**" David Roberts stated in the 2017 annual report

"Many companies with strong frameworks have failed as beyond the rules there are principles that matter deeply, such as transparency, trust, openness and balance."

Claims about openness and transparency are quite common at Nationwide.

However a request by the BSMA for a copy of the submission they made in response to the public consultation Green Paper on corporate governance reform was refused. Instead the directors would only provide an "overview" i.e. a redacted version.

Q1 Can he explain this hypocrisy?

Q2 Board members advertise in their biographical details for elections that they are on the boards of other companies. Why do those companies not use the infamous "Quick Vote" or any other such unscrupulous and biased methods on their ballot papers?

Q3 Is there any reason why votes on directors' pay at "Your" Nationwide should not be binding?

Q4 Is there any reason why there should not be a proper video recording of the FULL AGM proceedings on the societies website for the benefit of the majority of members and not the insulting rubbish that was presented last year?

Note: NHS England, of which David Roberts is vice chairman, does not seem to have a problem with proper video recordings of their meetings.

Q5 Is there any reason why AGMs should not be held at weekends so that members as well as directors are able to attend? The AGM attendance in 2016 was 78 out of 7,800,000 qualifying members (0.00001%). If that ratio was applied to other building societies no members would attend.

Q6 The "Loyalty Saver" account interest rate has been reduced to only 1.0% and that is only after 15 years of loyalty. That is far less than other banks pay for no loyalty whatsoever. "Your"

Nationwide performs better than other banks for its directors. When will it perform better than banks for members?

Q7 Building societies were originally intended to help people to buy their own homes. In what way do “buy to let” mortgages help people struggling to get on to the housing ladder?

Q8 Is there an good reason why the Annual Report should not include a year on year chart showing the total chief executive pay as a multiple of the Living Wage that the directors claim to support?

Q9 The UK Corporate Governance Code states that executive pay policies and awards should "*be sensitive to pay and employment conditions in the wider workforce*". Do the large board pay levels reflect the sensitivity of those directors who advertise that they support the Living Wage?

Reply From David Roberts (29 January 2019) to the Questions - AGM (19 July 2018)

Dear Mr Debenham,

I understand you are waiting for a formal response to the questions raised in your leaflet handed out at this year's AGM. I have reflected carefully on your questions as I am always keen to consider any member's view and ask myself whether we have things right or whether we need to change. On re-reading your leaflet and thinking about the conversations we have had over the past nearly five years, it is clear that you and the Board are coming from slightly different perspectives. I recognise, as I hope you do, that we both have the best interests of the Society and its members at heart. As the Board of a complex business, looking after the money of millions of members, our strong view is that if we are to succeed and remain relevant for our current and future members we must run the Society consistent with the needs of all members and to the standards displayed by the current and emerging competition we face every day. Indeed, our members expect no less. We do also recognise that we are indeed different and can make some different choices. That is why we were able to deliver in excess of £500m of Member Financial Benefit last year.

I am pleased to answer your questions, taking each in turn:

1. As we have said previously Nationwide provides information to Government on a regular basis. While some is given publicly, much is given privately (often at the behest of the Government) and we hold to the principle that we should keep private documents private. We took the decision to make our submission to Government on corporate governance privately. I understand that the BSMA has obtained a copy of the document using the Freedom of Information process. While the language and tone used in the document is not that we would use in communications we expect to be seen by members (I am sure you will appreciate that by their very nature these submissions are written in dry and matter of fact style), I would hope that you would recognise that the content itself is an accurate description of the facts.

2. Quick Vote is used across the building society sector and around 80% of our voting members choose to use it. Feedback from members tells us it is a quick and convenient way for those members who *do* support the Board's recommendations to vote. All members have the right to use the standard vote and can vote for, against or withhold their vote for every resolution. We have also analysed the voting patterns and would confirm that the distribution of votes via Quick Vote mirrors the wider vote. It is also clear from our research that members understand completely what they are doing when electing to use Quick Vote.

3. In line with all major UK businesses operating to the Combined Code on Corporate Governance, the Remuneration Policy Report which is put to members for agreement is a binding vote and the Board then has the discretion to operate within the agreed policy. The annual Directors' Remuneration Report is then an "advisory vote". However, you can be assured that if the majority of members voted against the Directors' Remuneration Report, that the Board would consider this

vote extremely carefully. It is why every vote from members is so important to us – it gives us on the Board the views of the membership and a mandate to make decisions in their best interests. Every single resolution was passed by over 90% in favour this year and for many years previous. I think this shows that the majority of members are supportive of the Reports and Policies they are presented with at the AGM.

4. We intend to live-stream the AGM by video online next year to allow members to observe the meeting, so thank you for your suggestion. We have made the full speeches from myself and the CEO at the 2018 AGM available here on the Nationwide website.

5. We have looked into hosting the AGM at a weekend, and our research tells us that members would be no more likely to attend a weekend meeting than a weekday meeting. The Board has already set the dates for the next two AGMs (18 July 2019 and 17 July 2020), but I would be happy to revisit this theme with the Board and members for the 2021 AGM.

6. In terms of Loyalty Saver, we remain confident that this product represents good value for our members. It pays a headline rate of 1.10% which is almost double the next best instant access rate you can get from a major high street bank of equivalent scale.^[1] While it is possible to get a higher rate for a new instant access account, a number of these products are only available online or offer a short-term bonus after which the rate will reduce. By contrast Loyalty Saver offers long-term value to members with the rate increasing in line with a member's length of membership.

7. Renting is an important part of the housing market helping people to move to new areas for work, supporting those who cannot yet afford a home and allowing people to live in areas they cannot afford to buy. Working with Shelter and a range of other organisations, we aim to improve the standards across this part of the market. Our buy to let role has allowed us to drive market change, most notably by being the first lender to allow long-term tenancies under our buy-to-let mortgages, a move subsequently replicated by the rest of the industry. Nationwide's presence in this market gives us the credibility to support wider sector change including recent legislation to allow tenants to sue landlords if their home is low quality, allow greater access to the Government's rogue landlords database and call for more effective redress for both renters and landlords.

8. With regards to the Directors' pay, Nationwide complies with mandatory reporting obligations around the disclosure of Directors' remuneration and additionally, it has voluntarily adopted the standards applicable to quoted companies. The disclosures made in Nationwide's Annual Report and Accounts are in accordance with these standards. The Government has mandated the inclusion of a CEO "Pay Ratio" in future Directors' Remuneration Reports of large listed entities. Nationwide will, voluntarily, adopt this reporting once the standard is clear and the legislation comes into effect.

9. The Remuneration Committee approves the design of variable pay scheme each year, the structure of which is consistent with that of other employees and receives periodic updates on broader workforce policies and practices. We are in regular dialogue with the Nationwide Group Staff Union, and we provide the Union with our Directors' Remuneration Report ahead of disclosure. Nationwide is known as a good employer, and our retention rates support this. Our pay, pensions and broader employee package benchmarks well against retail financial services and broader non-financial services employers, and whilst I am aware you disagree with this, the evidence shows we pay our Directors and senior management less than businesses of a similar scale and complexity. We have a fundamental difference of philosophy on this matter: your Board is crystal clear that it is not in members' interests to fail to attract and retain talented people who fit with the Society's ethos and culture, and our remuneration decisions are set accordingly. As I said above, the fact that every resolution continues to receive the full backing of members suggests that they recognise, understand and agree with this point.

^[1] includes Halifax, Lloyds Bank, Santander, HSBC, NatWest, Barclays and TSB. Highest rate is 0.60% offered by Lloyds to current account customers, reverts to 0.20% after 12m.

I hope you find this helpful and I look forward to welcoming you to next year's AGM.

Kind regards,

David Roberts
Chairman

Nationwide Building Society | One Threadneedle Street | London EC2R 8AW

Reply to David Roberts 8 February 2019

Dear Mr Roberts

We appreciate very much your responses to the questions that Alan put to you at the Nationwide AGM last July. We are also pleased to note that you are always keen to hear members' views.

We agree that our views differ insofar as we wish the Nationwide to be a mutual society but the Board wishes the Nationwide to be "different".

The meaning of the word "different" as used so much by Nationwide has long been a mystery and members have had to provide their own interpretation. Our interpretation, evidenced by the Nationwide submission document, is that the Board wishes the society to be run neither to the spirit, principles and legal requirements of a mutual society nor as a public company but to be run as something in between, based on the mutual model whilst being opposed to the legislation that permits it and with a low level of accountability to its members who are constantly described as its "owners".

The Nationwide, through multi-takeovers, is a big building society but it is still just a building society. It is not and should not be a bank. Sadly it is operated as a bank without shareholders, with little accountability and with contempt for members. Contempt is something I have never experienced as a shareholder.

It is very sad that we had to use the Freedom of Information process in order to obtain the submission document especially given the consultation subject matter for which the document was required and given the claims made so regularly of openness, honesty, trust and transparency. It does not inspire confidence in nor admiration for the Board.

You refer to the accuracy of the document - our perception is that it is very economical with the truth and much of the content has little to do with corporate governance. We believe it is a very devious document that paints a false utopian picture of governance standards at Nationwide. It is lacking in openness and transparency and may well have served its purpose in helping to prevent or minimise any reforms, which was the opposite to the purpose of the consultation. It would be interesting to know which parts of the contents made it necessary for the Board to withhold the document from staff and members.

In our list of questions, No. 2 is - *"Board members advertise in their biographical details for elections that they are on the boards of other companies. Why do those companies not use the infamous "Quick Vote" or any other such unscrupulous and biased methods on their ballot papers?"*

That you were unwilling to answer this question is very sad. Instead you provided a response to a question we did not ask. Perhaps our question could be answered at some future AGM.

We appreciate your responses to our questions on weekend AGMs and online videos of AGMs. We look forward to these facilities being made available for the benefit of members as, like you, we have the interests of members at heart.

It is very good of you to take time to answer our questions and we very much appreciate it although it has taken many months and email messages to get this far.

Thank you once again.

Yours sincerely

Edwin Fisher
BSMA

Reply from David Roberts - 14 February 2019

Dear Mr Fisher,

Thank you very much for your response. I am sure we will have the opportunity to discuss the issues you raise and any concerns the BSMA may have at the AGM later this year. We have share the same motive, i.e. to sustain and improve the long-term interests and health of the Society and its membership. However, we clearly have a very different perspective on the ways to achieve this outcome in an extremely competitive, fast-changing and complex world. If ever you and/ or Mr. Debenham are in either London or are passing Swindon, then do let me know as I would be pleased to share a coffee with you and discuss these issues further, if this would be of value to you.

My best to you and Mr Debenham.

Yours sincerely,

David Roberts
Chair Nationwide Building Society

-oOo-

Manchester Building Society

Troubles continue to have an effect on this building society.

The reason for much of its problems stems from bookkeeping errors made between 2006 and 2013, along with legal costs incurred when suing former auditor, Grant Thornton. Last year, Manchester Building Society was awarded just £335,727 after suing Grant Thornton for £49million, while forced to pay £1.9 million in costs to Grant Thornton. It appealed this decision but the Court of Appeal upheld the original ruling.

Unlike cash deposits, which are protected by the Financial Services Compensation Scheme (FSCS), Permanent Interest Bearing Shares (PIBS) are a way for a building society to raise money without demutualising. In effect, a PIBS holder is lending their money to the building society in return for a set interest rate and the expectation of receiving their capital back at some stage when they sell their holding. Crucially, PIBS are not covered by the FSCS.

Manchester Building Society issued £5million PIBS in 1999 paying 8% a year and another £10million were issued in April 2005 paying 6.75%. However, the interest is not guaranteed and in fact none has been paid on either tranche since 2016. At that time Manchester Building Society contacted its savers to advise them to reduce their savings holdings to within the FSCS limit, which was then £75,000. They also reduced the maximum allowance deposit to new accounts to £75,000 at the same time.

According to an article in the Sunday Telegraph, one customer and his wife who invested £50,000 each in 2010 have said that, as well as not receiving any interest since 2016, the current value of their £100,000 investment is just £15,000 – an 85% loss.

Manchester Building Society has not been active in the mortgage market for some time but still offers some savings accounts, which are covered by the FSCS, although they are not at all competitive.

The Charter

Please do your best for the BSMA and help Simon to make building societies accountable to their members. Please do not leave it to others - they may leave it to you.

Change can only be achieved through weight of numbers of members actively pursuing an initiative. Please add your comments to the website that Simon has identified.

Donations

Donations are very much appreciated to keep up with increasing costs.



Membership Renewal Form

Membership subscriptions for the period 1st April 2019 to 31st March 2020 are due - if you have not already paid. Your membership is important and we very much appreciate your support for our work, which is performed entirely by volunteers. We hope you will continue to support our efforts. The cost of membership remains unchanged at only £5 per year (although further donations are welcome). If you wish to renew your membership please complete this form and return it to John Knock. Please let us know if you do not wish to renew your membership.

PLEASE USE BLOCK CAPITALS

Name.....

Address.....

.....

Post code.....

Telephone No.....

Email.....

Annual membership fee £5.00

Donation £.....

Total £.....

Please make cheques payable to BSMA and send to:

John Knock - Honorary Treasurer,
7 Broadmead Road, Colchester, CO4 3HB

Tel: 01206 861929 Email: jkjknock@gmail.com

Please contact John for details if you prefer to use a bank transfer.

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