

SOCIETY matters



Open Finance and Technical innovations

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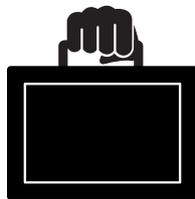
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Hello and welcome to the spring edition of **Society Matters**



It feels like much has happened since the last time of writing, both in the UK and worldwide, and I'm sure I'm not the only one glad to see the welcome signs of Spring.



We would welcome your feedback on Society Matters and other BSA publications



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The views expressed by authors in this magazine are not necessarily those of the BSA.

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At the time of writing, we are still digesting the Chancellor's recent Budget statement. The BSA called for a number of changes both to help support first-time buyers, and in turn a healthy housing market, and improve the financial resilience of the nation. We were disappointed that the Chancellor did not take his opportunity to support these markets and will continue to push for change.

The theme for this edition is innovation and open finance. Technology is moving at an ever faster pace and it's clear that it has the potential to improve so much for so many – operational efficiencies, member experiences, support for vulnerable customers, to mention a few. However, whilst the potential appears limitless, it is important to consider fully the risks of new and emerging technologies, to ensure that the right solutions are implemented, and that unintended consequences are explored. As we often endeavour to demonstrate, the building society sector is not a 'one size fits all' sector; each business must make decisions based on the needs of both the business and its membership.

In this edition, we hear from four members harnessing technical innovations to better serve their members: Leeds Building Society supporting first-time buyers with their partnership with Experian, enabling aspiring homeowners to connect to its free Experian Boost service. Cambridge Building Society outlines the decision making process that

led to the early adoption of Confirmation of Payee service for incoming payments. Nationwide Building Society calls for cross-sector collaboration to ensure disability support is delivered consistently – the Society is one of the launch partners of Experian's Support Hub, helping people to easily communicate their support needs to a range of essential services firms. Finally, Penrith Building Society's successful partnership with docStribute to solve a particular set of communication challenges.

We also feature articles from BSA Associate Members, Target Group and PEXA. Target Group's Mortgage Hub utilises Open Banking to remove uncertainty from the path to homeownership, they also look to the future of the mortgage process and the exciting potential benefits of AI. PEXA has pioneered the use of synchronised settlements for property in Australia over the last ten years, and discuss whether similar functionalities could bring the same benefits to the UK market.

The Centre for Finance, Innovation and Technology (CFIT) introduce their recently published Open Finance Blueprint which summarises the opportunities identified by the Open Finance coalition and the proofs of concept developed. The report also sets out key findings and recommendations to drive forward Open Finance in the UK.

Plenty to inform and challenge, enjoy!
KATIE

“The pace of change has never been this fast...

yet it will never be this slow again.”



By **ROBIN FIETH**,
BSA Chief Executive

What emotion does Justin Trudeau’s famous line to the 2018 World Economic Forum in Davos evoke in you? Exhilaration? Fear? Scepticism?



Each major tech innovation has been a game changer to a greater or lesser extent, but to date the underlying fundamentals in our financial services industry have remained remarkably constant. It was in 2016 that Oliver Wyman asked the question whether, at the end of all this, banking would essentially be any different than it was in the time of the Medicis?

Right now, it feels like it might.

When we first saw the EU consultation on Open Banking as part of PSD2, a number of people we spoke to saw it as yet another regulatory burden with many technical flaws around control and privacy of data. Controversies around tech companies screen scraping data caused quite a stir. How many were then focused on the logical, perhaps inevitable, progression from Open Banking to Open Finance? And yet here we are.

There are two aspects of the current debate that I’d like to explore further. Firstly, the extent to which governments and regulators are prepared to let markets, and especially big tech, lead the way in creating the new world of Open Finance. Secondly, some implications for the central bank dogma about the singularity of money.

Take Open Finance with Artificial Intelligence, and you can paint a plausible picture of a very different banking system. Perhaps the biggest single question for “the authorities” is how they want to deal with the balance and concentration of power between the major market players and the society they are, at least theoretically, there to serve. If the benefits of Open Finance were to become concentrated in a small number of large banks and / or tech businesses, what does that do for competition, consumer choice and financial stability? It seems to me that it is important early on, like now, to set the requirement for Open Finance to be just that – open source, open access, a level playing field. Not the proprietorial property of individual firms.

A Pound is a Pound is a Digital Pound. Or is it? Recent discussions about central bank digital currencies and tokenisation of money have included a debate on whether the singularity of money concept can survive. Ten pound coins equals a ten pound note equals ten pounds in your savings account. But if the ten pounds in your account, or virtual wallet, can be programmed with additional features,

does it start to gain additional value compared with other forms of the currency? Maybe it does, for example in the way we pay for goods and services – think the 21st century version of cash on delivery as one Bank of England official said to me recently.

Exhilaration? Fear? Scepticism? Perhaps none of these. But if we are to navigate the next phase successfully, it does seem to me that government, regulators and individual banks, building societies and credit unions need to be thinking very deliberately about the future they want to try to create over the next ten to fifteen years; beyond the typical three to five year business planning cycle. If the revolution is coming, better to be part of it than be consumed by it!

Next Steps

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Trade-offs

what impact will Open Finance have on the mutual sector?



Disintermediation, or cutting out the “middleman”, is either an opportunity or threat for all industries. It brought the winds of change to the music and travel industry in the 2000s because of technological innovation via the internet to help consumers purchase music and holidays in alternative ways.

As a term, it was first used in the 1960s to describe a US regulatory change in the banking industry that limited the rate paid on savings accounts, prompting consumers to directly invest in alternative financial services products.

Whether foreseen or unforeseen, the consequences of regulatory changes can have profound consequences for individual industries and sectors as has been seen in the UK.

This process can be even bigger where regulation is explicitly enabling technological innovation, such as with Open Banking. Although take-up of Open Banking has been relatively low to date, adoption for payments is growing rapidly and regulators and industry are working hard to make it work better and open the door to Open Finance.

This was the starting point of new research the Building Societies Association (BSA) has commissioned on Open Finance and the potential opportunities and threats from the next stage in the evolution of Open Banking.

We commissioned economic consultancy Frontier Economics to look specifically at the impact Open Finance could have on mutual organisations like building societies and credit unions in terms of their savings and mortgage lending so that the benefits of Open Finance could be realised without risking financial stability.

Open Banking usage is growing

Open Banking was officially launched in the UK in 2018. It followed an investigation by the Competition and Markets Authority (CMA), whose findings in 2016 concluded the major banks were not competing hard enough for customers’ business. Open Banking was the suggested remedy to foster greater competition, enable innovation and greater transparency. The CMA mandated that the nine largest current account and business account providers in the UK apply Open Banking data standards so individuals and businesses could share their financial records held by banks and building societies and third parties.

The CMA’s Open Banking remedy has been one of the largest regulatory change programmes in living memory, mandating that the nine largest banks and building societies for business and personal current accounts adopt:

- API standards with full read / write functionality
- A Trust Framework of rules and standards

For the majority of building societies and credit unions, there has been no mandatory requirements to adopt open data APIs for either Open Banking or the European Payment Services Directive (aka PSD2). The latter introduced data requirements for payment accounts, which brought some savings accounts into scope if they did more than link to a nominated account.

Some building societies and credit unions are already using Open Banking to assess affordability for lending and forbearance. Likewise, members have started to use the Open Banking powered anti-fraud measure Confirmation of Payee.



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



Usage of Open Banking among consumers has also been growing since it launched - the latest data from Open Data Limited, the enabling body to coordinate implementation of Open Banking APIs in the UK, shows double the volume of payments in the first six months of 2023 compared to the same period in 2022.

In June 2023 there were 9.7 million payments made by consumers, predominantly made of tax payments, loading up virtual wallets or credit card repayments. This was an 88% increase in usage compared to June 2022.

A range of different Third Party Provider (TPPs) Apps such as Chip, Plum, Cleo, Emma and MoneyHub (to name but a few) already use Open Banking to provide a range of services to consumers to help them better understand their finances. Firms are already using sweeping variable recurring payments (VRPs) to move surplus money from a customer's current account to a savings account.

Opening the door to Open Finance

Open Finance and Smart Data (the application of open data to all different types of sectors) is the next application of open data standards to a wider range of financial services products and general services across society. Government, regulators and industry are working to facilitate the development of open finance:

- The Government's Data Protection and Digital Innovation Bill is currently passing through the House of Commons and will

enable the Government to mandate any sector apply open data standards to enable consumers to access their data via TPPs.

- Alongside the legislation, the Financial Conduct Authority (FCA) and Payment Systems Regulator (PSR) are already working to identify novel use cases outside of the CMA's original order as part of its works on the future of Open Banking.
- The Government-backed industry organisation the Centre for Finance, Innovation and Technology (CFIT) has also developed use cases such as how it can work for vulnerable customers and SME businesses to help better access to lending and automate debt advice (see page 12).
- As part of the FCA's cash savings review, the largest savings providers have also pledged to explore the potential for Open Banking "to make savings work harder for consumers" and work with the FCA to develop a savings dashboard, which gauges consumer activity in the savings market.

New market equilibrium

Frontier Economics has worked with the BSA's members to understand their existing businesses and model the knock-on impact of Open Finance in terms of savings product pricing.

Open Banking services are already being used to "sweep" excess money into savings accounts. But depending on how Open Finance is implemented it could expand the scope of sweeping services

by giving TPPs full sight over the savings held by consumers and enabling movement of balances between savings products.

The movement of funds would have knock-on consequences for savings providers in terms of product pricing, balance sheet management, product mix and implementation costs from any new technology.

All of these would have positive and negative knock-on impacts for consumers as well, in terms of product access and potential financial exclusion.

Following its publication, the BSA will be sharing Frontier Economics' report with members, regulators, Government and the wider industry over the coming months.

Frontier's report highlights many opportunities for mutuals, banks, TPPs and most importantly, consumers from Open Finance. But they go hand in hand with changes that could reshape the current savings market to create a new market equilibrium.

Understanding the different types of trade-offs at a macro-level that will be vital to successfully developing Open Finance.

Next steps:

The report will be published in April and will be available here www.bsa.org.uk/information/publications/research-and-reports



By **MATT BARTLE**,
Director of Products,
Leeds Building Society

Our purpose drives us to help first time buyers in innovative ways



Leeds Building Society is launching innovative partnerships and products to break down barriers to home ownership. One such partnership is with Experian, enabling aspiring homeowners to connect to its free Experian Boost service.

Aspiring first time buyers faced challenges in 2023 incomparable to earlier generations. It was one of the hardest years to buy a home since Leeds Building Society's founding year in 1875 - and no surprise that mortgage lending fell by 23% according to UK Finance, or that the number of first time buyers fell to the lowest levels in a decade.

In the face of tough conditions our Society's purpose - putting home ownership within reach of more people, generation after generation – drives us to help first time buyers in innovative ways. We concentrated our support on the needs of aspiring homeowners and helped nearly 18,000 first time buyers to get on the housing ladder last year. We're doing what we can: more than half of our new mortgages went to first time buyers, an increase from one in three in 2022.

We did this by continuing our market leading position in shared ownership mortgages and by launching innovative partnerships and products designed to help break down barriers which prevent home ownership, such as Home Deposit Saver and by becoming the first UK mortgage provider to partner with Experian and connect to its free Experian Boost service.

Launched last May, aspiring homeowners can improve their chances of getting on the housing ladder through Experian Boost thanks to extra evidence of their financial history being factored into mortgage checks.

Since then we've been able to offer a mortgage to nearly fifty customers who would not have been able to without Experian Boost

Regular debit payments, such as council tax and subscriptions such as Netflix, contribute to credit scores and can be factored into mortgage applications. This particularly helps younger borrowers, first time buyers, and anyone on

lower incomes who face the toughest challenge to prove their ability to repay. Often through no fault of their own, these groups can struggle to build a good credit score because they need to spend most of their earnings on rent and other regular payments.

Experian Boost uses open banking to link the borrower's current account payments to their credit score, which is then connected to the Society's lending systems. Open banking allows consumers (who have given explicit consent) to share their bank transactions conveniently and safely with FCA authorised third parties using APIs – or Application Programme Interfaces – which allow banks and other companies to securely share this data between their organisations.

Greater adoption of open banking will make it possible for lenders to further innovate and support first-time buyers. Empowering more lenders to develop innovative new lending solutions, quickly and simply using 'legitimate interest' capabilities to broaden access to open banking data, would level the playing field for lenders without access to current account data.

Leeds Building Society has led on new and innovative ways to

help underserved first time buyers, partnering with Experian and developing tailored mortgage solutions for those with small deposits who ordinarily would not qualify for a standard mortgage. We are further working to consider how a record of monthly rental payment could also contribute positively to our decisions.

With improved access to the same range of data that larger lenders already benefit from through their own customer data, Leeds Building Society and other equivalent lenders would be empowered to make more tailored decisions and support a wider range of underserved groups currently locked out of home ownership.



Next Steps

To find out more go to www.leedsbuildingsociety.co.uk/knowledge-base/home-buyers/weve-teamed-up-with-experian-boost/

¹ www.money.co.uk/savings-accounts/savings-statistics



By **ANDREW LLOYD**,
Chief Customer Officer
UK, PEXA



A new era in property transactions

PEXA has pioneered the use of synchronised settlements for property in Australia over the last ten years, showcasing the tangible benefits of electronic property transaction processes. Could similar functionalities bring the same benefits to the UK market?

Introducing Synchronised Real-Time Settlements

The Real-Time Gross Settlement (RTGS) system is the Bank of England's mechanism that enables building societies and other financial institutions to settle money at the central bank owed to one another from the various UK payment systems such as Faster Payments, Bacs, Mastercard and Visa.

RTGS is a critical piece of the UK's financial infrastructure and is currently undergoing a significant upgrade with the introduction of new features and capabilities aimed at enhancing resilience, accessibility, interoperability, and user functionality.

One aspect currently under consultation by the Bank of England is the introduction and development of synchronised settlements whereby the movement of funds through RTGS is 'synchronised' to the movement of assets in another ledger. From a property standpoint, this would be the transfer of title at the land registry but could conceptually include any applicable asset ledger.

Synchronised Settlements in Practice

Working closely with the Reserve Bank of Australia (RBA) and the state land registries, PEXA has pioneered the use of synchronised settlements for property in Australia over the last ten years, and by doing so has showcased the tangible benefits of electronic property transaction

processes. By enabling the synchronised movement of funds and securities, PEXA and the RBA have managed to streamline the property transaction process and significantly reduce the amount of counterparty and settlement risk. Furthermore, by eliminating the need for physical settlement and streamlining document handling, PEXA has significantly reduced errors, delays, and the associated costs. The Bank of England's interest in similar functionalities for the UK market, as indicated by industry feedback, highlights the potential for leveraging synchronised settlements to improve transaction efficiency and reduce settlement risks.

Strategic Implications for Building Societies

The development of synchronised settlement has the potential to significantly enhance operational efficiency and risk management within building societies – but only if the payment systems enable direct access like PEXA does. By facilitating direct access to settlement in central bank money, coupled with synchronised settlements, would result in improved liquidity management, less counterparty risk, greater control over customer journeys and less operational cost. The move towards a more inclusive and efficient settlement system underscores the Bank of England's dedication to supporting the evolving needs of the financial services industry and its stakeholders.

Looking Ahead

As the financial landscape continues to evolve, the RTGS system upgrade is just the beginning of a broader shift towards 24/7 operations and enhanced global interoperability. The Bank of England's roadmap for 2024 and beyond hints at a future where extended operating hours and synchronised settlement interfaces could vastly improve efficiencies for domestic and cross-border payments. However, the journey towards such a future involves addressing technical, regulatory, and collaborative challenges to ensure that the benefits of such innovations can be fully realised by all stakeholders in the financial ecosystem.

In conclusion, the RTGS upgrade represents a critical step forward in the modernisation of the UK's financial infrastructure. By learning from successful implementations like PEXA's in Australia and actively engaging with industry stakeholders, the Bank of England is poised to deliver a more resilient, accessible, and innovative settlement system. This progress not only benefits building societies and other mortgage lenders but also promises enhanced efficiency and security for the end consumer, marking a significant milestone in the evolution of property transactions and financial settlements.

Next Steps

To find out more go to www.pexa.co.uk and www.thepaymentsassociation.org/article/how-the-bank-of-englands-renewed-rtgs-system-could-change-the-payments-landscape/



By **LOUISE WATT**, Technology & Operations Executive, Penrith Building Society

Meeting the changing needs and expectations of members



The evolution of member expectations and provision of different engagement channels were among the key drivers of Penrith Building Society seeking an innovative technology partnership to provide secure, digital communications.

As a small building society, we face many challenges in the adoption of innovative technologies to meet the changing needs and expectations of our members. In common with our peers we are a small team with limited resources and it is crucial that we choose wisely and well in terms of picking partners to help us on our digital journey where we lack the skills or expertise in-house to self-build.

At Penrith Building Society, we have recognised that the adoption of sound digital innovation can help us to reach more members, offer more convenience and choice and ultimately reduce costs and risks as well as improve our environmental impact.

When we first heard about docStribute we saw the potential for it to help us with a particular set of communication challenges and we are proud that Penrith Building Society was the first UK building society to adopt the technology.

From its inception, our partnership with docStribute has helped us to face into and overcome the challenges and opportunities of digital communication in the regulated financial sector.

From our own perspective we recognised a number of challenges that we wanted to address

- (i) Member expectations are evolving and delivering choice in engagement channels is key.
- (ii) Our obligations to our Members' personal data is paramount.
- (iii) We must be comfortable that any documents we send digitally are secure & immutable.
- (iv) We were unable to deliver mass communications to our members efficiently via digital means, should that be our members preferred method of receipt.
- (v) Digital communication forms an important part of our drive for operational efficiency across all our business channels.

- (vi) We are actively seeking to reduce our carbon footprint and promote sustainability and an important strand of this is to reduce our use of paper communication.

One of the key tenets of our digital roadmap is to seek out partnerships that can help us to grow, both in terms of membership, but also in terms of reach and engagement. We are fortunate that our core systems supplier, Mutual Vision, are supportive of that aspiration and are open to collaboration within the fintech space to help their customers take advantage of digital innovation.

The docStribute solution itself provides a secure channel backed by cryptography and Distributed Ledger Technology. Our members can be assured that the communication they receive is the communication that was sent and has not been intercepted or changed in any way in transit. The addition of the dSign, digital signature capability allows us to create further member benefit in reducing our service and response times by eliminating reliance on "wet" signature in many cases.

Of course, new initiatives like the docStribute project would not work without Member engagement. We recognised this at the outset and we have been careful to include our membership in this project story, so that they have been aware of what was coming, how it worked, when we would use the solution and what the communications would look like. This reassurance has provided us with a 75% and rising open rate for this channel so far.

Digital innovation, chosen wisely, with a partner that takes time to understand the particular set of business challenges you are facing can absolutely help to level the playing field in terms of service provision and member engagement for smaller firms.

Next Steps

To find out more visit www.penrithbs.co.uk

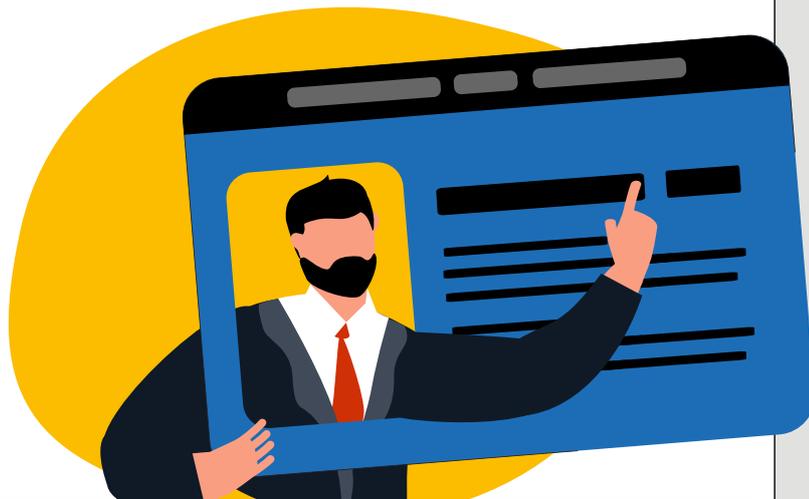


Advancing financial security with Confirmation of Payee service



By **TREVOR TANNENBAUM**,
Head of IT and Change,
Cambridge Building Society

The recognition that payments play a pivotal role in the provision of savings and home purchase led to the early adoption of Confirmation of Payee service for the Society's incoming payments.



We are among the first building societies to adopt Pay.UK's Confirmation of Payee (CoP) service for our incoming payments. We have embraced this cutting-edge service, marking a significant step in fortifying ourselves against fraud and preventing misdirected payments.

The CoP service, a meticulous name-checking solution, undergoes a thorough verification process of the recipient account's name before facilitating any incoming transaction. Expanding our utilisation of CoP in 2023, we incorporated additional data such as building society account numbers, alongside sort code and account information.

At our foundation, we provide a secure place for savings and assist individuals in purchasing their homes. Recognising that payments play a pivotal role in these experiences, being part of CoP is a natural fit for the services we offer our members.

When utilising the CoP service, individuals must ensure the accuracy of recipient information, including their first and last names. For businesses, using the name registered to their bank account, which may differ from their trading name, is imperative.

The CoP name-checking service provides four responses, each contributing to securing financial transactions:

Match: Users receive confirmation that the details match, allowing them to proceed with the payment.

Close match: Users with a similar name receive the actual name for verification, enabling them to update details and retry the payment or contact the recipient for confirmation.

No-match: Users entering an incorrect name are notified that the details do not match and are advised to contact the intended recipient for the correct information.

Unavailable: In cases where CoP cannot match the account due to factors like timeout, opt-out, or non-existent accounts, users are informed of the unavailability and prompted to reach out to the relevant financial institution.

We swiftly implemented and launched CoP as a new service for our customers, by partnering with Bottomline Technologies through a careful selection process. Their assistance in the solution's implementation played a crucial role in liaising with Pay.UK and Open Banking for registration and sign-up processes. Rigorous testing was conducted, covering various scenarios such as single and joint accounts, initials vs. names, ensuring the accuracy of supplied data. In cases of close matches, understanding the reasons allowed us to train our team effectively for customer support.

Engaging a third party to support us in this journey has proven beneficial for continuous

monitoring and industry development in this area. The landscape of financial services involved in the scheme is ever evolving, with new financial service organisations regularly joining.

We focused on communicating the benefits of CoP based on feedback from our customer satisfaction surveys which emphasised the desire for enhanced security in online and payment solutions.

Customers sought confirmation that the accounts receiving funds were legitimate. As this functionality became prevalent in other financial institutions, the absence of it from our procedures raised concerns among our customers. Initially, some customers would call to verify details or process small transactions before larger ones. With the implementation of CoP, these processes have been eliminated, providing customers with a sense of security that their funds are directed to genuine accounts and will safely arrive in their Cambridge Building Society account.

Embracing the CoP service has reinforced our commitment to providing a secure environment for savings and home-buying, and provided greater protection for our customers from financial fraud.

Next Steps

Please visit www.cambridgebs.co.uk for more information.

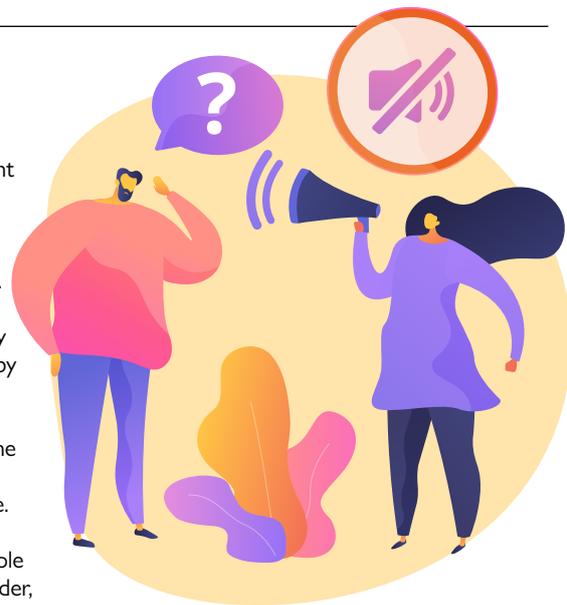


By **KATHRYN TOWNSEND**, Head of Customer Vulnerability, Nationwide Building Society and the Government's Disability & Access Ambassador for the banking sector

Disability support isn't negotiable:

We need more cross-sector collaboration

It's an old expression: if you want to go fast, go alone. If you want to go far, go together.



Nowhere is that truer than when it comes to supporting the needs of disabled customers. For financial services firms, mutual or not, it's crucial that we learn from the best practice shown across our industry to provide the most accessible and inclusive service possible. Appropriate industry collaboration can drive us all forward, faster, and provide a more consistent customer experience in the process.

Done right, technology can open up a world of possibilities for disabled people, but the best customer service strategies use a blend of high tech, low tech – and no tech solutions. This means making sure apps and websites work well with assistive technology, and communications are available in accessible formats. Customer service adjustments, like speaking more slowly or facing someone who

needs to lipread, make a significant difference. People need different things based on their needs, but also at different points in their life, or for different banking tasks. This puts a large burden on disabled consumers to continually keep on top of the support needs offered by every firm they regularly interact with.

In a world where disabled people face routine barriers in many aspects of daily life, this is energy that could be better spent elsewhere. Recent research by Experian has found that nearly three quarters (73%) of disabled people put off contacting an essential services provider, like a bank or building society, because they felt intimidated by the scale of the process. Meanwhile, Statista has found that in July 2023 over 2.6 million people were economically inactive from long-term sickness in the UK, a 20-year high. The implication is clear: as a sector we have to get this right for an increasing proportion of our customer base.

Nationwide is one of the launch partners of Experian's latest technology Support Hub, which helps people to easily communicate their support needs to a range of essential services firms. Crucially, the solution was developed and iterated not only with the input of disabled people but all the founding firms, bringing with them the voices of their millions of customers and years of collective experience. This helped to drive consistency and set a higher bar of what could be achieved.

This innovative solution aims to be a 'one-stop shop' for consumers to communicate what they need to businesses they are a customer of, without needing to tell every firm individually. This might include setting a preferred method of communication, or ensuring a friend or guardian can attend appointments alongside them. For Nationwide, the benefit is clear – we can fuse

the traditional face-to-face service that sits at the heart of our brand with technology that makes disabled people's lives easier.

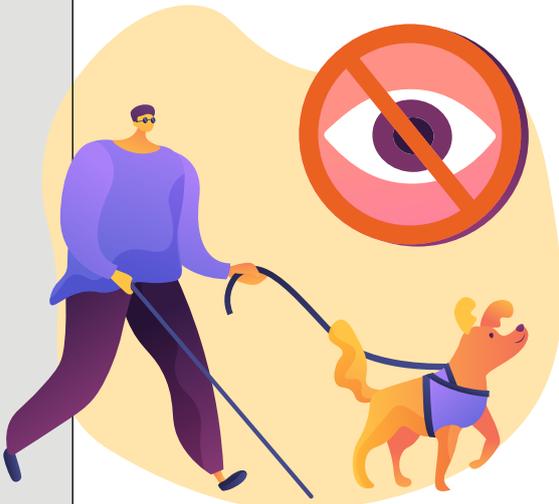
Nationwide recently became the first building society to receive the Mental Health Accessible Level One accreditation from the Money and Mental Health Policy Institute, and we hope that other firms in the sector follow us in embedding mental health considerations into all aspects of the business, whether it's customer comms, staff training, product and services.

Accessible design is good design – by making no assumptions about the physical or mental health of the end user, businesses can make interacting with their products and services as intuitive as possible. In a business that's all about service, inclusive design for disabled people means a better experience for everyone.

Let's work together – and go far.

Next steps:

www.moneyandmentalhealth.org/press-release/nationwide-building-society-mental-health-accessible-accreditation
www.experian.co.uk/business-products/support-hub



From origination to transformation: The future mortgage experience



By **KATIE PENDER**,
Managing Director,
Target Group



Innovation and technology are advancing rapidly; shopping delivered to your door with one click, a new car purchase within minutes, and mobile phones replacing the need for cards or cash. However, the mortgage application and home-buying process is still behind the curve.



Target Group wanted to reimagine the experience. So, we led the charge in revolutionising the mortgage application process using Open Banking, Automated Valuation Modelling (AVM) and high levels of automation, negating the need for manual intervention. But innovation never stops. The power of Artificial Intelligence (AI) and the promise of Blockchain hover excitingly on the horizon.

Empowering decisions

The path to homeownership can be exciting and nerve-wracking for first-time buyers, from finding their dream home to awaiting mortgage approval. Open Banking is a powerful tool helping them understand their finances and make informed decisions. Mortgage Hub utilises Open Banking to remove uncertainty from the process for both applicants and lenders.

Applicants can securely share their financial information, giving lenders true insight into their finances, removing the dependency on unreliable and outdated income and expenditure forms, streamlining the application process, and expediting time-to-close. Lenders can choose to deploy Open Banking at Decision in Principle (DIP), Application in Principle (AIP), or at any stage in their application journey.

Redefining processes

AVM has been a game changer, particularly in the remortgage and product switch space. The accuracy and level of information obtained through AVMs are continuously improving, allowing lenders and applicants to receive instant decisions and removing days from the process, a feature that comes as standard in Mortgage Hub.

Application Programming Interfaces (APIs) enable integration with all the constitutions of the mortgage application process, allowing instant data exchange. Mortgage Hub facilitates rapid processing, populating, validating, and verifying, removing the need for manual intervention, and further reducing timescales.

The ultimate desire is to enable point-of-offer mortgage sales using technology, but paper-based documents remain necessary for now. Enter Optical Character Recognition (OCR), which, when supported with the right technology, could extract data, offering benefits like instant validation for brokers and increased operational efficiency for lenders by reducing manual intervention.

Transformational tech enablers

AI drives industry innovation with predictive analytics, aiding lenders and borrowers with personalised insights. By leveraging AI, lenders can analyse vast datasets, identify trends, mitigate risks, and tailor mortgage solutions. Borrowers can make informed decisions on refinancing or switching mortgages for the best deals.

While Open Banking, AVM, OCR, and AI drive mortgage innovation, Blockchain is an exciting outlier. As a decentralised ledger system, it could revolutionise mortgages by providing secure, transparent, and immutable records. All

parties involved in the mortgage process can access a shared, tamper-proof ledger, reducing fraud and errors. Smart contracts could automate verification processes, streamline documentation, and ensure compliance, fostering inclusivity and resilience in the market.

Technology will expedite personalised solutions. Advanced platforms for lifetime mortgage management will merge mortgage data and market trends into a single accessible interface, offering a comprehensive customer view.

The future of mortgages

The future is bright, and it lies at the intersection of innovation, technology, and experience. Armed with real-time data, personalised insights, and intuitive tools, first-time buyers can navigate the homeownership journey with confidence and clarity.

Lenders must remain agile and responsive to changing dynamics. Those who embrace innovation, adapt to market shifts, and prioritise customer needs will be well-positioned to thrive.

Next Steps

Is outdated tech or a lack of expertise holding back your innovation? See how Mortgage Hub enhances customer experiences from origination onwards. Visit www.targetgroup.com/our-capabilities/mortgage-hub/



By **EZECHI BRITTON** MBE,
CEO of Centre for Finance,
Innovation, and Technology

Prioritising Open Finance

The UK fintech sector benefits from London's status as a global financial centre, the sophisticated financial services ecosystem across the UK, access to deep private funding markets, technology talent produced by world-class universities and an amenable regulatory environment.



However, at present, data fragmentation is a barrier to the otherwise high quality of the products and services delivered by UK fintech companies. While Open Banking has revolutionised retail banking by enabling secure sharing of transaction data with financial service providers, Open Finance goes further by enabling the sharing of data from multiple sources which grants a more comprehensive view of a consumer's financial profile. This will be crucial for the UK retaining its world-leading position in the financial industry.

The Centre for Finance, Innovation, and Technology (CFIT) was established last year to confront these barriers impeding FinTech innovation as championed by the Kalifa Review of UK FinTech. Over the past year we have brought together over 60 partners in our industry-wide coalition to coordinate the UK's approach to Open Finance. This initiative prioritised two key challenges: overcoming lending barriers for SMEs and improving access to affordable credit for consumers.

Delivering better financial outcomes

Open Finance enables a culture of enhanced data-sharing and collaboration among financial institutions. This approach not only

streamlines processes but equips financial institutions with invaluable insights. By tapping into these insights, building societies will better understand the needs of customers, thereby delivering better services.

It also presents an opportunity for a more inclusive marketplace by granting consumers access to an extensive array of products and services from diverse providers, thus levelling the playing field with traditional banks. In essence Open Finance fosters a more dynamic and responsive financial ecosystem that prioritises individual consumer needs.

The future of Open Finance

Now published, our final report confirms that boosting financial data-sharing and unlocking underutilised data would have a material impact on consumers' financial outcomes and SME lending. More widely, Open Finance and personal data mobility provides the opportunity to boost UK GDP by £30.5bn.¹

One 'Proof of Concept' was a pilot analysis with HSBC UK. It demonstrated that accessing new datasets and auto-populating business loan applications can lead to a boost in lending decisions. It suggested that 25% of businesses in a sample of SMEs whose loan applications had been referred for manual

underwriting, and who risked missing out on credit, could be given access to finance, had Open Finance been in place.

A second Proof of Concept, developed with Citizens Advice, was a prototype personal financial data dashboard. Our coalition projected this could help advisers support an extra 40% of consumers, or 150,000 people annually.

The report lays out the user experience tools our coalition has trialled, including authentication flows and consent hub. This was overseen by a dedicated working group and a consent hub, building on the consent model developed for Open Banking to develop infrastructure that can support the secure sharing of data from multiple providers.

Our coalition has accomplished its aim in publishing a comprehensive plan for the UK to adopt Open Finance. This milestone wouldn't have been possible without the cooperation of industry and government. Moving forward, we'll continue to lean on the collaborative spirit we have seen within the industry over the last year to ensure the implementation of Open Finance.

Next Steps:

<https://cfit.org.uk/open-finance/#blueprint>

¹ Final_stage_Impact_Assessment_Smart_Data_primary_legislation.pdf (publishing.service.gov.uk)

Celebrating Good Business



By **JENNY HERRERA**,
Chief Executive, Good Business Charter



With a multitude of ratings and accreditations for business and the ensuing confusion this can cause customers, the Good Business Charter seeks to provide a clear benchmark for what responsible business looks like.

This year the Good Business Charter, an accreditation scheme for responsible business behaviour, launched Good Business Week which ran from 5th to 11th February and was an opportunity to celebrate responsible business practices and share why #GoodBusinessMatters.

The idea behind the campaign was to showcase those organisations doing great work such as championing their workforce, going over and above to ensure they source their goods ethically or sorting out their systems to pay their suppliers promptly. The Good Business Charter sets out 10 clear standards of behaviour and the campaign focused on different themes during the week to highlight why they matter.

The campaign received support from many established organisations in the business world including the Confederation of British Industry, the Chartered Institute of Personnel Development, the Institute of Directors and the Federation of Small Businesses as well as partner organisations such as the Living Wage Foundation and the Fair Tax Mark. Accredited organisations shared quotes and videos on why good business matters to them as well as undertaking activities to celebrate good business from litter picking to an ethically sourced cake sale.

The Good Business Charter represents a high bar and only recently we had to revoke Capita's accreditation because of their decision to stop paying the real living wage. Financial services has proven to be a key sector for GBC accreditation with insurance giants Aviva and Legal & General, retail bank TSB with insurance giants, Aviva and Legal & General and retail bank TSB all leading the way. West Bromwich Building Society was the first building society to receive accreditation in March 2020 and it was great to see how they used the GBC framework to communicate its commitment to people and planet in its annual report.



West Brom celebrating Good Business Week

During Good Business Week we were also delighted to announce that Leeds Building Society has received accreditation, taking our tally of GBC accredited building societies to five. Well known for acting in the benefit of their members, this also shows their commitment to their workforce, suppliers and the environment.

We want to engage the public in helping us raise the bar on responsible business behaviour and organisations like building societies can really help us get the message out, as West Brom did during Good Business Week (see image). We launched the Good Business Charter accreditation in 2020 because we believe there is a clear need to differentiate between the responsible businesses committed to all key areas and those that do not. The truth is, even some very environmentally sustainable companies do not pay the real living wage, or a company may be championing their workforce, but not paying their fair share of UK tax.

To achieve GBC accreditation, you need to commit to all 10 of our components, which are:

Real Living Wage	Fairer Hours and Contracts
Employee Well-being	Employee Representation
Equality, Diversity and Inclusion	Environmental Responsibility
Pay Fair Tax	Commitment to Customers
Ethical Sourcing	Prompt Payment to Suppliers

In a world of confusion over ratings and accreditations, we need a clear benchmark for what responsible business looks like. We strive to provide that in a transparent, accessible way.

Next Steps

Why not join our movement for a fairer, more sustainable world where people matter. Apply for accreditation today www.goodbusinesscharter.com or follow us on socials and amplify our voice.



By **PAUL MARSDEN**,
FairLife Executive,
The FairLife Charity

Trust matters



The FairLife Mark: A competitive advantage to be proud of.

It was in the wake of the financial crisis in early 2013 when Dr. Paul Boscott and Stuart Phillips, two financial services professionals, got together with a germ of an idea on how to raise standards in financial services.

Bank failures, collapses and bail-outs exposed poor practices in many institutions. Paul and Stuart were determined to make a change, to rebuild consumer confidence in financial products and services.

Consumers had lost trust and even those organisations that behaved well and weathered the storm were unfairly tarnished.

Fast forward to today and the vision is a reality. The FairLife Charity has developed a fair trading mark which recognises financial product providers committed to pricing honestly and trading fairly with their customers. The mark champions those that pledge to meet a set of standards, guiding customers to everyday financial products they can trust.

The Charity is led by a strong and experienced Board of Trustees and supported by members of parliament and FS trade bodies, including BSA, ABCUL and UK Finance.

The fair-trading proposition is simple. The FairLife Mark is a badge of trust, highlighting

firms that customers can deal with confidently. That confidence leading to greater customer satisfaction and loyalty.

The charity has started by badging the industry's best-run products, which include savings and mortgages, so there is a natural fit with the mutual sector.

It has been acknowledged that to gain trust: *“the industry must become better at conveying the good things that it does”*
Carol McNaughton Nicholls,
Managing Partner, *Thinks Insight & Strategy*

Mutuals and social enterprises already put their customers first, requiring little or no adjustments to the way they operate in order to meet the marks' standards. As such, for mutuals the FairLife Mark makes sense commercially and ethically.

The charity has a second strand to its mission – to provide an ambitious programme of financial education within schools and colleges to equip the future generation with the knowledge and confidence needed to make good financial decisions throughout their lives. Combining fair trading and financial education creates a virtuous circle that benefits both; leading to trusted companies, providing better products, to financial educated customers. By 2023 the mark had garnered support from 20% of building societies, 3 already proudly

displaying the FairLife Mark in branches, on web pages and in marketing material, enjoying the benefits of a highly visible logo synonymous with trust. A third of ABCUL credit unions had also made the pledge complementing support from the wider industry.

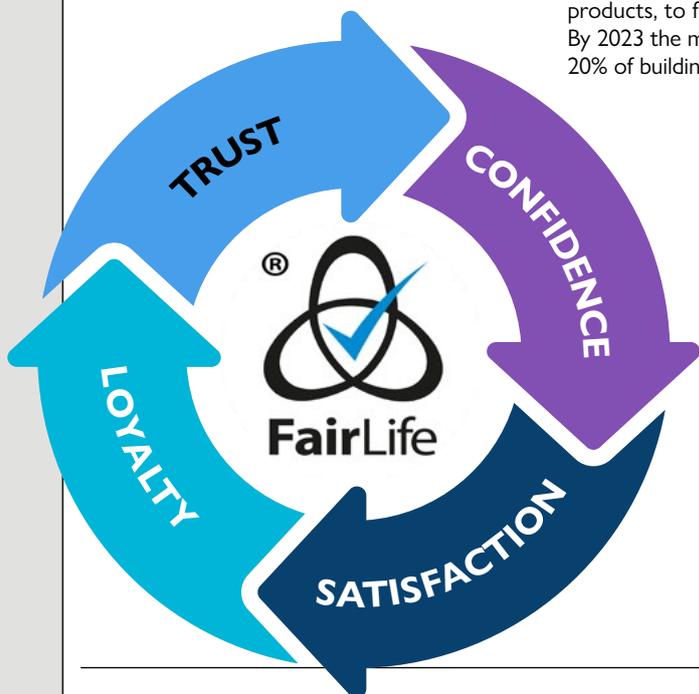
With the advent of the new consumer duty and trust being acknowledged as central to good customer outcomes interest in the mark has grown. As a result, 2024 looks to be an even busier year with more firms joining the FairLife family and with an expanded marketing campaign planned to raise awareness of the mark.

Driven by social purpose, the sector leads the industry for customer satisfaction, regulatory compliance and trust, so it can be hugely beneficial to advertise this to current and future members to help boost sales and loyalty.

We hope that most BSA members will support the FairLife Mark before the status of Founding Member is removed. Giving them the maximum benefit today and evidencing long into the future how a mark destined to become a household name owes its heritage to BSA members and their mutual ethos.

Next steps:

To find out more:
www.fairlifecharity.org



The new accreditation schemes aiming to support UK workers during their working lives, and into beyond



By **JESSICA BRAYNE**,
Head of Membership
and Operations, Living
Wage Foundation

The Living Wage Foundation is taking action to support workers who are subject to unreliable hours of work and low-paid workers unlikely to achieve an acceptable standard of living in retirement.

At the Living Wage Foundation we believe that building societies and our accreditation schemes are a natural fit due to our shared belief in building people's financial resilience. We are pleased to have many building societies within our membership, alongside many of the UK's top banks and other financial institutions. There are over 14,000 Living Wage accredited employers in the UK. These are employers who pay our voluntary Living Wage rates which currently stand as £12 in the UK and £13.15 in London; it are different from the government's National Living Wage which currently only applies to over 23s and is not calculated according to living costs. Accredited Living Wage Employers tell us that not only is paying the real Living Wage the right thing to do but that it is also good for business with 94% reporting benefits from their accreditation and 87% saying it improved their reputation.

Recognising that paying a fair hourly rate alone does not guarantee financial wellbeing, we have recently launched Living Hours and Living Pension accreditation schemes, having heard from workers that these were important to them. Living Hours aims to address the issue of insecure work, asking employers to guarantee a minimum number of hours and a decent notice period. On the other hand, we know that more and more people are retiring without enough savings to meet basic everyday needs and our Living Pension accreditation looks to address this.

We are heading towards a pensions crisis. Research by the Resolution Foundation in 2022 showed that four in five workers and 95% of low-paid workers are not saving at a level likely to deliver an acceptable standard of living in retirement. We have heard from workers about how difficult this is and the impact it has upon their lives, Tristan – Developer at Commit Digital told us 'Planning for the future can be difficult and



the consequences can be seen with older relatives who weren't as proactive as they could have been in early life. All employers must now provide a workplace pension and this takes some of the pressure off, but the Living Pension ensures that I am covered for retirement and can enjoy it. I'm extremely grateful to Commit Digital for the financial security they provide.'

Living Pension is our new accreditation scheme providing employers with a savings target to help their staff build up a pension pot that will provide enough income to live on in retirement. To become a Living Pension Employer, organisations must provide a Living Pension savings level, using either a cash (£2,800) or percentage (12%) target. This scheme is receiving lots of interest from conscientious employers with Aviva, SEE and Wealthify amongst the founding members.

To become Living Wage accredited you simply need to be paying all directly employed staff the real Living Wage and to have a plan for how you will uplift contracted staff. To become Living Pensions accredited you need to meet either the cash or percentage target for all directly employed staff, and over time, third party contracted staff.

Andrew Haigh, Chief Executive of Newcastle Building Society, explains why the Society became a Living Wage employer:

"We have heard directly from our members that they want us to provide good, well-paid jobs in their local communities and that's just part of the reason why we're opening branches on our high streets and paying the roles we create in our local communities at least the Real Living Wage. Being a Living Wage employer is more than just paying a fair wage, it's about becoming part of a movement that will help whole communities address societal challenges such as child poverty and hopefully, being a catalyst that will encourage others to follow."

Next steps

Find out more: www.livingwage.org.uk/good-for-business

Living Wage: www.livingwage.org.uk/accredit

Living Pension: www.livingwage.org.uk/living-pension

Living Hours: www.livingwage.org.uk/living-hours

Email: accreditation@livingwage.org.uk

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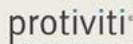
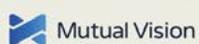


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