Building Societies Association

May 2015

Approach to regulation risks creating new points of market failure

Opening the BSA Conference in Harrogate today (20 May), Chief Executive, Robin Fieth called on the new Government to take early active steps to encourage and support a properly functioning financial services sector.

Since the financial crisis, regulatory effort has primarily been focused on the globally systemic banks and the abolition of *too big to fail*. By necessity, the rest of the banking sector has come under much of the same regulatory measures. The result of applying the same homogenous approach to all now risks the inadvertent creation of new concentrations of risk and new points of potential market failure.

To restore a proper balance, it is essential that the existing PRA/FCA statutory competition objective is now broadened to include corporate diversity. Market resilience and consumer choice will be improved if regulators are required to encourage and foster different business models as well as broad product ranges as they design new regulation.

Running a successful building society is as competitive, challenging and rigorous as running a shareholder-owned bank. However, the responsibility that executive and non-executive directors have to manage the business for the benefit of members brings with it a different culture and approach which adds to market diversity.

Looking forward, it is clear that the phrase *tsunami of regulation a*ccurately reflects the environment in which all financial firms will continue to operate. The burgeoning UK and international regulation puts significant pressure on the time available to executive and non-executive directors to innovate and develop the business.

Robin Fieth added

“We need legislative change in the UK to ensure we retain and expand a diverse array of providers. Our financial services market is already rather less diverse than many in Europe. We are not asking for any special preference for mutuals, but a clear recognition that the customer-owned business model is different from the shareholder-owned model, with the two being considered side by side as legislation and regulation is structured.

“In the EU itself, I am encouraged by the practical approach adopted by Commissioner Hill. He is considering the cumulative effect of regulation and has made it clear that legislation should be proportionate. The fact that he has publicly said that he does not want to burden smaller, lower risk institutions with the same requirements needed for bigger, riskier ones, is to be applauded."

Ends

Notes to Editors:

- BSA members include all 44 Building Societies and two large credit unions
- Altogether the UK's building societies serve more than 20 million consumers
- As at December 31 2014 the sector had assets of over £330 billion, employed more than 39.000 staff, and paid in excess of £300 million of tax on aggregate profits of £1.5 billion.
- In 2014 building societies lent £53 billion on 373,000 new mortgages, 79,000 for first time buyers,
- Between 2012 and 2014 building societies lent £41 billion (net) compared to £6 billion (net) from all other mortgage lenders.
- Lord Hill is the EU Commissioner for Financial Stability, Financial Services and Capital Markets Union