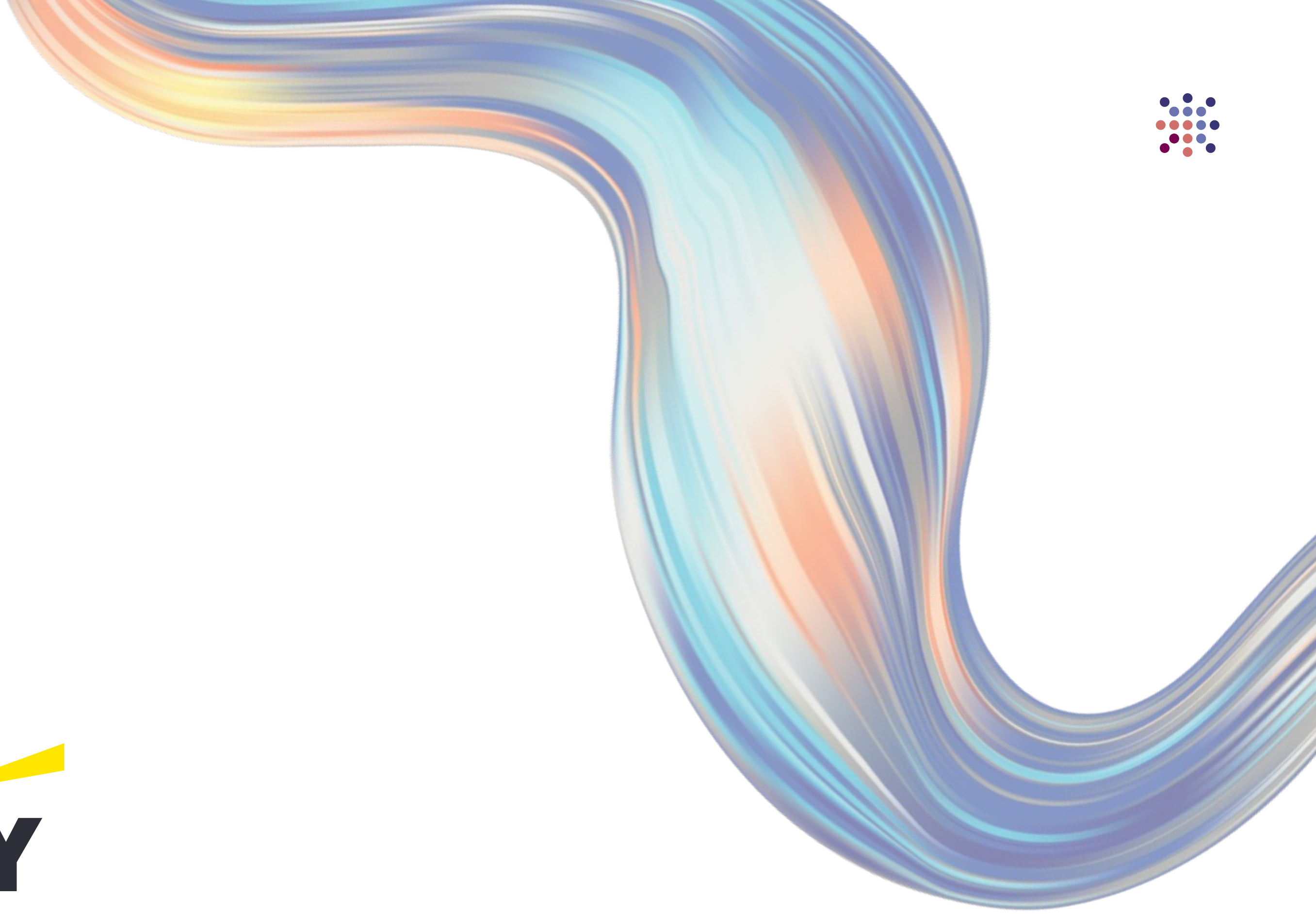

Shape the future
with confidence

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2:
Future consumer needs

Executive Summary

- By 2050, the demographic and economic context in which UK building societies operate will be materially different from today. The UK population will have grown to 76.6 million, driven by increased net migration. But it will also be older, with growing vulnerabilities. Alongside this, the entrenched, unequal distribution of housing wealth and insecure incomes will create more complex, non-standard financial needs across larger underserved groups.
- The opportunity is to serve this complexity. Trust in new technology will be a critical factor. Artifiical intelligence (AI) could help to democratise wealth, as long as incentives are aligned to long-term financial wellbeing; otherwise, it could drive exclusion.
- Mutuals could seize this opportunity by combining trusted human judgement, flexible propositions and technology used in members' interests.

Changing member demographics

According to ONS 2022-based projections, the UK population is expected to reach approximately 76.6 million by mid-2047.[1] By 2050, building societies will need to serve several distinct but overlapping customer groups shaped by demographic, economic, and environmental change.

First, **retirees**, who are projected to make up around 25% of the UK population by 2050.[2] A growing proportion of these people will be increasingly vulnerable, especially due to poor health or disability,[3] while managing pension decumulation, longevity risk, care costs and inheritance planning. Almost 3.4 million people currently aged 32–40 and saving into defined contribution pensions could accumulate £225,000 or more by retirement in 2050. While this may be insufficient to deliver a "moderate" retirement under the Retirement Living Standards, it nonetheless represents a substantial sum for individuals to manage without access to trusted advice.[4] Meanwhile, more than half (52%) of middle income future retirees say they "wouldn't know where to start" when planning for retirement.[5]

Unequal homeownership rates have already been a major source of economic inequality between younger and older cohorts.[6] While an anticipated 'inheritance boom' may partially redistribute housing and investment wealth,[7] this will create new disparities rather than resolving existing ones. An estimated £5.5 trillion of wealth could be passed down between 2020 and 2050 (Kings Court Trust, 2022), meaning financial security will increasingly depend on whether individuals benefit from inheritance, rather than earned income or savings alone.[8]

A second core group is therefore the "**never-owned**" working-age cohort, increasingly priced out under traditional loan-to-value models, and who often don't benefit from substantial transfers from parents or grandparents. This group will require alternative pathways such as shared ownership, intergenerational mortgages, rent-to-buy, and income-based (rather than deposit-based) affordability assessments. It is estimated that 20–25% of the adult population already falls into this category of "non standard" borrowers who remain persistently underserved by high street banks.[9]

Third, **climate exposed homeowners**, who will need retrofit finance, green mortgages, and—critically—advice on whether their homes remain insurable and mortgageable.[10] Evidence already shows 34% of respondents reporting higher operational expenditure due to rising insurance and energy costs linked to more frequent and severe weather events, with around a quarter also facing higher capital expenditure for the same reasons.[11] This uncertainty over insurability and long-term mortgage viability will have direct consequences for household balance sheets and for individuals' ability to move, borrow against or pass on their homes.

Fourth, **the self-employed, gig-economy, and portfolio-career worker**, whose income volatility the FCA identified as a mainstream issue as early as 2018, and which may become the norm rather than the exception by 2050.[12]

Finally, **ethnically diverse and migrant-origin households**, reflecting ONS assumptions that net migration will be the dominant driver of UK population growth to 2050[13], contributing an extra eight million citizens, increasing demand for multilingual services, firms that recognise non-UK credit histories and culturally relevant products and services.

Those who do not align with models' historical training data – such as older, increasingly vulnerable people, migrants, the self-employed, or borrowers with "thin" credit files – risk being silently filtered out of automated decision-making processes.

[1]https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2022based
[2]https://commonslibrary.parliament.uk/research-briefings/cbp-10338/
[3]FCA Financial Lives 2024 showed 49% of all adults had some form of vulnerability. For those aged 75+, 18% had a health related issue, compared to 9% of all adults.
[4,5]Aviva 'Planning for retirement in the 2050s' https://wpieconomics.com/publications/planning-for-retirement-in-the-2050s-a-new-report-with-aviva/
[6,8]https://sites.manchester.ac.uk/political-perspectives/2023/02/17/political-impact-of-uk-ageing-population/
[7]resolutionfoundation.org/app/uploads/2017/01/Audit-2017.pdf
[9]A New Age For U.K. Building Societies? – Why Building Societies are Newly Relevant and How They Can Succeed post-COVID, https://www.linkedin.com/pulse/new-age-uk-building-societies-why-newly-relevant-how-can-peter-ward
[10]Will climate cause the next financial crisis? https://www.knightfrank.co.uk/research/article/2025/7/will-climate-cause-the-next-financial-crisis
[11]https://www.knightfrank.co.uk/research/article/2025/7/will-climate-cause-the-next-financial-crisis
[12]Building Societies and the Future of Retail Banking | FCA. https://www.fca.org.uk/news/speeches/building-societies-and-future-retail-banking
[13]Chart of the week: UK population projections | ICAEW. https://www.icaew.com/insights/viewpoints-on-the-news/2024/feb-2024/chart-of-the-week-uk-population-projections

Future member group	Housing insecurity	Weak resilience	AI-mediated exclusion
Older households	Medium	High	High
Never-owned households	High	Medium	High
Insecure-income households	Medium	High	High
Climate-exposed households	High	High	Medium
Newly arrived/thin-file households	Medium	Medium	High

Opportunities

The core problem is that more of these households' needs will sit outside the assumptions of mainstream, scaled, automated financial services markets. Depending how AI is implemented, and how it is governed, it could democratise access if built around long-term outcomes, but it could also deepen exclusion if it is optimised for conversion and profitability.

Mutual building societies and credit unions can meet the increased need for trusted guidance, which requires more judgement, rather than trying to compete on scale. There will be a need to shift propositions to be more adaptable to enable the building of financial resilience and new flexible pathways to homeownership.

While digital channels will be a basic requirement, low trust in technology underscores an opportunity for building societies to lead with transparency and education. FIS's UK consumer survey found that 33% of adults have no trust at all in generative AI (GenAI) and 50% report it makes them anxious.[14]

Rising customer engagement with financial information presents a further opportunity. In the 12 months to May 2024, 34% of adults obtained their credit report or checked their credit score, up eight percentage points since 2020.[15] However, only 8.6% (4.6 million) received regulated financial advice, while 17% used government-backed guidance services such as Citizens Advice, MoneyHelper or Pension Wise.[16]

Building societies can close this gap by embedding financial literacy into member journeys across savings, mortgages, pensions and wealth products, supporting consumers through key life stages. Providing financial education to young people could be a route to building foundational trusted relationships in finance as well as with respect to technology.

[14] https://www.fisglobal.com/about-us/media-room/press-release/2025/banks-must-educate-as-they-innovate-over-a-third-of-uk-consumers
[15] http://www.fca.org.uk/publication/financial-lives/fls-2024-credit-information.pdf
[16] http://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf

Scenarios Building Societies Could Face in 2050

Scenario A: The Mutual Renaissance

A major AI driven scandal - fraud, mis selling, or data misuse crisis undermines trust in fully automated banking. In response, consumers gravitate towards institutions perceived as safer, more accountable, and more human. Building societies, with their member ownership, physical branch presence, and access to human advice, capture a disproportionate share of the post crisis market—particularly among older customers, migrant households, and climate exposed homeowners seeking retrofit finance and long term support, outperforming their scale through values driven differentiation rather than balance sheet size.

Scenario B: Squeezed to Irrelevance

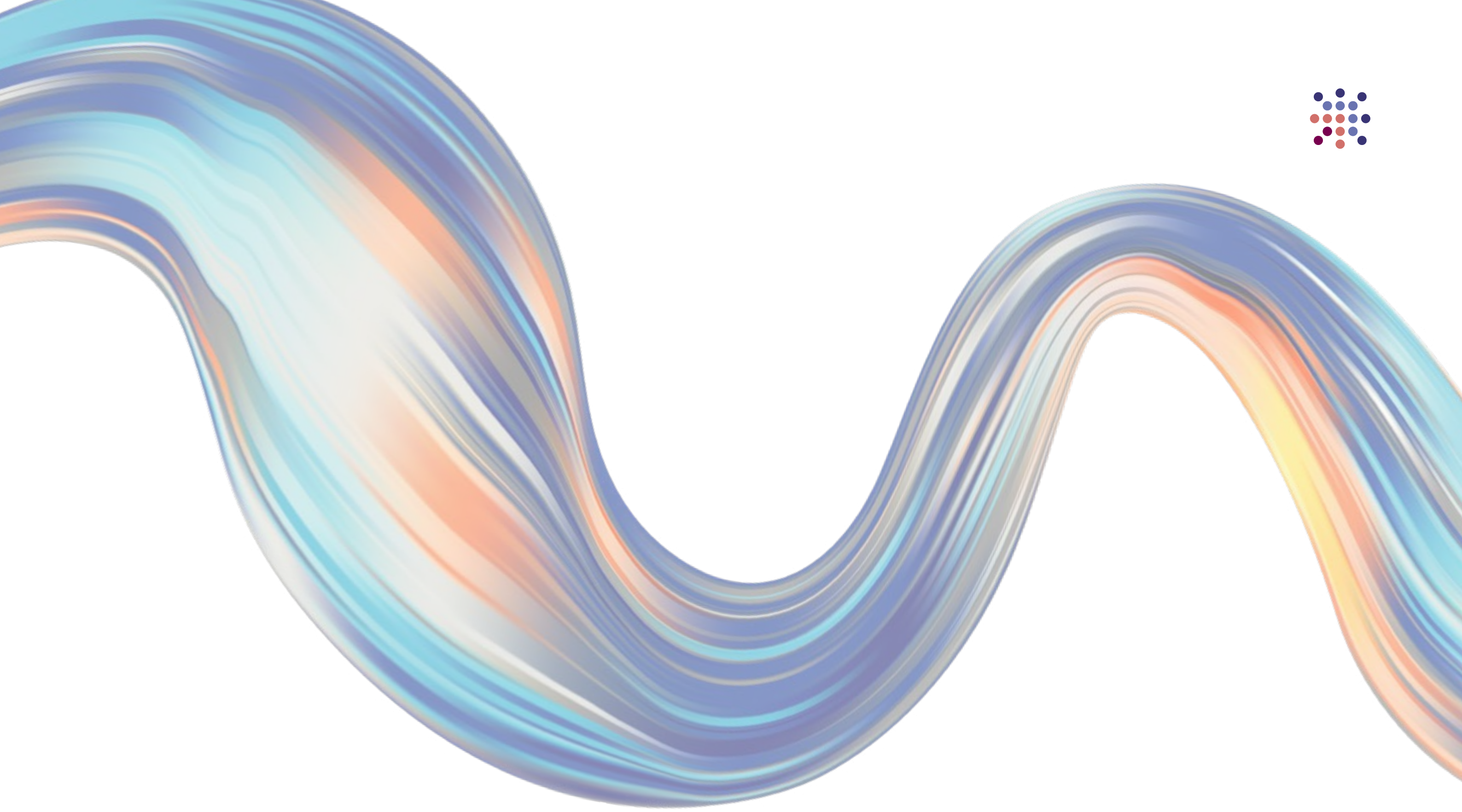
Building societies fail to modernise. Constraints and costs relating to technology, AI, skills and cybersecurity compound over time. As a result, societies lose younger and working age customers to fintechs and Big Tech finance providers, retaining primarily older, existing members.

The structural pressures lead to consolidation and marginalisation. The number of societies falls from 42 today to well below 20 by 2050 (TCS, Thriving Beyond Survival). The surviving institutions operate as niche decumulation and savings providers, marginal to mainstream housing finance and financial services.

Scenario C: The Hybrid Trust Broker

The most plausible middle path. Building societies and credit unions selectively and deliberately adopt AI, embedding it in underwriting, fraud prevention, and personalised engagement while preserving human advisors and physical presence for high impact life events such as first time buying, later life lending, bereavement, and climate related housing decisions.

Rather than building everything in house, societies partner with specialist fintech providers, consistent with trends already identified by Stand and SBS Software (Stand, Nov 2025; SBS Software, Apr 2025). Their core proposition to customers in 2050 is clear trust based differentiation: technology is powerful, but governed in members' interests. In this scenario, building societies remain competitively modern while retaining a distinct identity rooted in judgement, accountability, and long term stewardship.



Conclusion

- By 2050, building societies will operate in a UK defined by demographic ageing, a widened property wealth divide, climate exposed housing, and AI mediated finance. These forces will create customers with more complex needs, greater asset risk, and, potentially, lower confidence navigating financial decisions alone.
- The sector's relevance will depend on whether it can evolve from standardised, product led models into trusted, life stage partners—integrating housing, savings, pensions, climate resilience, and advice to meet those complex needs.
- Responsible use of AI, combined with human judgement and mutual values, offers a clear path to differentiation in a low trust digital environment. The scenarios outlined show that decline is not inevitable; rather, outcomes will be shaped by strategic choices made today. Building societies that invest early in trust, literacy, and long term stewardship can remain systemically important institutions at the heart of UK financial life in 2050.

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