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Sector collaboration

Executive Summary

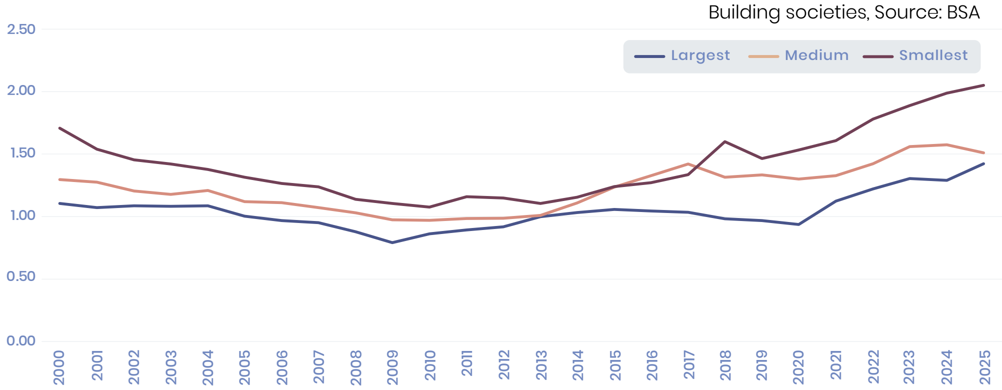
- The mutual sector will not reach its growth ambitions on today's operating model. Technology, regulatory obligations and scarce specialist skills are absorbing disproportionate capacity and slowing modernisation. The outcome is predictable: duplicated build, uneven control maturity and constrained headroom for member value.
- The route to scale is to separate what must remain unique from what can be industrialised. This chapter sets out the case for collective action, and describes the benefits of a shared capability platform model that delivers 'built once, used many' capability in high-cost, non-differentiating domains—while leaving societies free to compete on proposition, relationships and local presence.

The Strategic Challenge

Cost and complexity are rising faster than most societies can sustainably absorb. Costs are rising for all, but the pressure is particularly acute for small societies, as the chart shows.

Costs as a % of average assests

Building societies, Source: BSA



A large share of IT effort is tied up maintaining legacy estates, while regulatory expectations continue to intensify. In parallel, digital competitors are moving into core markets and replicating relationship-led propositions. The sector is therefore solving the right problems—but too often in parallel rather than at scale.

The building society sector has become much more concentrated over the last 25 years: in 2000 the 5 largest societies accounted for 68% of sector assets, following a step-change after the financial crisis, the concentration ratio has now grown to over 90%. But rather than combining organisations, strategic collaboration can offer a route to lower costs.

Four shared capability platforms (what to industrialise)

Collaboration must be explicit about scope. The four areas below are examples within the broader set of sector capabilities, but are not definitive. However, they are the high-value candidates because they are scale-driven, regulator-sensitive and consistently hard to staff and run to a bank-grade standard by all societies individually.

Capability platform	What is shared (built once, used many)	Why it matters (sector pain point)	Illustrative benefits (from proposition)
1 Financial Crime & Customer Onboarding	Standardised transaction monitoring and onboarding operations; common processes, analytics and tooling; flexible capacity aligned to demand peaks.	High manual handling effort and evolving expectations; pressure to deliver frictionless onboarding without increasing financial-crime risk.	40–75% reduction in transaction monitoring handling times; 13% reduction in onboarding processing time.
2 Cyber & Operational Resilience	Shared managed cyber defence (24/7 detection and response), digital identity, threat intel and monitoring, virtual Chief Information Security Officer/advisory overlay.	Cyber is a board-level threat; specialist talent is hard to access/retain; increasing focus on operational resilience and important business services.	~20% cyber cost reduction vs individual build; faster incident response; more consistent resilience outcomes.
3 Risk	Scalable Subject Matter Expert pools, integrated frameworks, flexible resourcing and dashboards/ Management Information; support for model governance and risk governance cycles.	Expanding scrutiny across credit, liquidity, model risk and IRRBB; fragmented frameworks and labour-intensive MI creation.	Predictable access to specialist expertise; stronger alignment to expectations; scalable support for ICAAP/ ILAAP.
4 Compliance & Regulatory Reporting	Standardised processes, templates and evidence packs, supported by enabling tooling to reduce manual effort and increase consistency.	Disproportionate burden on small teams; inconsistent evidence from manual controls; intensified reporting and oversight demands.	Lower and more predictable compliance cost; stronger, consistent regulatory confidence through standardised controls and evidence.

What stays unique (where societies should differentiate)

- Member relationships and community focus
- Brand, service model and customer experience
- Front-book product design and pricing decisions
- Distribution strategy and local market execution

How collaboration works (delivery, incentives, governance)

Historically, attempts at sector collaboration have not succeeded for various reasons including competition between partners, divergent requirements, cost and the complexity of governance for marginal benefits.

Shared platforms only work if they are unequivocally easier and better than building alone. That requires: clear unit economics versus standalone delivery, audit-ready controls by design, flexible capacity, and a governed operating model that allocates cost fairly and protects data.Three delivery routes are realistic: sector-convened utilities for defined services; anchor institutions extending proven capabilities to peers; and partner-enabled models where external providers accelerate build and run under sector governance. The delivery route can vary by platform—what matters is operational credibility and clear accountability.

Future scenarios (what happens if we do—or do not—execute)

Constrained path: collaboration remains ad hoc; duplication persists; smaller institutions face rising cost-to-serve and inconsistent control outcomes, increasing pressure to ultimately consolidate.

Transformational path: shared platforms become the default for core control and resilience capabilities; structural cost reduces; regulatory confidence improves; and scarce talent is redeployed into growth, proposition and member value.

Conclusion

The sector's opportunity is to industrialise the engine, not homogenise the proposition. If building societies collaborate decisively on the four platform areas above, they can unlock scale economics, strengthen resilience and free capacity for growth—while preserving the distinctiveness that members value.