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with confidence

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8:
The competitive landscape

Executive Summary

- By 2050, the competitive landscape is likely to be more segmented, more intermediated, and more crowded. Large universal banks are expected to remain influential through scale, funding advantage, and technology investment. Some digital challengers are likely to mature into regulated, balance-sheet-constrained institutions, operating alongside, rather than displacing, incumbents. At the same time, technology providers, comparison platforms, and distribution partners are expected to exert greater influence over infrastructure, origination, and/or customer journeys.
- Progressive intermediation threatens to potentially weaken direct customer relationships and reduce financial services to transactional products. As households face more complex financial decisions across life stages, the need for stable, relationship-led support is likely to increase rather than diminish. Institutions that retain advice capability and community relevance will play an important role in sustaining confidence and inclusion.
- For building societies and credit unions, the central strategic implication is a focused mix of targeted differentiation combined with collective action. Mutuals will need to focus sharply on where they have a sustainable right to win, particularly in member relationships, specialist propositions, and life-event-based support. At the same time, the economics of technology, data and compliance investment are likely to increasingly exceed what most building societies can optimally address alone. Long-term competitiveness therefore depends on competing individually where value is created, while acting collectively where scale is decisive and shared investment can be mutually beneficial.

Introduction

The UK building society sector enters the next quarter century from a position of relative strength. Building societies have grown their market share of UK mortgage stock from 18% to 29% from 2009-25, and in the period from October 2024 to March 2025 they accounted for c.52% of growth in UK mortgage balances[1,2]. The disruption thesis that dominated financial services commentary in the years following 2008 – that technology-led challengers would systematically displace established deposit-taking entities (banks, building societies and credit unions) – has not come true – though the increased presence of newer entrants cannot be disputed.

But past durability does not necessarily translate to future security. The competitive environment of the next 25 years will likely be significantly shaped by four forces acting simultaneously: (i) maturation of digital competition; (ii) growing cost and criticality of technology investments; (iii) deepening role of technology companies; and (iv) progressive intermediation of customer relationships. None of these forces are individually decisive. But together, and sustained over time, they could have a profound impact on the UK banking landscape and implications for the UK building society and credit union sector.

The central argument of this piece is that the strategic response to this environment cannot be individual. The mutual sector's natural competitive advantage – member accountability, long run balance sheet discipline, and deep purpose – is partly a collective asset. Sustaining and augmenting this positioning could be catalysed by sector-level coordination that goes beyond what the sector has attempted to-date. The institutions that thrive to 2050 will likely be those that compete fiercely as individual entities on the things that differentiate them – member relationships, specialist underwriting, rate credibility and life-stage-grounded propositions – and act collectively on the things that are most efficiently and effectively shared (e.g. technology platforms, data infrastructure, routine workflows and risk and compliance capability). Drawing that line with clarity and strategically acting on both sides of it will significantly influence the sustained competitive position of the building society sector.

Market context

The competitive landscape in UK financial services has experienced considerable change since 2008. Challengers succeeded in areas such as payments and credit: markets typically with relatively lower regulatory capital requirements, high transaction frequency and where data can drive differentiation. In key product areas for the building society sector, such as the mortgage and retail savings markets, the dynamics were materially different. The building society model proved particularly resilient: raising competitively priced retail deposits and deploying them into primarily property-backed lending, benefitting members on both sides of the relationship. This has seen the building society sector achieve growth in UK mortgage stock of 4.1% and UK deposits of 3.4% p.a. from 2019-25, relative to -1.1% across both mortgages and deposits for the largest high street banks[3], and increase share of high-street branch presence from 14% in 2013 to 35% in September 2025[4].

We have also seen scale and purpose emerging as central success factors. Large universal banks have adapted and rationalised towards operational scale, capital efficiency and digital infrastructure, while deepening genuine commitments to purpose (in sustainability, financial inclusion and community investment) and remaining central to the banking landscape. Building societies have the additional, distinct element of member accountability, thus underlining the focus on long-term balance sheet stability and a service model built around life events and household needs. Going forward these factors will remain critical, where building societies will have key decisions to take on driving scale in meaningful products/services where they perceive a compelling path to profitable growth, while maintaining a continued strong focus on purpose, value and member-centricity.

[1] Figures include growth from building society acquisitions of high-street banks (now mutual-owned)
[2] The Building Society Association, 2025
[3] EY-Parthenon analysis of BSA and FCA data
[4] BSA Trading update November 2025 https://www.bsa.org.uk/statistics/sector-info-performance/building-society-trading-updates/building-societies-trading-update-june-2025-883a2eb3673679dc972a3cd8071a65b8

How the market may evolve

We see four trends as particularly likely to define the competitive landscape to 2050, while recognizing that their precise timing, relative importance, and combined effect remain uncertain. These four competitive trends are:

i	ii	iii	iv
maturation of digital competition	**growing cost and critical role of technology investments**	**deepening role of technology companies**	**progressive intermediation of customer relationships**

Understanding these forces at the member and household level – in borrowing, in savings and in the adjacencies that will matter most – is essential to forming a view of where the building society model is most advantaged, most exposed and most in need of potential action.

Maturation of digital competition.

Technology will continue to lower barriers to entry, resulting in a broad competitive spectrum from digital-first challengers to large established incumbents. What the past decade has also demonstrated, over a longer horizon, is the difficulty of translating market entry into full-service scale without access to stable, low-cost deposits. Challengers that have achieved durable scale have progressively acquired characteristics of the institutions they sought to disrupt: broader product sets, more conservative balance sheet management, and stronger regulatory standing. Conversely, large banks have absorbed many of the features that once appeared disruptive and are likely to remain competitive in future. We anticipate large banks will continue to close the experience gap to digital-first players, use AI and their significant data advantage to build 'personalization at scale', and draw on their size, reach and strong position in payment architectures to secure strong distribution agreements with embedded finance partners. This presents the prospect of an increasingly bifurcated market between scale players and small, diverse specialists. The question for those in the middle will be how they sustain a clear point of competitive positioning and differentiation, for instance, with a key focus on a proposition built around member purpose and structured around life events.

Growing cost and critical role of technology investment.

Competitive differentiation in mortgages and savings over the next 25 years will require, among other capabilities, technology investment in digital servicing, seamless partnerships and data-driven member insight. The institutions best placed to navigate the necessary substantial and sustained technology investment are those that are most disciplined about where proprietary investment creates genuine differentiation, and where sharing infrastructure is more cost effective without eroding benefit. That discipline demands a strategic clarity about competitive positioning that the past decade has not required but will be critical going forward.

Deepening role of technology companies.

Large technology companies have exerted influence across two distinct frontiers. The first is product: where a number of digital-first players selectively entered areas such as payments, credit and insurance – markets with high data advantage and limited balance sheet requirements. The barriers for digital-first players entering products like retail mortgages at scale are significant. There may be opportunity for these players to enter through securitization, in a model not dissimilar to the specialist lenders that emerged after 2008, or by acting primarily as an originator. Making this approach scalable in the mainstream market, where cost of funds would continue to favour low-cost deposits and where large banks are likely to continue to hold the largest balance sheets for funding, would remain challenging.

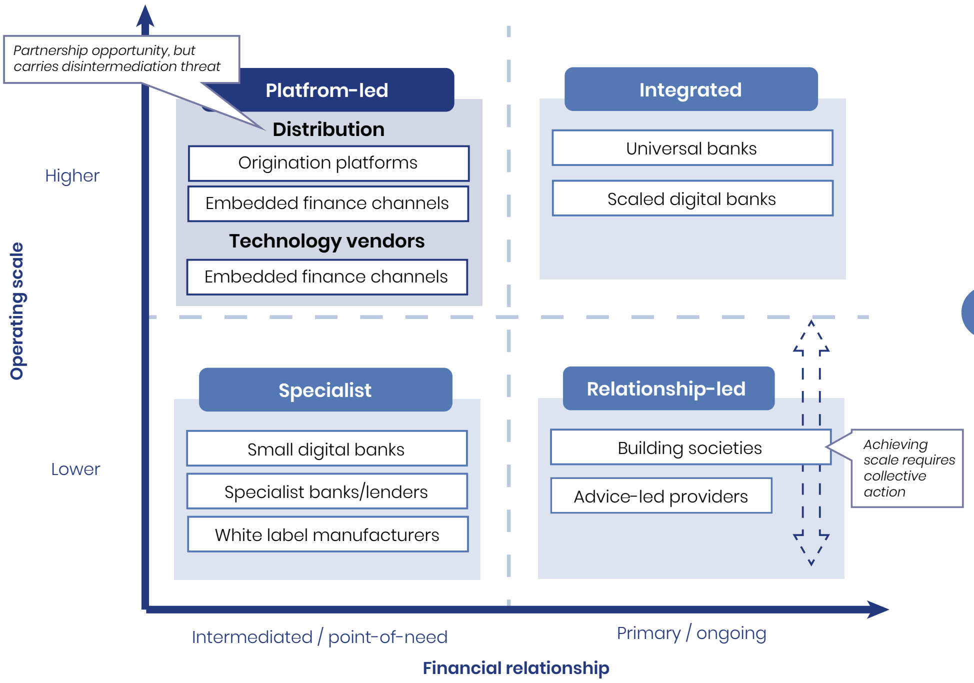
Product innovation (e.g. long-term mortgages) could introduce new players (e.g. insurers) to help secure lower cost funding, but these innovations would likely trigger reactions from other competitors, not least the large banks. Ultimately, it remains to be seen if the barriers to scaling mainstream lending can be overcome, but if they are, then financial services, and in particular retail banking, stands to be significantly reshaped.

The second frontier, and potentially more consequential in the long run, is infrastructure. Large technology firms are increasingly underpinning the operations of established deposit-taking entities across three areas: as the cloud platform that tools are built on, as services that underpin core risk and compliance functions and as the AI capability that is reshaping future operating models. Through to 2050, we anticipate consolidation of technology vendors in financial services and where incumbent technology companies may significantly increase their presence across all three of these infrastructural areas. Building societies therefore face a material dependency risk – where their pace of innovation, their customer experience quality, and their operating economics may be highly influenced by a small number of technology companies. The institutions best positioned to manage this potential risk are those with the scale to negotiate commercially, the technical sophistication to build proprietary capability, or the collective bargaining power to shape their supply chain. For most individual building societies, none of these conditions hold strongly. Against a context of technology partners and platforms playing a greater role in infrastructure, the primary areas where individual building societies build differentiation will be member-oriented service and propositions.

Progressive intermediation of customer relationships.

Intermediation will endure, particularly for 'simpler' products, to comparison platforms and non-financial sources of origination (e.g. utilities, workplace platforms, and home improvement services). Next-generation money and payments innovations will also affect the structure of financial services more broadly. And as companies across financial and non-financial services move from being adjacent actors to members of the same ecosystem of providers, each carries meaningful disintermediation threat as they seek to retain customer ownership. The effect is a progressive separation of the customer relationship at the point of origination, and a real threat that some lenders are reduced to a white label manufacturing role where they compete principally as a balance sheet specialist. The large banks are also likely to be selective in which products they remain the orchestrator, and in some segments (such as more specialist lending) they may be more comfortable operating as a manufacturer. Collectively, this will likely influence the drivers of competitive differentiation and success, and place greater emphasis on customer service and post-sale engagement to ensure retention. For mortgages, for instance, this means retaining a focus on genuine and defensible advantages that building societies already hold – underwriting expertise, broker relationships, and long-term member orientation. Meanwhile in savings, a focus on rate credibility and goal-based savings are likely required to drive long-term customer value and stickiness. Intermediation also does not necessarily render owned channels irrelevant – branch networks may remain valuable as trust, advice, and resolution hubs within the community.

Taken together, these trends point to a more segmented competitive landscape by 2050. Large, universal banks are likely to remain the most influential scaled players, while specialists and platforms compete more selectively in specific products, channels, or parts of the value chain. Meanwhile, all deposit-taking entities face potential threats from embedded finance platforms, allowing players such as wealth managers, insurers, and non-financial providers an entry point to their customer journeys. For building societies, sustainability of positioning will depend less on mirroring the universal bank model and more on strengthening the relationship-led position. The figure opposite illustrates one view of how competitive positions may evolve by 2050 and the distinguishing characteristics that would underpin this landscape.



Archetype	Differentiating factors
Universal banks	Scale, breadth and brand recognition
Scaled digtial banks	Customer experince and connectivity
Bulding societies	Trust, purpose and member-orientation
Advice-led providers	Personalised guidance
Small digital banks	Agility, speed and cost
Specialist lenders	Expertise ad flexibility
White label manufacturers	Efficiency

Implications for building societies

The market dynamics described above converge on a set of strategic choices for the coming decades. Those choices operate at two levels: the product/commercial level, where individual societies must determine where they have a sustainable right to win; and the sector level, where the case for collective action is both stronger and more urgent than current practice reflects. The argument that follows is not that individual strategies are insufficient – it is that individual strategy, without sector-level coordination, will likely deliver diminishing returns against competitors whose infrastructure, data and cost economics continue to improve at pace.

Purpose-based portfolio.
Building societies hold a genuinely enviable asset in the depth of their member relationships – but that asset requires active stewardship to retain commercial value. Membership loyalty built on inertia and membership loyalty built on engagement are not commercially equivalent, and the gap between them will widen as switching friction continues to ease. Large banks will also increasingly target life events with AI-enabled analytics and engagement, compelling bundling, and potentially large marketplaces. To sustain the membership advantage, building societies must make members feel economically and emotionally different to banks when households need trust, judgement, and continuity. To achieve this, building societies should consider (i) anchoring around core product pillars such as financial advice, insurance and personal lending; (ii) crucially, managing these products as a portfolio designed to better meet needs across member life stages and household structures; and (iii) identifying the optimal delivery and go-to-market models (partnerships/embedding, pricing and distribution) in light of key market, competitive and product dynamics.

Diversification opportunities are likely to be those that remain adjacent to the core mutual offering – housing, household resilience, and community wellbeing. This may include green home and retrofit finance, later-life lending, care-linked or intergenerational wealth support, workplace savings and property-linked propositions for SMEs, charities, and responsible landlords. Current accounts may be an unlikely natural priority; the more distinct opportunity is likely to be drawing on open finance ecosystems to build a fuller view of members' financial lives.

From products to life events.
Customer expectations are evolving toward integrated propositions tied not only to life events but to broader household needs and the communities customers live in. This creates opportunities for building societies to package purpose-led bundles anchored in long-term relationships, community relevance, and a network of partners. Delivering these in a timely and targeted manner, however, requires capabilities that go beyond what most societies hold today in advice, in partnership management and in data analytics. In most cases the efficient route to these capabilities runs through structured partnership rather than self builds. Embedded finance (with housebuilders, home energy retrofitters, insurers etc.) and partnerships (with Life/Pensions mutuals, wealth managers etc.) are a potential opportunity for building societies to lean into and offer a natural extension of the relationship-driven model.

The limits of individual transformation.
The most direct challenge to the sector is that building societies are approaching the limit of what individual transformation can deliver. Some M&A is likely: mutual-to-mutual consolidation may create a measure of scale and investment capacity; acquisitions of specialist lenders may add higher-yielding capability; and targeted acquisitions of smaller or digital banks may provide modern platforms or more mature digital routes to market. However, attempting to mimic the scale of the universal bank model will remain a challenge. The economics of technology investment – high fixed cost, low marginal cost, and significant returns to scale – favour societies that share it. At present, the sector fragments that investment across independently operating technology estates, each solving broadly the same problems, but at sub-scale. The cumulative cost and capability gap relative to the largest players is not one that any individual society is likely to close. While consolidation or acquisition, together with organic growth, will support some to greater scale, sector-level investment in shared technology platforms, data infrastructure, fraud resilience, routine workflows, and compliance capability could shift the basis on which building societies compete. Critically, the new business models that represent the sector's most compelling long-term opportunity – the life event propositions, the embedded finance integrations, and the goal-based savings offerings – are viable only if the underlying infrastructure is robust, agile, and cost efficient enough to support them.

Conclusion

- While the exact nature of competitive change over the next 25 years remains to be seen, the decisive question for building societies will be where, in a more segmented and intermediated market, they retain a defensible right to win. Building societies will likely be required to compete on the hardest strengths to replicate, such as trust, meaningful relationships, genuine personalisation, and specialist judgement.
- Rather than mass market, this might be along dimensions such as the:
    - **Complex** – non-standard borrowers, irregular incomes, thin-file customers, with multi-product household needs
    - **Human** – looking for moments of reassurance, vulnerability, advice, transition and trust
    - **Long-term** – such as mortgages, savings, later-life finance, care and intergenerational planning
    - **Values-driven** – customers who care how decisions are made, how surplus is used, and whether incentives are aligned with their interests
- Success is likely to accrue to societies that make disciplined, purpose led choices, translating their structural strengths into integrated, life stage based propositions to sustain and drive relevance and value.

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