Building Societies Association

The burden of regulation

July 2026

Executive Summary

The Building Societies Association (BSA) represents all 42 UK building societies, as well as two mutual–owned banks and 8 credit unions.

The BSA surveyed its members to better understand the burden they felt from current and forthcoming regulation. Between May and June 2026, 15 societies of various sizes and 2 credit unions responded in full or in part.

The survey comprised two sections:

- Estimates for the cost of compliance with regulation
- A questionnaire for building society and credit union chief executives

This paper summarises the responses. Where possible, comparisons are made with previous surveys conducted in 2016 and 2020.

The research presents the burden of regulation on building societies. We highlight the following findings:

1. **The cost of compliance is considerably higher for smaller societies than for larger societies**

2016

- For the largest societies, compliance costs averaged around £45 per million pounds of assets
- For small societies, the average is around £450 per million pounds of assets.

2026

- For the largest societies, compliance costs averaged around £56 per million pounds of assets
- For small societies, the average is around £644 per million pounds of assets.

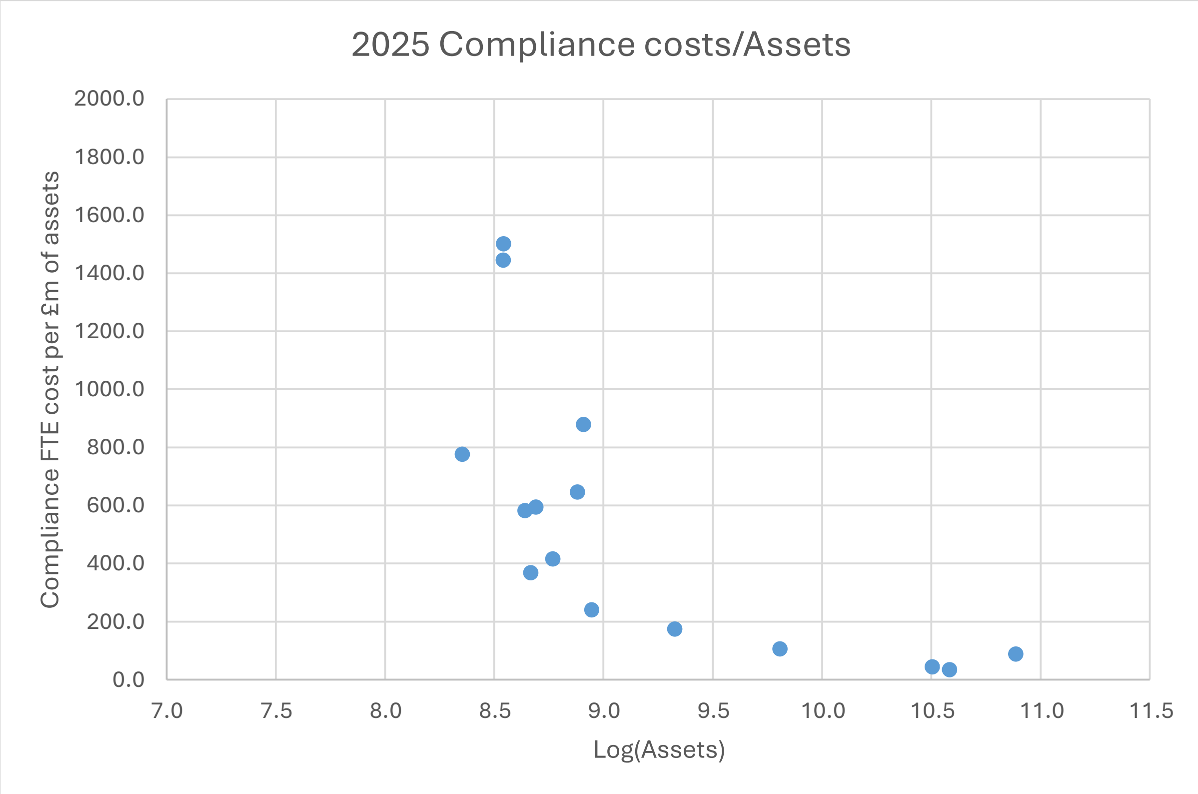
2. **Regulatory reporting is the biggest burden on building societies**

Reporting is complex, costly, and often inefficient. Excessive reporting requirements, duplication, inconsistency across reporting templates and unclear guidance are repeated concerns. Members report an increase in regulatory engagement and requirements, layering of rules over many years, and increasing assurance and oversight expectations. This growth in regulatory volume and complexity over time has a significant impact on operating costs and reduces innovation.

Proportionality continues to be key, particularly for firms that do not represent a material risk to the system. We welcome efforts to consolidate and streamline processes, and reduce reporting. Clearer guidance would be helpful to reduce complexity.

The burden of regulation

Compliance costs

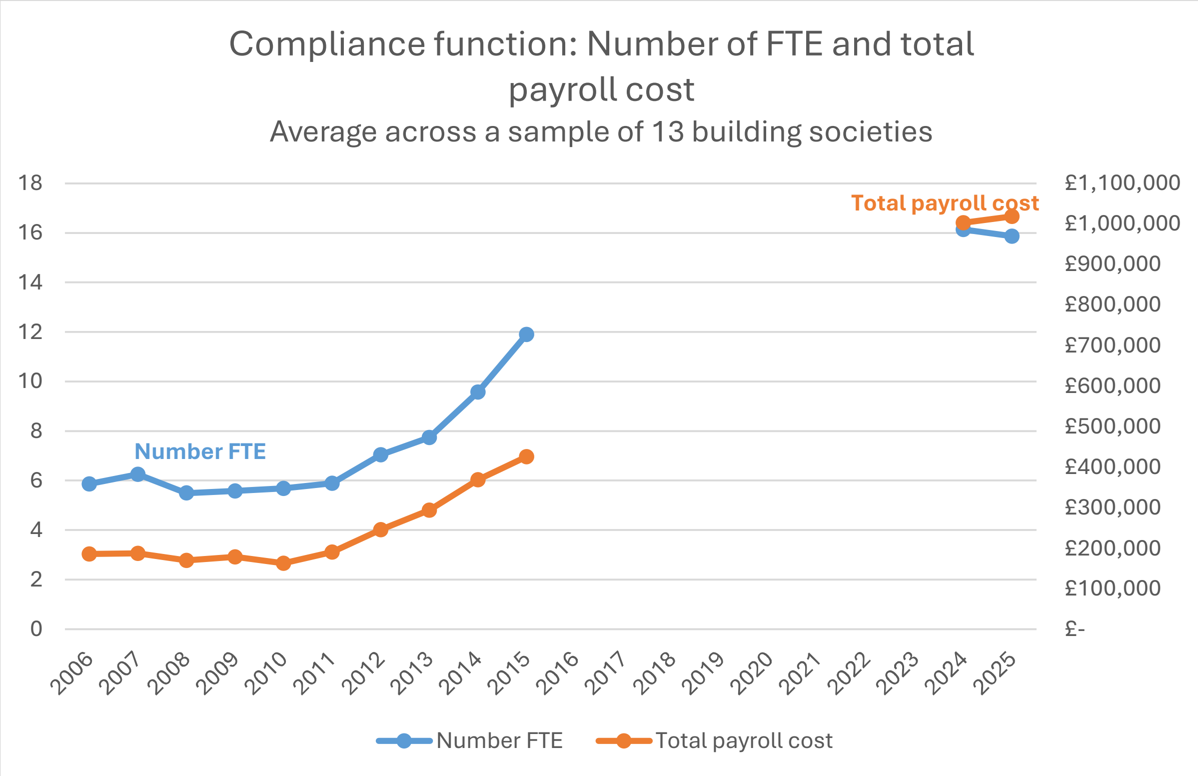


The above graph presents the total payroll cost of compliance with regulation, as a proportion of building societies' assets. The graph is based on a sample of 15 building societies, scaling from some of our largest members, to some of our smallest.

There is some variation in what different societies include in their compliance departments and also within staff costs or with variable use of external compliance consultants. Nonetheless, the greater proportionate burden on smaller societies is clearly demonstrated in the chart.

The ratio of compliance staff costs to assets is considerably higher for smaller societies than for larger societies. In 2025, for the largest societies, compliance costs averaged around £55 per million pounds of assets. For small societies, the average is nearer £644 per million pounds of assets.

In addition to the above, responses from two credit unions showed their proportionate costs were notably higher, with an average of £2,427 per million pounds of assets.



The above graph shows the increasing cost of compliance for a sample of building societies from 2006 to 2025.

Survey responses

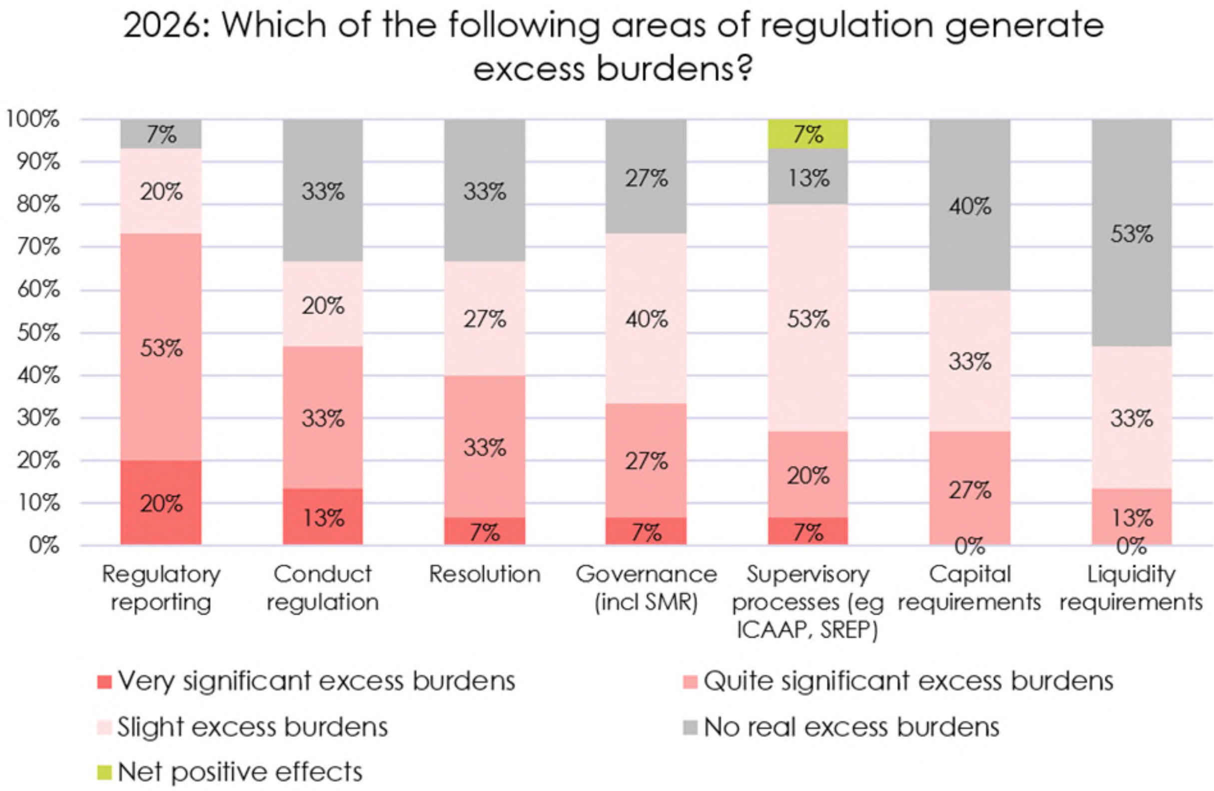
15 societies and 2 credit unions chief executives responded to a questionnaire on regulation.

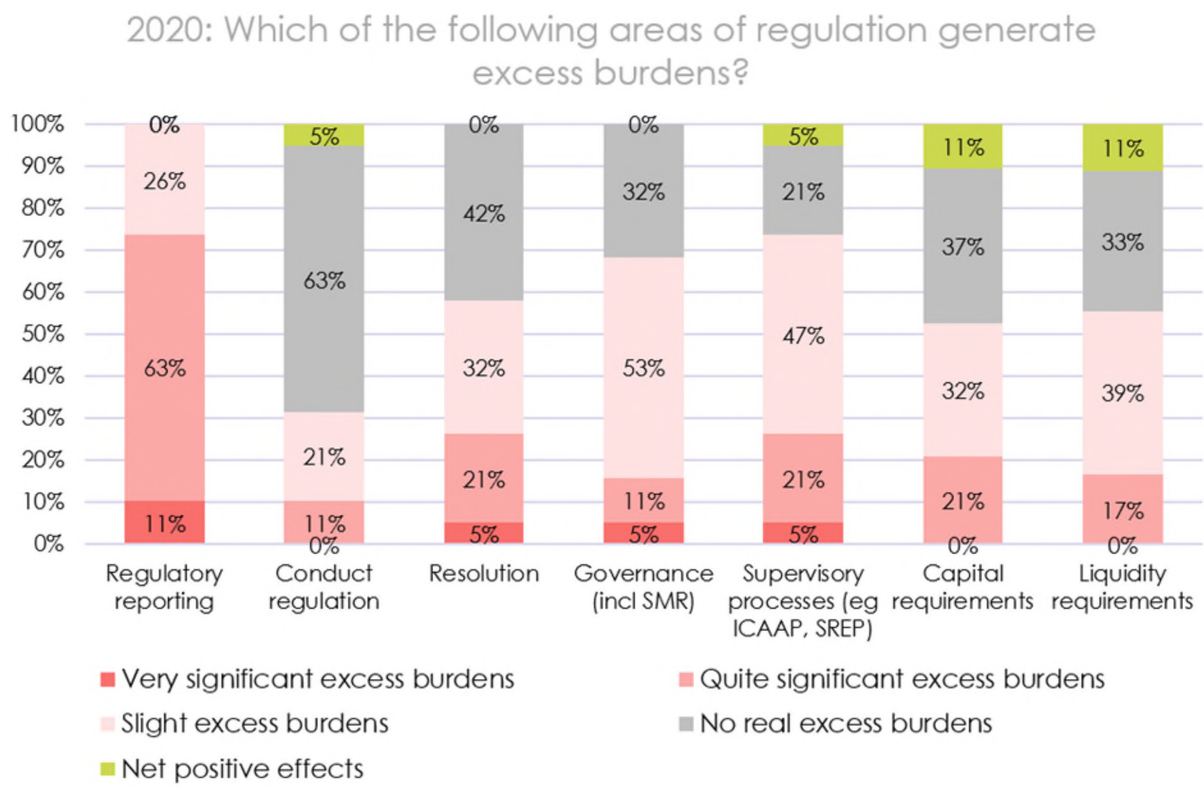
The area of regulation that generates the most burden is regulatory reporting, with 74% of respondents saying it had 'quite' or 'significant' burdens on their society. This was followed by Conduct Regulation (47%) and Resolution (40%).[1]

A higher proportion consider Conduct Regulation, Resolution and Governance to be an excess burden compared to the same survey conducted in 2020.

[1] Question asked: "In your opinion, which of the following areas of regulation generate excess burdens for your society? By 'excess' we mean burdens that go beyond what your society might consider good business practice. We are particularly interested in ongoing/business-as-usual burdens, as opposed to implementation burdens, or as a result of current events." The proportions may not equal the sum of their parts due to rounding.

Survey results: 2020 vs 2026





Regulatory reporting – the biggest burden

Feedback from members suggest reporting is complex, costly, and often inefficient, with firms dedicating significant resource dealing with large volumes of reporting requirements, duplication and inconsistency across reporting templates and trying to interpret unclear guidance. Reports were also not deemed useful for internal decision-making, which increased frustration.

Growth in regulatory volume and complexity over time

Respondents say there has been an increase in regulatory engagement and requirements (e.g. large rise in logged regulatory items) and report layering of rules over many years and increasing assurance and oversight expectations.

One firm illustrates this by reporting that in 2017, there were 206 items recorded on the regulatory engagement log compared to 2025, when there were approximately 834 items recorded.

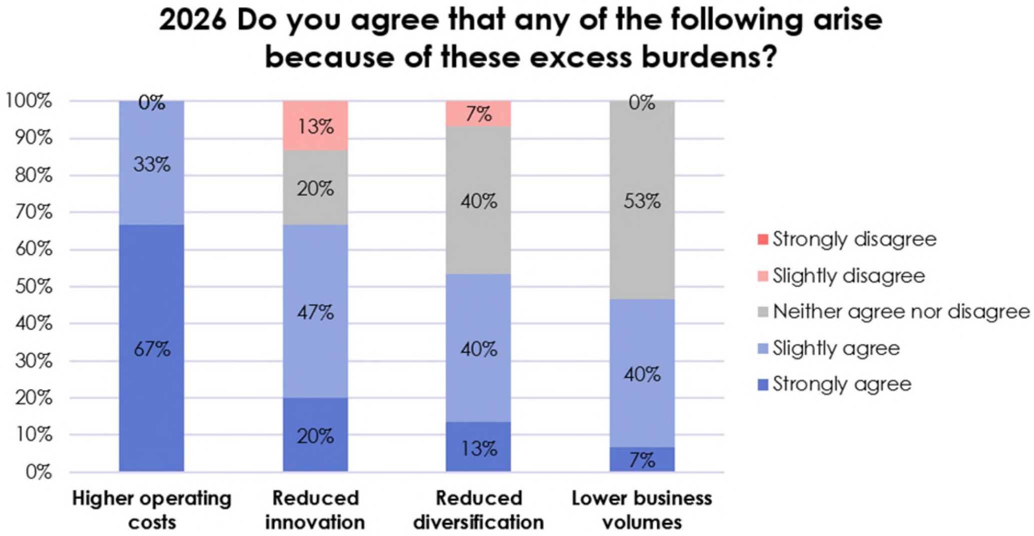
Heavy documentation and process requirements were reported for ICAAP / SREP / resolution planning documentation and extensive evidence and audit trails for compliance.

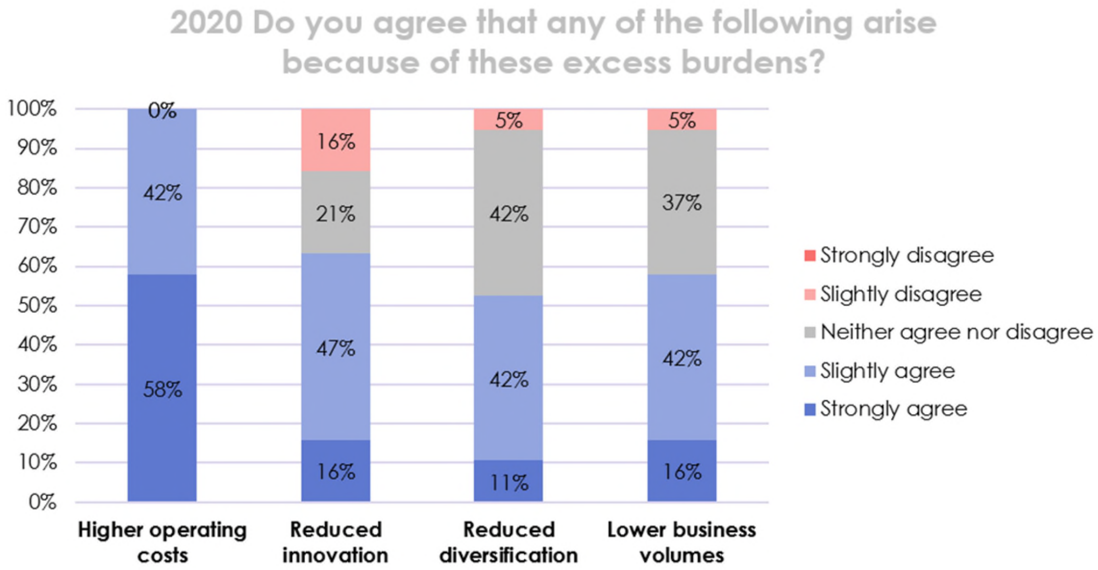
On Conduct Regulation and Consumer Duty, several members reported overlaps with existing protections and excessive complexity relative to benefits.

On capital, liquidity and resolution, members say these frameworks are not well tailored. While conceptually accepted, implementation is seen as overly complex and conservative. Some firms face 'in between' status issues, i.e. too large for simplified regimes but too small to justify full large-bank frameworks.

Impacts of excessive regulatory burden

Respondents unanimously said that excessive regulatory burden resulted in higher operating costs and 67% of them said it reduced innovation. Over half said that the excess burdens reduced diversification. Results were broadly similar to 2020.





About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, as well as two mutual–owned banks and 8 credit unions. Building societies and mutual – owned banks have total assets of almost £670 billion. They hold residential mortgages of £500 billion, 29% of the total outstanding in the UK. They also hold over £500 billion of retail deposits, accounting for 23% of all such deposits in the UK. Building societies and mutual - owned banks account for 46% of all cash ISA balances. They employ around 52,300 full and part-time staff and operate through approximately 1,300 branches, a 35% share of branches across the UK.